DES Deutsche EuroShop

DES

FINANCIAL REPORT

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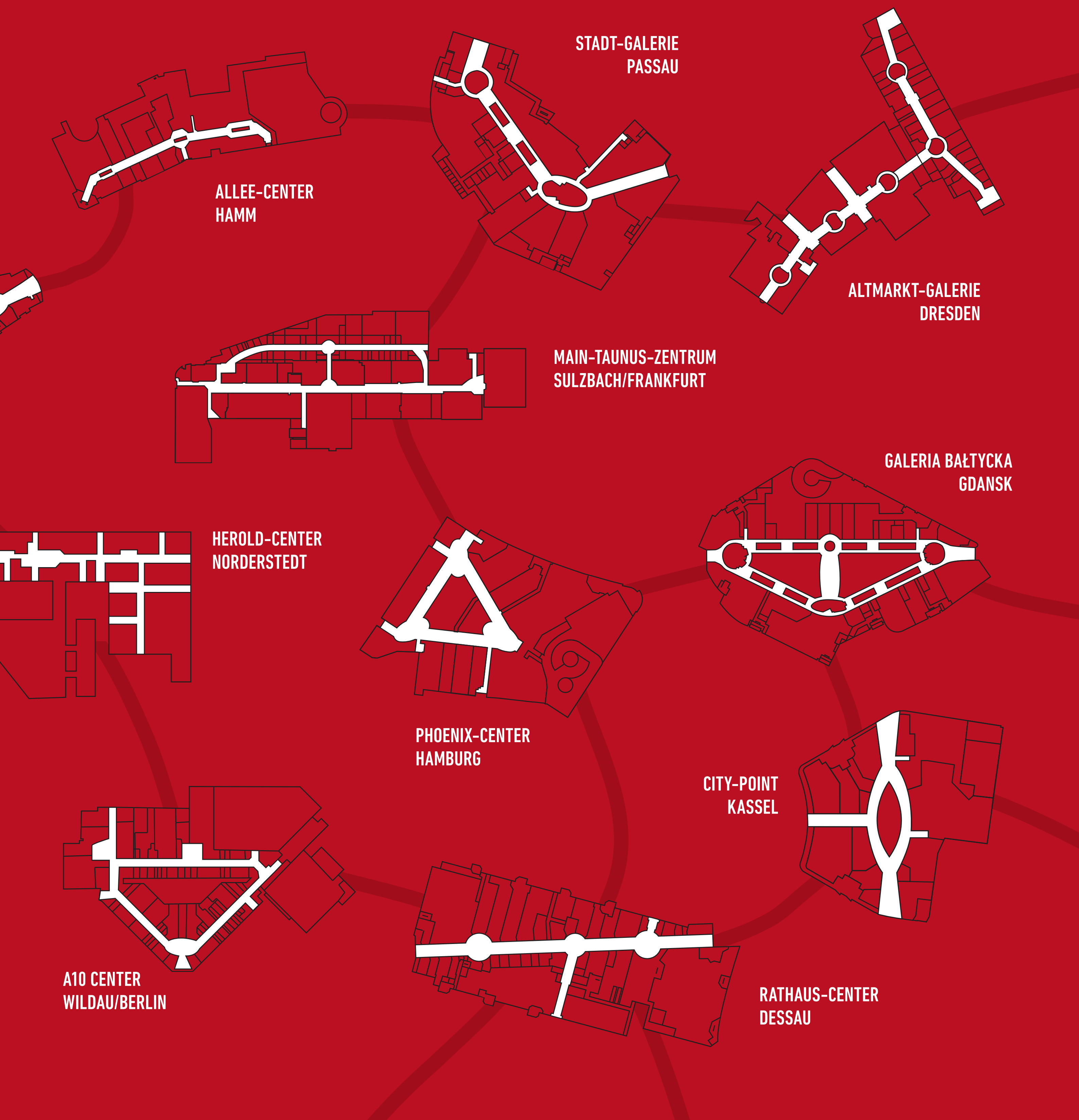

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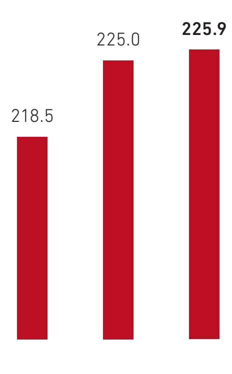
KEY FIGURES

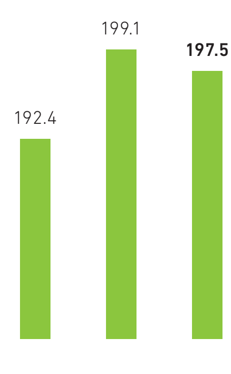
in € millions	2019	2018	+ / -
Revenue	225.9	225.0	0%
EBIT	197.5	199.1	-1%
Net finance costs (excluding measurement gains / losses [1])	-34.3	-38.2	10%
EBT (excluding measurement gains / losses [1])	163.1	160.9	1%
Measurement gains / losses [1]	-120.0	-58.3	-106%
Consolidated profit	112.1	79.4	41%
FFO per share in €	2.42	2.43	0%
Earnings per share in €	1.81	1.29	40%
EPRA Earnings per share in €	2.56	2.39	7%
Equity [2]	2,601.5	2,573.4	1%
Liabilities	1,957.1	2,036.8	-4%
Total assets	4,558.6	4,610.2	-1%
Equity ratio in % [2]	57.1	55.8	
Loan to value (LTV) in %	31.5	31.8	
Cash and cash equivalents	148.1	116.3	27%
Net asset value (EPRA)	2,613.4	2,667.5	-2%
Net asset value per share in € (EPRA)	42.30	43.17	-2%
Dividend per share in €	0.00 [3]	1.45	-100%

[1] Including the share attributable to equity-accounted joint ventures and associates
[2] incl. non controlling interests
[3] proposal

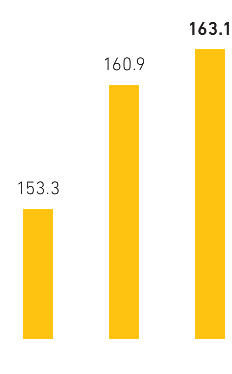
REVENUE
in € million



EBIT
in € million

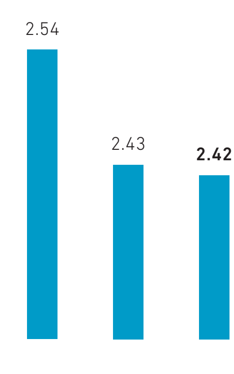


EBT *
in € million



* excluding measurement gains / losses

FFO per share
in €



COMBINED MANAGEMENT REPORT

The information provided in the combined management report applies to both the Group and Deutsche EuroShop AG, except where otherwise stated. The separate financial statements of Deutsche EuroShop AG are reported on in a separate section of the combined 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 21 shopping centers in Germany, Austria, Poland, Hungary and the Czech Republic are held in the real estate portfolio. The Group generates its reported revenue from rental income on the space it lets in the shopping centers.

The shopping centers are held by independent companies, with Deutsche EuroShop holding stakes of 100% in twelve of them and between 50% and 75% in the other nine. 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 centers in city centers and established locations offering stable long-term value growth. A key investment target is the generation of high surplus liquidity from long-term leases in shopping centers, of which a significant part can be paid out to shareholders in the form of an annual dividend. To this end, the Company invests its capital in shopping centers in different European regions in accordance with the principle of risk diversification. Germany is the main focus for investment. Indexed and turnover-linked commercial rents ensure that high earnings targets are achieved.

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

New investments should be financed from a balanced mix of sources, and 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 (1a) 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 rents that are customary in this sector and regularly consist mainly of a minimum rent linked to the consumer price index and a revenue-linked rent.

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 centers since 1965. The Company is currently the European market leader, with around 195 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 21 Deutsche EuroShop 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 AG manages the Company in accordance with the provisions of German company law and with its rules of procedure. The Executive Board's duties, responsibilities and business procedures are laid down in its rules of procedure and in its schedule of responsibilities.

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

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. In addition, the value drivers behind the management indicators, such as rental income, visitor numbers and reletting statistics, are monitored in monthly controlling reports. This allows 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

In 2019, Germany's gross domestic product (GDP) rose by 0.6%, according to the calculations of the German Federal Statistical Office. In comparison to the previous two years in which growth stood at 1.5% (2018) and 2.5% (2017), the momentum has dropped off significantly. Positive impetus continued to come mainly from the domestic market, particularly from increased consumer spending and a sustained high level of investment in construction. Spending by private households which profited from the positive trend on the labour market, rose by a price-adjusted 1.6% and government spending by 2.5%. Investment in construction increased in 2019 by a price-adjusted 3.8%, with investment in civil engineering projects and residential developments, in particular, higher than in the previous year.

On the labour market, the positive trend of recent years also continued: On average, 2.3 million people were registered as unemployed during the year, putting the unemployment rate at 5.0% (previous year: 5.2%). Consumer prices in Germany rose by 1.4% versus 2018. At 1.4% (previous year: 4.6%), the increase in prices was smaller than in the previous year due to the cautious and sometimes even declining trend in prices in the energy sector throughout the year.

In 2019, real employee pay rose by 1.2% according to the German Federal Statistical Office. In an environment with ongoing high employment and incomes rising in real terms, the propensity to consume fell slightly by comparison with the previous year, but was still at a very good level according to market research institution GfK. The savings rate in 2019 – at 10.9% (previous year: 11.0%) – remained almost at the prior-year level, and private consumer spending, making up 52.2% of GDP, rose by 1.6% (price-adjusted).

According to provisional calculations by the German Federal Statistical Office, German retail sales (including online sales) posted nominal growth of 1.7% and real growth of 0.8% over 2018, with rising online sales in particular again 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 €57.8 billion, an increase of approximately 8.4%. This equates to roughly a 10.4% share of total retail sales in 2019, which according to the HDE statistics came to €537.4 billion. Bricks-and-mortar retail sales in Germany grew 1.3% in nominal terms in 2019, though the key indicator for shopping centers of bricks-and-mortar fashion retail sales registered a 2.0% decline according to figures from the industry magazine TextilWirtschaft.

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 can be 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. For example, there have long been plans for a large-scale project development in Remscheid in the catchment area of our shopping center in Wuppertal. GfK estimates that total retail floor space in Germany increased by 0.6% in 2019 (previous year: +0.6%).

In addition to further growth in available retail space, the competitive situation in bricks-and-mortar retailing and in our shopping centers is being intensified particularly by the strong, steady gains being made by online shopping, a channel which continues to absorb much of the growth in retail sales.

Retail sector

Based on the calculations of real estate consultants JLL, rental turnover on retail spaces leased in Germany rose 4% to 500,100 m^2 in 2019, despite a subdued mood in the retail sector. The average leased area fell to 430 m^2 (previous year: 445 m^2), with 54% (previous year: 52%) of lease agreements concluded concerning spaces smaller than 250 m^2.

Just under 11% of all retail sales in Germany in 2019 were generated online. Online sales of fast-moving consumer goods (consumer goods that are purchased particularly frequently and are normally required on a daily basis, such as food, cleaning supplies and body care products) enjoyed particularly strong growth (+14.2%), though remained a niche business when viewed by share of total sales in food retail (< 1.3%). The largest segment, electronics & telecommunications, grew by 11.5%, while the second-largest retail segment in terms of sales, namely fashion, increased by 11.4%. The share of online sales generated by clothing and textiles grew by some 5% in 2019, according to figures from the Federal Association of German Textile Retailers (Bundesverband des Deutschen Textileinzelhandels), and stood at 23.5%.

The trend of purely online retailers renting physical shops in central locations or taking over bricks-and-mortar retailers within the framework of company acquisitions, or entering into joint ventures with bricks-and-mortar retailers, in order to achieve multi-channel capability, which is becoming increasingly important to consumers, also continued in 2019. As in previous years, online retail and offline retail are increasingly merging.

Real estate market

With a 15.6% rise in the volume of transactions to €91.3 billion (previous year: €79.0 billion), the German investment market in real estate reached a new record level, according to JLL. Here, the office and residential asset classes continued to dominate with some 64% of the transaction volume. Retail real estate accounted for 12% of the volumes (previous year: 13%).

Investments in German shopping centers totalled just slightly below €1.8 billion in full-year 2019 (previous year: €1.4 billion), representing an increase of 29% compared with the very weak previous year. JLL points to the higher number of large-volume transactions as being one of the reasons for the increase. The average volume rose from €56.7 million to €71.9 million. As in the previous year, it was among German investors in particular that 71% of investments in German retail real estate were concentrated in 2019.

Online retail is increasingly proving to be a strong competitor to physical retail outlets, and this is making the transaction processes difficult and long-winded. This is also reflected in rising returns on investments in Germany. According to JLL, returns on top shopping center investments in Germany averaged around 4.5% at the end of the year (previous year: 4.1%).

Share price performance

Following a year-end closing price for 2018 of €25.34, Deutsche EuroShop AG shares started the year on a slight uptrend despite the persistently difficult global market environment for shopping center shares and then hovered initially between €26.00 and €27.40. On 21 May 2019, the share closed on Xetra at €27.44, its highest level of the year. After the dividend payout in mid-June, the DES share price declined markedly, reaching a low for the period of €22.54 on 16 August 2019. The share then recovered, closing the reporting period at €26.42 on 30 December 2019. Taking into account the dividend of €1.50 per share paid on 17 June 2019, this corresponds to a performance of +10.4% (previous year: -21.8%). Deutsche EuroShop's market capitalisation stood at €1.63 billion at the end of 2019.

BUSINESS DEVELOPMENT AND OVERALL COMMENT ON THE GROUP'S FINANCIAL SITUATION

Key consolidated figures

in € million	Forecast for 2019	01.01. – 31.12.2019	01.01. – 31.12.2018	+/-
Revenue	222 – 226	225.9	225.0	0.4%
EBIT	194 – 198	197.5	199.1	-0.8%
EBT (excluding measurement gains / losses [1])	159 – 162	163.1	160.9	1.4%
EPRA [2, 5] earnings		158.3	147.4	7.4%
FFO	148 – 151	149.6	150.4	-0.5%
Equity ratio in % [3]		57.1	55.8	
LTV ratio in % [4]		31.5	31.8	

in €	Forecast for 2019	01.01. – 31.12.2019	01.01. – 31.12.2018	+/-
EPRA [2, 5] earnings per share		2.56	2.39	7.1%
FFO per share	2.40 – 2.44	2.42	2.43	-0.4%
EPRA [2] NAV per share		42.30	43.17	-2.0%
Weighted number of no-par-value shares issued		61,783,594	61,783,594	0.0%

1 Including the share attributable to equity-accounted joint ventures and associates
2 European Public Real Estate Association
3 Incl. third-party interests in equity
4 Loan-to-value ratio (LTV ratio): ratio of net financial liabilities (financial liabilities less cash and cash equivalents) to non-current assets (investment properties and investments accounted for using the equity method)
5 EPRA earnings include a one-off tax refund in the period under review, including interest accrued for previous years. Without this tax refund, EPRA earnings would total €149.3 million (+0.8%) million or €2.41 per share.

Financial year 2019 was satisfactory in terms of operations, with results in line with expectations. Revenue rose slightly by 0.4% from €225.0 million in the previous year to €225.9 million (forecast: €222 million to €226 million).

Earnings before interest and tax (EBIT) totalled €197.5 million (forecast: between €194 million and €198 million), down €1.6 million or 0.8% on the previous year. Earnings before tax and measurement gains / losses (EBT excluding measurement gains / losses) rose by 1.4% to €163.1 million (forecast: €159 million to €162 million). Including the positive non-recurring effects from tax refunds for previous years reported at the start of 2019, which are connected to a ruling by the Grand Senate of the Federal Finance Court (BFH) published in March 2019, EPRA earnings rose significantly by 7.4% to €158.3 million (excluding non-recurring effects: +0.8%). Funds from operations (FFO) adjusted for measurement gains / losses and non-recurring effects were slightly below the previous year at €2.42 per share (-0.4%), but still within the expected range (forecast: €2.40 to €2.44). Excluding non-recurring effects, the operating result remained stable in 2019 despite a continued competitive retail environment. Comparable revenues with slightly higher operating costs that are offset by lower interest expenses are the main reasons for this stable performance.

The investment measures launched in the previous year to modernise and position the existing portfolio as well as the increase in average acquisition yields and the reduced rental income growth forecasts for shopping centers in Germany resulted in a measurement loss of €-120.0 million (previous year: €–58.3 million). Income from the reversal of deferred taxes of €73.4 million had a substantial positive influence on consolidated profit, which stood at €112.1 million (previous year: €79.4 million). This reversal is mainly the result of the corporate restructuring completed during the financial year, which will allow the extended trade tax reduction to be used to a greater extent than before in future.

RESULTS OF OPERATIONS OF THE GROUP

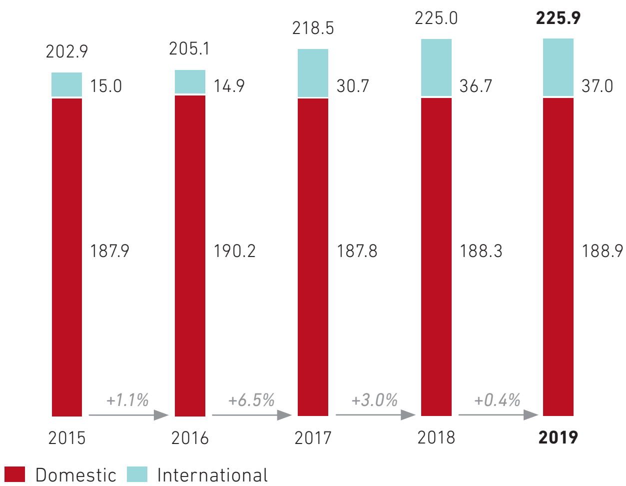
RESULTS OF OPERATIONS

					Change	
in € thousand	**01.01.–31.12.2019**		01.01.–31.12.2018		+/-	in %
Revenue		225,941		225,047	894	0.4
Operating and administrative costs for property		-24,429		-22,183	-2,246	-10.1
NOI		**201,512**		**202,864**	**-1,352**	**-0.7**
Other operating income		1,915		1,828	87	4.8
Other operating expenses		-5,958		-5,557	-401	-7.2
EBIT		**197,469**		**199,135**	**-1,666**	**-0.8**
At-equity profit / loss	*4,345*		*27,602*			
Measurement gains / losses (at equity)	*25,854*		*2,608*			
Deferred taxes (at equity)	*417*		*477*			
At-equity (operating) profit / loss		30,616		30,687	-71	-0.2
Interest expense		-49,256		-52,726	3,470	6.6
Profit / loss attributable to limited partners		-18,443		-18,448	5	0.0
Other financial gains or losses		2,745		2,286	459	20.1
Financial gains or losses (excl. measurement gains / losses)		**-34,338**		**-38,201**	**3,863**	**10.1**
EBT (excl. measurement gains / losses)		**163,131**		**160,934**	**2,197**	**1.4**
Measurement gains / losses	*-94,188*		*-55,715*			
Measurement gains / losses (at equity)	*-25,854*		*-2,608*			
Measurement gains / losses (including at-equity profit / loss)		-120,042		-58,323	-61,719	-105.8
Income taxes		-4,546		-10,573	6,027	57.0
Deferred taxes	*73,965*		*-12,166*			
Deferred taxes (at equity)	*-417*		*-477*			
Deferred taxes (including at equity)		73,548		-12,643	86,191	681.7
CONSOLIDATED PROFIT		**112,091**		**79,395**	**32,696**	**41.2**

Stable revenue growth

Consolidated revenue rose slightly (0.4%) in the financial year from €225.0 million to €225.9 million and was therefore in line with expectations. In the current bricks-and-mortar retail market environment, the centers, both in Germany and abroad, performed well on the whole in this respect.

REVENUE
in € million



REVENUE

in € thousand	01.01.– 31.12.2019	01.01.– 31.12.2018	Change +/-	Change in %
Main-Taunus-Zentrum, Sulzbach	36,004	36,030	-26	-0.1
Altmarkt-Galerie, Dresden	25,716	25,224	492	2.0
A10 Center, Wildau	21,538	21,112	426	2.0
Rhein-Neckar-Zentrum, Viernheim	17,727	17,977	-250	-1.4
Herold-Center, Norderstedt	12,816	12,878	-62	-0.5
Billstedt-Center, Hamburg	10,981	10,750	231	2.1
Allee-Center, Hamm	10,681	10,593	88	0.8
City-Galerie, Wolfsburg	9,691	9,981	-290	-2.9
Forum, Wetzlar	9,863	9,870	-7	-0.1
City-Arkaden, Wuppertal	9,237	9,416	-179	-1.9
City-Point, Kassel	8,716	8,678	38	0.4
Rathaus-Center, Dessau	8,053	7,896	157	2.0
Stadt-Galerie, Hameln	6,391	6,547	-156	-2.4
DES Verwaltung GmbH	1,455	1,406	49	3.5
Domestic	**188,869**	**188,358**	**511**	**0.3**
Galeria Baltycka, Danzig	15,830	15,689	141	0.9
Olympia Center, Brünn	21,242	20,967	275	1.3
Caspia, Danzig	0	33	-33	-100.0
Abroad	**37,072**	**36,689**	**383**	**1.0**
TOTAL	**225,941**	**225,047**	**894**	**0.4**

Operating and administrative costs for property at 10.8% of revenue

Center operational costs in the reporting period, at €24.4 million, which comprised mainly of center management fees, non-allocable ancillary costs, maintenance and write-downs of rent receivables, rose compared with the same period of the previous year (€22.2 million), due in particular to higher write-downs and non-allocable ancillary costs. At a cost / revenue ratio of 10.8% (previous year: 9.9%), costs were in line with the budget.

Other operating income and expenses

Other operating income, stemming primarily from the reversal of provisions, reimbursements and income from rental receivables written down in previous years, amounted to €1.9 million (previous year: €1.8 million) and was thus on par with the previous year. Other operating expenses, which mainly comprise general administrative costs and personnel costs, were €0.4 million up on the same period of the previous year (€5.6 million) at €6.0 million.

EBIT down slightly on the previous year

At €197.5 million, earnings before interest and tax (EBIT) were slightly down (-0.8%) on the previous year (€199.1 million) largely due to the increase in center operational costs in comparison with the previous year.

Financial gains or losses excluding measurement effects on the up

Financial gains or losses (excluding measurement gains / losses) improved by €3.9 million from €-38.2 million in the previous year to €-34.3 million. This was principally due to the interest expense of the Group companies, which came in €3.5 million lower than in the same period of the previous year due to scheduled repayments and better refinancing terms for the Altmarkt-Galerie Dresden and the Rhein-Neckar-Zentrum Viernheim.

The at-equity profit recognised in financial gains or losses, at €30.6 million (previous year: €30.7 million), was at the previous year's level.

Other financial gains or losses of € 2.7 million were mainly the result of the interest refund for a trade tax reimbursement. We have already reported on the background to these positive non-recurring effects from tax refunds in the section of the Annual Report 2018 entitled "38. Events after the reporting date". In the previous year, other financial gains or losses consisted mainly of a measurement gain on an interest rate swap for the financing of the Altmarkt-Galerie in Dresden, which expired in 2018.

INCOME STATEMENT OF THE JOINT VENTURES

in € thousand	**01.01. – 31.12.2019**	01.01. – 31.12.2018	Change +/-	Change in %
Allee-Center, Magdeburg	7,965	7,872	93	1.2
Phoenix-Center, Harburg	7,146	7,232	-86	-1.2
Stadt-Galerie, Passau	7,202	7,094	108	1.5
Saarpark-Center, Neunkirchen	6,105	6,259	-154	-2.5
City-Arkaden, Klagenfurt	6,668	6,629	39	0.6
Árkád, Pécs	4,011	3,888	123	3.2
Other	35	35	0	0.0
Revenue	**39,132**	**39,009**	**123**	**0.3**
Operating and administrative costs for property	-4,834	-4,519	-315	-7.0
NOI	**34,298**	**34,490**	**-192**	**-0.6**
Other operating income	356	266	90	33.8
Other operating expenses	-346	-307	-39	-12.7
EBIT	**34,308**	**34,449**	**-141**	**-0.4**
Interest income	1	2	-1	-50.0
Interest expense	-3,902	-3,984	82	2.1
Other financial gains or losses	350	348	2	0.6
Financial gains or losses	**-3,551**	**-3,634**	**83**	**2.3**
Current tax expense	-141	-128	-13	-10.2
At-equity profit (excluding measurement gains / losses)	**30,616**	**30,687**	**-71**	**-0.2**
Measurement gains / losses	-25,854	-2,608	-23,246	-891.3
Deferred taxes	-417	-477	60	12.6
SHARE OF PROFIT / LOSS	**4,345**	**27,602**	**-23,257**	**-84.3**

EBT (excluding measurement gains / losses) up by 1.4%

The interest savings for the ongoing financing as well as the one-off interest refund led to an increase in EBT (excluding measurement gains / losses) from €160.9 million to €163.1 million (+1.4%).

Significant measurement loss

The measurement loss of €-120.0 million (previous year: measurement loss of €-58.3 million) resulted from the valuation of the Group's real estate assets according to IAS 40. Measurement losses on real estate assets, after minority interests, broke down into €-94.2 million (previous year: €-55.7 million) from the measurement of the real estate assets reported by the Group and €-25.8 million (previous year: €-2.6 million) from the measurement of the real estate assets of the joint ventures recorded on the balance sheet according to the at-equity method.

The average value of Group properties, after ongoing investments, fell by -2.9% (previous year: -1.4%); individual measurement gains / losses ranged between -9.6% and +4.1%. With a sustained high overall occupancy rate of 97.6% (-1.0%), the valuation of the property portfolio was mainly influenced by an increase on average in acquisition yields for shopping centers in Germany, investment in modernising and positioning the existing portfolio and changes to expected rental trends and post-rental terms.

Income taxes

Taxes on income and earnings, including the share reported under at-equity profit resulted in tax income of €69.0 million, compared with a tax expense of €23.2 million in the previous year. Some €73.5 million in deferred tax provisions were reversed in the reporting year (previous year: an addition of €12.6 million). This reversal is mainly the result of the corporate restructuring within the Group completed at the end of the 2019 financial year, which, on the basis of the ruling of the Grand Senate of the Federal Finance Court (BFH) published on 27 March 2019, will allow the extended trade tax reduction to be used to a greater extent than before in future. For further information, please also refer to our report on events after the reporting date in the combined management report for 2018.

Income tax expenditure amounted to €4.5 million (previous year: €10.6 million) and included a trade tax reimbursement for previous years of €7.1 million.

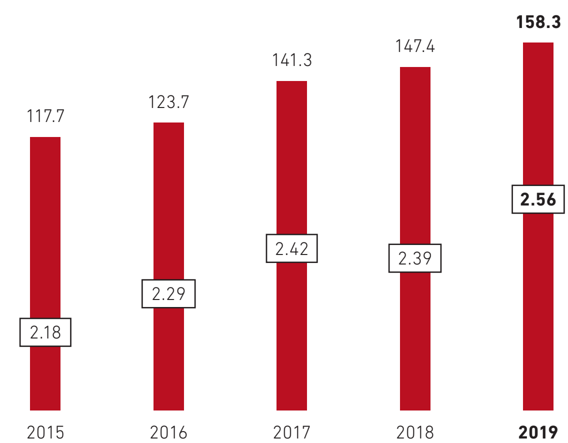
Improved consolidated net income

Despite the significantly worse measurement loss, consolidated net income rose year-on-year by €32.7 million to €112.1 million (previous year: €79.4 million) due to the extraordinary tax income from the reversal of deferred taxes and the trade tax reimbursement.

EPRA Earnings and earnings per share

EPRA earnings, which exclude measurement gains / losses, were boosted significantly by the trade tax reimbursement, including accrued interest income and the related taxes, in the amount of €9.0 million, increasing from €147.4 million to €158.3 million or from €2.39 to €2.56 per share. Even without this one-off effect, EPRA earnings would have increased to €149.3 million or €2.41 per share. Earnings per share (consolidated net profit per share) came to €1.81 in the year under review, compared with €1.29 in the previous year.

EPRA EARNINGS
in € million / per share in €



EPRA EARNINGS

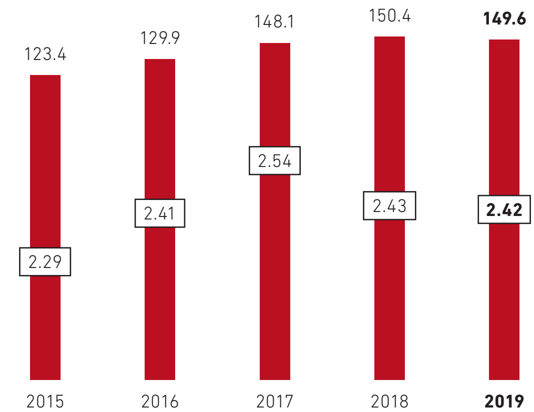
	01.01. – 31.12.2019		01.01. – 31.12.2018	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	112,091	1.81	79,395	1.29
Measurement gains / losses investment properties[1]	120,042	1.94	58,314	0.94
Measurement gains / losses derivative financial instruments[1]	-350	0.00	-2,604	-0.04
Other measurement gains / losses	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

Stable development of funds from operations (FFO)

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. Significant non-recurring effects that are not part of the Group's operating activities are eliminated in the calculation of FFO. At €149.6 million (previous year: €150.4 million) or €2.42 per share (previous year: €2.43 per share), FFO stood at almost the same level as in the previous year.

FUNDS FROM OPERATIONS (FFO)
in € million / per share in €



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
Measurement gains / losses 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 interest reimbursement and the tax expense attributable to this reimbursement

Results of operations of the segments

The subsidiaries and equity-accounted joint ventures are included in the Group's segment reporting in proportion to the Group's share therein. A distinction is made between the shopping centers in Germany ("domestic") and elsewhere in Europe ("abroad") (for further details, please see our statements on segment reporting in the notes to the consolidated financial statements):

			Change	
in € thousand	01.01. – 31.12.2019	01.01. – 31.12.2018	+ / -	in %
Revenue	**240,191**	**239,188**	**1,003**	**0.4**
Domestic	196,556	196,070	486	0.2
Abroad	43,635	43,118	517	1.2
EBIT	**213,330**	**214,709**	**-1,379**	**-0.6**
Domestic	172,556	174,360	-1,804	-1.0
Abroad	40,774	40,349	425	1.1
EBT (excl. measurement gains / losses)	**164,579**	**164,699**	**-120**	**-0.1**
Domestic	130,932	131,568	-636	-0.5
Abroad	33,647	33,131	516	1.6

The stable and positive revenue growth in the segments was offset by the higher center operational costs in the domestic segment, which are the result of higher write-downs of rent receivables in comparison with the previous year and ancillary cost reimbursements for previous years. Accordingly, EBT (excl. measurement gains / losses) in Germany fell by €0.6 million (-0.5%) in comparison with the previous year, while EBT abroad increased by €0.5 million (+1.6%).

FINANCIAL POSITION OF THE GROUP

Principles and objectives of financial management

For the purposes of financing its investments, Deutsche EuroShop uses the stock exchange for procuring equity, as well as the credit and capital markets for procuring loans. Within the Group, both the individual property companies and Deutsche EuroShop AG act as borrowers from banks or, where necessary, bond debtors. 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 to finance ongoing costs or pay dividends.

Financing analysis

As at 31 December 2019, the Deutsche EuroShop Group reported the following key financial data:

in € million	**31.12.2019**	31.12.2018	Change
Total assets	4,558.6	4,610.2	-51.6
Equity (including third-party shareholders)	2,601.5	2,573.4	28.1
Equity ratio (%)	57.1	55.8	1.2
Net financial liabilities	1,364.3	1,406.1	-41.8
Loan-to-value ratio (LTV ratio) in %	31.5	31.8	-0.3

At €2,601.5 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€2,249.6 million) and the equity attributable to third-party shareholders (€351.9 million), was up slightly on the previous year (previous year: €2,573.4 million). With a slight reduction in total assets, the equity ratio rose year-on-year to 57.1% (previous year: 55.8%) and thus remained at a high and healthy level.

FINANCIAL LIABILITIES

in € thousand	**31.12.2019**	31.12.2018	Change
Non-current bank loans and overdrafts	1,433,373	1,496,313	-62,940
Current bank loans and overdrafts	78,974	26,080	52,894
TOTAL	**1,512,347**	**1,522,393**	**-10,046**
Less cash and cash equivalents	148,087	116,335	31,752
Net financial liabilities	**1,364,260**	**1,406,058**	**-41,798**

Current and non-current financial liabilities fell from €1,522.3 million to €1,512.3 million in the year under review, a decline of €10.0 million, due to new loans and scheduled repayments. Together with the rise in cash and cash equivalents by €31.8 million, net financial liabilities, at €1,364.3 million, were on balance €41.8 million lower than at the end of 2018 (€1,406.1 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 (LTV) in the year under review to 31.5% (previous year: 31.8%). Based on the segment reporting approach, which takes into account the Group's pro-rata share in joint ventures and subsidiaries, the LTV ratio in the reporting year was 33.7% (previous year: 34.0%).

The financing terms for consolidated borrowing as at 31 December 2019 were fixed at 2.47% p. a. (previous year: 2.72% p. a.) with an average residual maturity of 5.3 years (previous year: 5.4 years). The loans to Deutsche EuroShop are maintained as credit facilities with 24 banks and savings banks in Germany, Austria and the Czech Republic.

LOAN STRUCTURE
as at 31 December 2019

Interest rate lock-in	as % of loan	in € million	Average residual maturity (years)	Average interest rate (in %)
Up to 1 year	5.2	78.6	1.0	3.05
1 to 5 years	40.7	615.3	2.9	3.29
5 to 10 years	45.7	691.8	8.0	2.37
Over 10 years	8.4	127.3	11.0	1.67
TOTAL	**100.0**	**1,513.0**	**5.3**	**2.47**

Of the 20 loans across the Group, 14 are subject to credit covenants with the financing banks. There are a total of 22 different covenants for 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 and for the planning period until 2024. With regard to the uncertainties relating to the planning period up to 2024 as a result of the coronavirus pandemic, please refer to the report on events after the reporting date.

Scheduled repayments totalling €16.8 million will be made from current cash flow during financial year 2020. Over the period from 2021 to 2024, repayments will average €11.8 million per annum.

A loan of €61.8 million, for which negotiations for its refinancing as well as for increasing it to €70 million are in the final stages, will be up for extension at the end of financial year 2020. Further loans of €136.5 million, €225.6 million and €209.1 million will subsequently be up for extension in 2021, 2022 and 2023, respectively.

Current and non-current financial liabilities totalling €1,512.3 million were recognised in the balance sheet at the reporting date. The difference between the total amount and the amounts stated here relates mainly to financing costs to be distributed by means of the effective interest rate method as well as deferred interest and repayment obligations that were settled at the beginning of 2020.

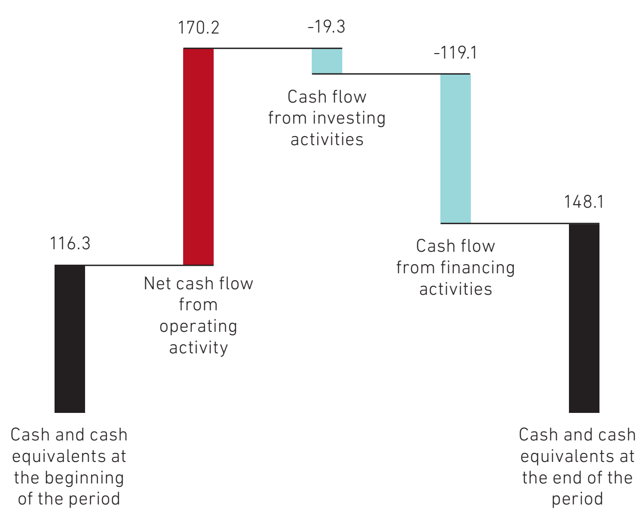
Investment analysis

In financial year 2019, investments continued to be made in modernising and positioning the existing portfolio and amounted to €19.3 million after €20.9 million in the previous year.

Liquidity analysis

in € thousand	01.01. – 31.12.2019	01.01. – 31.12.2018
Net cash flow from operating activities	170,206	159,202
Cash flow from investing activities	-19,332	-20,915
Cash flow from financing activities	-119,122	-128,531
Net change in cash and cash equivalents	**31,752**	**9,756**
Cash and cash equivalents at beginning of period	116,335	106,579
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**148,087**	**116,335**

DEVELOPMENT OF FINANCIAL RESOURCES
in € million



The Group's operating net cash flow of €170.2 million (previous year: €159.2 million) constitutes the amount generated by the Company 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 as well as ongoing loan repayments and investments.

Cash flow from investing activities consisted of cash-effective investment in portfolio properties (€19.3 million; previous year: €20.9 million).

Cash flow of €119.1 million from financing activities comprises a cash outflow from current repayments of financial liabilities of €27.1 million (previous year: €24.2 million), cash inflow from the assumption of financial liabilities of €16.6 million as well as a dividend distribution to shareholders of €92.7 million (previous year: €89.6 million) and a pay-out to third-party shareholders of €15.8 million (previous year: €14.7 million).

Cash and cash equivalents rose by €31.8 million in the year under review to €148.1 million (previous year: €116.3 million).

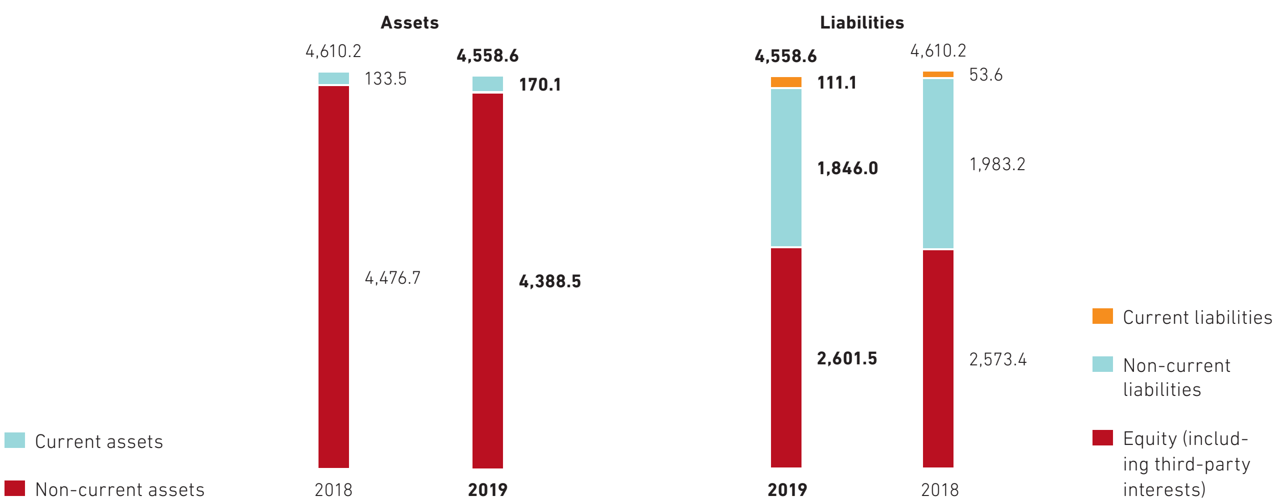
NET ASSETS OF THE GROUP

Total assets decline slightly

The Group's total assets fell by €51.6 million from €4,610.2 million to €4,558.6 million.

in € thousand	31.12.2019	31.12.2018	Change
Current assets	170,150	133,504	36,646
Non-current assets	4,388,455	4,476,724	-88,269
Current liabilities	111,136	53,580	57,556
Non-current liabilities	1,845,991	1,983,252	-137,261
Equity (including third-party interests)	2,601,478	2,573,396	28,082
TOTAL ASSETS	**4,558,605**	**4,610,228**	**-51,623**

BALANCE SHEET STRUCTURE
in € million



Current assets rise due to increase in cash and cash equivalents

At the end of the year, current assets amounted to €170.1 million, representing a €36.6 million rise versus the previous year (€133.5 million) which was mainly the result of a €31.8 million increase in cash and cash equivalents as at the reporting date (€148.1 million; previous year: €116.3 million). Trade receivables advanced €0.8 million on the previous year (€6.6 million) to €7.4 million. Other assets rose by €4.1 million, from €10.5 million to €14.6 million.

Non-current assets down slightly due to valuation losses on real estate assets

Non-current assets fell from €4,476.7 million to €4,388.5 million in the year under review, representing an €88.2 million reduction.

Investment properties fell by €68.9 million to €3,822.8 million, which corresponds to a decline of -1.8%. While additions and the costs of investments in portfolio properties came to €19.6 million, revaluation of the property portfolio resulted in valuation losses of €88.5 million.

At-equity investments declined by €19.5 million from €531.0 million to €511.5 million. This decrease is attributed to the difference between the share in the earnings (€4.4 million) and losses for the financial year (€23.9 million).

Current and non-current liabilities declining on the whole

Current liabilities have risen by €57.5 million from €53.6 million to €111.1 million due to a €61.8 million loan that will mature at the end of 2020 and was in the final stages of negotiations for long-term refinancing when the consolidated financial statements were being prepared.

Non-current liabilities fell from €1,983.2 million to €1,846.0 million, which constitutes a decline of €137.3 million, owing to the reversal of deferred tax liabilities (€-73.9 million), the reallocation of the loan maturing in December 2020 to current liabilities (€-61.8 million) as well as the balance from scheduled repayments and the raising of new long-term loans (€-10.0 million).

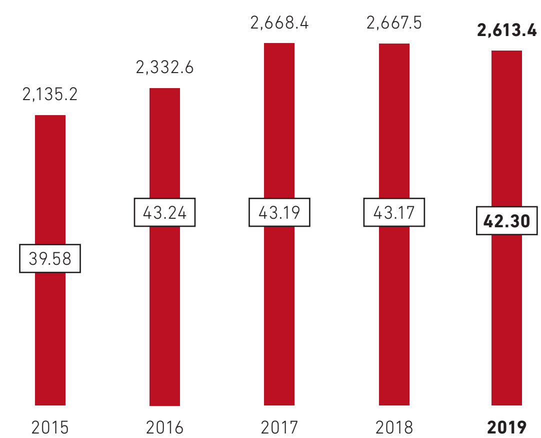
Equity (including third-party interests)

At €2,601.5 million as at the end of the reporting year, equity (including third-party interests) was up €28.1 million on the previous year (€2,573.4 million). The increase in the year under review was mainly due to the difference between the consolidated profit of €112.1 million and the dividend paid in June 2019 of €92.7 million as well as the €8.3 million increase in the redemption entitlements for third-party shareholders. The market values of swaps impacted equity positively, adding €0.4 million.

EPRA net asset value virtually unchanged

Net asset value (NAV) stood at €2,613.4 million or €42.30 per share as at 31 December 2019, compared with €2,667.5 million or €43.17 per share in the previous year. Net asset value per share was therefore down by €0.87 (-2.0%) year-on-year.

EPRA NET ASSET VALUE
in € million / per share in €



EPRA NAV

	31.12.2019		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**
Number of no-par-value shares issued as at the reporting date		61,783,594		61,783,594

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

REPORT ON EVENTS AFTER THE REPORTING DATE

To contain the coronavirus pandemic, extensive security and quarantine measures have been ordered by the authorities in a number of countries. In Germany, Austria, Poland and the Czech Republic governments issued orders in March that all shops nationwide must remain closed unless they are needed for essential supplies. The closure orders are different across the different countries, but there are generally exceptions for food, drugstores, pharmacies, banking services and a limited number of other everyday products and services. Restrictions have also been imposed in some cases on the catering trade. In Hungary, shop opening hours have been significantly reduced. The restrictions will either apply in the countries until further notice or are limited in time. In addition, legislation has already been passed in Germany and Poland to mitigate the consequences of the coronavirus pandemic on the stores affected by the closure. In the case of Germany, legal regulations restrict the termination of tenancy agreements in the event of non-payment of rent between 1 April 2020 and 30 June 2020, provided that this is due to the impact of the coronavirus pandemic. The fundamental obligation of tenants to pay rent remains intact. In Poland, it was decided to relive tenants of the obligation to pay rent during the period of official closure. Hungary is also examining the possibility of reducing the burden on tenants through legal regulations.

Deutsche EuroShop rental contracts contain regular agreements on fixed minimum rent payments. However, the prolonged decline in sales due to temporary mandatory shop closures and the expected general reluctance of customers to spend will have a negative impact on the economic situation of the retailers affected or has already led to the first insolvencies and applications for protective shielding measures from our tenants. For Deutsche EuroShop, this increases the risk that contractual obligations will not be honoured by rental partners either at all or on time, resulting in defaults and delays in payment that will affect liquidity. There may also be an increased risk of default and write-downs as a result of accumulated unpaid rent, as could arise for Germany given the legislation passed. In addition, temporary relief measures may become necessary for center operations and individual tenants. All this will have an impact on the performance of our business in 2020 and on the valuation of our shopping centers. An assessment of the effects of the pandemic is not possible at the present time and depends, among other things, on the duration and extent of the pandemic, further official restrictions and support measures. Deutsche EuroShop is constantly coordinating with ECE, the European market leader for shopping center management, which is commissioned with integrated asset management of the shopping center portfolio. The Executive Board will reassess the situation as soon as it has quantifiable information and report accordingly.

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

OUTLOOK

General conditions

The success of Deutsche EuroShop's business depends mainly on the overall macroeconomic performance. This applies to both the global economy, due to our core market of Germany's huge dependency on exports, and to the specific performance of the national economies within our European markets. A thriving economy, based on stable political conditions and trade relations as well as on functioning international value creation chains, is in this respect a factor that has a significant influence on the growth of the population's income, consumer confidence and retail sales.

Prior to the spread of the coronavirus in Germany, the German federal government, in its annual economic report published at the end of January 2020, was expecting gross domestic product to grow by 1.2%, largely based on an increase in private consumption. However, according to the estimates of the German federal government, the robust performance of the domestic economy that was originally expected contrasts with an increasingly weaker German export industry. Here, the risks that have arisen from the uncertainties outside of Germany are continuing to have an effect. The outcome of the Brexit negotiations as well as the short-term and long-term political consequences this will have for the EU remain unclear. Furthermore, the US' trade disputes with China and the EU have not been resolved despite the threatened further escalations not materialising and continue to unsettle the German export business. In addition, the weakness of the German automotive industry, which is burdened with the consequences of the diesel scandal and the structural challenges arising from the transition to alternative drive technologies, is impacting economic expectations.

Depending on the duration and the severity of the pandemic, the outbreak of the coronavirus will have considerable negative impacts on macroeconomic growth and particularly on consumer confidence and retail sales. In its special report published on 30 March 2020, the German Council of Economic Experts examined the effects of the coronavirus pandemic on Germany's gross domestic product on the basis of three scenarios and is predicting a decline for 2020 of between 2.8% and 5.4%.

The protective measures taken to stem the spread of the virus, such as the temporary closure of shops or limits on the number of visitors, are having a direct impact on our tenants' revenues and have already led to the first insolvencies and applications for protective shielding measures from our tenants (see "Report on events after the reporting date"). On the procurement side, this may also lead to disruptions in the supply and logistics chain for our tenants and thus to declines in their sales. Should these risks result in an increase in the financial pressure being placed on bricks-and-mortar retail and our tenants, this will impact the severity and likelihood of occurrence of our business-specific risks and thus affect the success of our business (see also "Risk report").

Comparison with the previous year's forecast

In comparison with our forecast for the previous year, we have met our expectations for sales revenues at €225.9 million (forecast: €222 million to €226 million), earnings before interest and tax (EBIT) at €197.5 million (forecast: €194 million to €198 million) and FFO at €149.6 million or €2.42 per share (forecast: €148 million to €151 million or €2.40 to €2.44 per share). Operating earnings before tax (EBT excluding measurement gains / losses) amounted to €163.1 million, slightly above our forecast of €159 – €162 million.

Expected results of operations in 2020

Uncertainties for the economy and the consumer climate have increased considerably due to the outbreak of the coronavirus pandemic. An assessment of the effects of the pandemic and the resulting forecast for the 2020 financial year is not possible at the present time and depends, among other things, on the duration and extent of the pandemic, further official restrictions and also legislation and support measures. However, we expect revenue, EBIT, EBT (excluding measurement gains / losses) and FFO to be below the 2019 figures.

Dividend policy

The effects of the continuing spread and unforeseeable duration of the coronavirus pandemic on the financial year 2020 cannot be quantified at the moment. As a precaution to secure and further strengthen the Company's liquidity, the Executive Board has therefore decided to propose to the Annual General Meeting that the unappropriated surplus remaining following the transfer to the other retained earnings is carried forward and the dividend payment for the 2019 financial year is suspended. We also intend to maintain our dividend policy geared towards continuity following the stabilisation of this extraordinary situation.

RISK REPORT

PRINCIPLES GOVERNING THE RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

Deutsche EuroShop's strategy is geared towards maintaining and sustainably increasing shareholders' assets and generating sustainably high surplus liquidity from leasing real estate, thereby enabling the distribution of an appropriate and sustainable 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 form the focal point of the internal control system, which at Group level is essentially the responsibility of the Executive Board. The internal control system is an integral part of the risk management system.

Within the framework of 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.

The risk analysis, as a continuous process, promptly identifies, evaluates and communicates the factors that may jeopardise the achievement of business targets. The process also includes management and control of the risks identified.

Risk analysis

Under existing service contracts, the Executive Board of Deutsche EuroShop AG is continuously briefed about the business performance of the shopping centers and the corresponding 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
- Observance of financial covenants in loan agreements

2. Centers under construction
- Pre-leasing levels
- Construction status
- Budget status
- Development of financial covenants in loan agreements and observance of disbursement conditions

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.

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.

Furthermore, the Executive Board uses scenario-based simulations, in which the key planning parameters (including rent, cost, return and interest rate trends) are changed, to assess the way in which risk aggregation affects the Group's continued existence. This analysis also allows for an evaluation to be carried out as regards which risks the Group can sustain.

The Executive Board reports on significant new risks and the scenario-based simulations in the Supervisory Board meetings. In the event of risks that jeopardise the continued existence of the Group, a report is issued 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 combined 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.

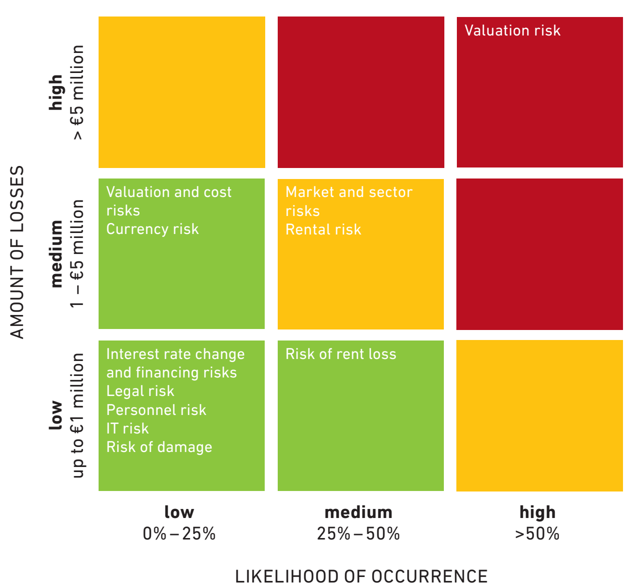
Decisions based on personal judgement, flawed controls, criminal acts or other circumstances cannot be entirely ruled out, however, and may limit the effectiveness and reliability of the internal control and risk management system that is in use. Consequently, the application of the systems used cannot 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 situation is presented in the following matrix. The potential scale of losses is calculated on the basis of the impact for the financial year following the reporting year and is based on the plans drawn up before the outbreak of the coronavirus pandemic. In comparison with the previous year, the overall risk situation is no different in this analysis. The factors that could influence the likelihood of occurrence and severity of the individual risks as well as the evaluation of the overall risk position due to the spread of the coronavirus cannot be quantified at the moment. Depending on how the pandemic progresses, the individual risks and the overall risk position will be reviewed and regularly re-evaluated. However, we expect that individual risks will increase in terms of the amount of losses and / or likelihood of occurrence.

RISK MATRIX



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 has performed a wide range of scenario-based simulations in order to evaluate the potential effects of the coronavirus pandemic on the Company's continued existence. In this context, the impact on the liquidity of the Group and the compliance with credit covenants has also been reviewed. The law passed in Germany on 27 March 2020 to mitigate the consequences of the COVID-19 pandemic has also been considered. This restricts the termination of tenancy agreements in the event of non-payment of rent between 1 April 2020 and 30 June 2020 where this is due to the impact of the coronavirus pandemic.

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

PRESENTATION OF MATERIAL INDIVIDUAL RISKS

Coronavirus pandemic

The coronavirus pandemic will have an impact on the individual risks described below with respect to the amount of losses and the likelihood of occurrence. As the extent of the pandemic cannot be quantified at the moment, no changes will be made to the individual risks. However, we expect that individual risks will increase in terms of the amount of losses and / or likelihood of occurrence. For further details, please also see our statements on "Report on events after the reporting date" as well as our "Outlook".

Valuation risk

The value of a property is essentially determined by its capitalised earnings value, which in turn depends on factors such as the level of annual rental income, the management costs and the investment needs, 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 appreciation of property values is also impacted by various macroeconomic and regional factors as well as by factors specific to those properties, which are for the most part unforeseeable and 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. In addition, the 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. Online retail will continue to grow dynamically and faster than the overall retail market. In addition, attractive and spacious retail facilities that are leaders in their respective catchment areas, which can offer customers a broad range of products, an enjoyable time and a special shopping experience, will continue to enjoy stable growth.

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 city centers, may cause realisable revenues in bricks-and-mortar retail trade to be distributed over more rental space overall and lead to lower space utilisation.

Even though the rate of growth in online trade was lower in 2019 than in previous years, e-commerce continued to grow significantly in absolute terms, and its share of total retail revenues increased. The segments of fashion, shoes and consumer electronics, in particular, continue to dominate online commerce, together making up around 50% of total online sales, and are also especially heavily represented in shopping centers.

To counter the rising share of online revenues along with potential pressure on space utilisation, bricks-and-mortar retail is embracing floor-space restructuring and focusing on good retail locations as well as increasing interconnection between the offline and online worlds, optimising product ranges, improving the quality of service and placing 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. According to figures from the German Retail Federation (HDE), we are seeing the first signs of success here, with bricks-and-mortar retail growing faster online in 2019 than purely online retailers. However, many retailers and also some medium-sized chain stores continue to face sizeable market-related challenges that, in some cases, jeopardise their existence. 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 permanent drop in space utilisation 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 mix at our centers is continuously and individually optimised on the basis of intensive market scrutiny in order to increase our centers' attractiveness for customers. In addition, the integration of the offline and online shopping worlds will be optimised further, partly through the Digital Mall concept, which aims to enable customers to see, prospectively reserve and order products that are immediately available in a shopping center conveniently and in just a few clicks via their smartphone or over the Internet. The basic functionality ("product search") of Digital Mall was rolled out in all of our German shopping centers by the end of 2019. Although the offering is currently still limited in the market launch phase, more than 2.2 million products were already available as at the end of 2019 and the omnichannel offering is continuously growing due to the gradual link-up of an ever-increasing number of retailers and locations.

The leisure, customer experience and meeting point aspects of our centers are also being enhanced. This includes the creation of attractive new restaurant spaces as well as our "At Your Service" and "Mall Beautification" investment programmes launched in the previous year. The aim is to make the centers a more pleasurable place to be and to raise the quality of service through targeted investments in, among other things, improved service and lounge areas, modern entertainment zones for kids, simplified in-house navigation when searching for shops or parking using touch screens or smartphone solutions, and intelligent parking guidance systems. The conclusion of leasing contracts with as long a term as possible with tenants with high credit ratings across every retail segment also reduces 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 medium-term and 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.

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 inadequate prices or is 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 medium-term and long-term leasing contracts involving high minimum rent price agreements.

Risk of rent loss

Deteriorating performance and credit ratings among tenants, which may also be triggered by serious external political or economic shocks, 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 as well as adopting reletting measures early 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 writedowns are recognised on the balance sheet in individual cases. These amounted to €1.7 million in financial year 2019 (previous year: €1.0 million). Depending on how the economy fares and in view of the clear structural change in bricks-and-mortar retail, an increase in write-downs in the current financial 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. New changes in the law may also mean that additional costs cannot legally and / or economically be passed on entirely to tenants as ancillary costs in future. The focus at present is on the real property tax reform. Here, it is currently impossible to perform an evaluation based on the current state of the legislative proceedings.

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 external damage or loss, 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 the Company. There is a risk that refinancing may only be available at higher interest rates than before. This would negatively impact EBT and FFO.

As at the reporting date, the Group's financing arrangements for the most part involved long-term 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 occasionally 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 which are also lenders. Interest rate swaps and the underlying transaction are generally reported as one item in the 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 as well as a clear intensification of online competition or a 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 responds to this financing risk by concluding long-term loan agreements, avoiding the accumulation over time of loan maturities and observing conservative debt ratios. Furthermore, the Company maintains long-term business relationships with a large number of investment, commercial and mortgage 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, the Polish zloty or the Czech koruna 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 total or partial ruin on account of external factors (e.g. damage from fire or flooding, vandalism, terror attacks), which can lead to repair costs and leasing defaults. These damages are hedged to the greatest possible extent by insurance policies with insurers with a high credit rating. It is, however, conceivable that not all theoretically possible damage is adequately covered by insurance policies, or that this insurance coverage cannot be maintained on adequate terms in light of changing conditions in the insurance market, or that sufficient insurance protection will not even be offered. 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 damage, our properties are also actively secured by fire and burglary protection and anti-vandalism measures.

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 AG'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 daily by remote backup and also regularly 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. While bricks-and-mortar retail is currently facing challenges from strong growth in online retail, and many transformation processes are being initiated more actively, the strict boundaries between the online and offline shopping world continue to disappear. There is a clear trend towards purely online retailers increasingly opening shops and branch networks or gaining access to bricks-and-mortar retail chains and their branch network through acquisitions or joint ventures. This development is based on the expectation from customers that they will be able to buy all products online or offline depending on the situation. A large number of retailers have realised that they can offer a considerably better customer service and achieve greater sales growth with an omnichannel sales approach. In addition, bricks-and-mortar spaces are also increasingly lending themselves to being used as local logistics hubs for fast and cost-efficient delivery services.

Thanks to the positioning of our shopping centers at first-rate locations, broad sector diversification within the centers, the increasing link-up between the shopping centers and online retail via Digital Mall, and their conceptional adaptation with an emphasis on leisure, customer experience and meeting point aspects, and the increasing importance of shop space to online retail, we see opportunities for success during these structural changes, including in periods of stagnation.

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

There are also growth opportunities for Deutsche EuroShop AG, in keeping with its clearly defined, selective investment strategy, through the acquisition of 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's 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 was last put before the General Meeting for approval in June 2018. 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 measurement 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 for Mr Wellner is limited to 150% of his basic annual remuneration and the bonus for Mr Borkers is limited to €300 thousand.

The non-performance-related basic annual remuneration is €282 thousand for Mr Wellner and €199 thousand for Mr Borkers. In addition, Mr Wellner is expected to receive a bonus of €404 thousand and Mr Borkers €284 thousand for 2019. 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 will decide at its own discretion on the extent to which such remuneration will be reduced.

In the event that the employment contract is terminated prematurely by the Company without any good cause, the members of the Executive Board will 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 long-term incentive (LTI 2018) remuneration component was agreed in financial year 2018. The amount of the LTI 2018 is based on the positive change in market capitalisation of Deutsche EuroShop AG according to the data provided by Deutsche Börse over the period from 1 July 2018 to 31 December 2021. Market capitalisation is calculated by multiplying the volume-weighted average price over the last 20 trading days by the number of Company shares issued. According to the data provided by Deutsche Börse, the Company's volume-weighted market capitalisation stood at €1,862.4 million as at 1 July 2018.

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 2018 will be made in three equal annual instalments, the first being payable on 1 January 2022.

In the event that the employment contract is terminated prematurely by the Company, any entitlements arising from the LTI 2018 until that date will be paid out prematurely.

On 31 December 2019, the market capitalisation of the Company stood at €1,601.9 million, which was €260.5 million lower than the figure as at 1 July 2018. There was therefore no potential liability under the LTI 2018 as at the reporting date.

REMUNERATION OF THE EXECUTIVE BOARD 2019

The remuneration of the Executive Board amounted to €1,352 thousand, which broke down as follows:

	Wilhelm Wellner				Olaf Borkers				
in € thousand	CEO Joined: 01.02.2015				Member of the Management Board Joined: 01.10.2005				Total
Contributions made	2019	2018	2019 (min)	2019 (max)	2019	2018	2019 (min)	2019 (max)	2019
Fixed remuneration	282	267			199	186			
Ancillary benefits	25	21			15	21			
Total	**307**	**288**			**214**	**207**			**521**
One-year variable remuneration [1]	404	387	0	423	284	279	0	284	
Multi-year variable Remuneration									
LTI 2018	0	0	0	([2])	0	0	0	([2])	
Total	**404**	**387**			**284**	**279**			**688**
Pension expense	143	71			0	0			143
TOTAL REMUNERATION	**854**	**746**			**498**	**486**			**1,352**

1 Due to the preliminary nature of the remuneration calculations at the time the annual financial statements were drawn up, the payments may vary slightly with respect to the figures in the remuneration report for the following year.
2 no maximum

In 2019, the Executive Board was in receipt of payments totalling €1,240 thousand:

	Wilhelm Wellner				Olaf Borkers				
in € thousand in T€	CEO Joined: 01.02.2015				Member of the Management Board Joined: 01.10.2005				Total
Income	2019	2018	2019 (min)	2019 (max)	2019	2018	2019 (min)	2019 (max)	2019
Fixed remuneration	282	267			199	186			
Ancillary benefits	25	21			15	21			
Total	**307**	**288**			**214**	**207**			**521**
One-year variable Remuneration [1]	390	363	0	401	279	279	0	279	
Multi-year variable remuneration									
LTI 2018	0	0	0	([2])	0	0	0	([2])	
Total	**390**	**363**			**279**	**279**			**669**
Pension expense	50	25			0	0			50
TOTAL REMUNERATION	**747**	**676**			**493**	**486**			**1,240**

1 Due to the preliminary nature of the remuneration calculations at the time the annual financial statements were drawn up, the payments may vary slightly with respect to the figures in the remuneration report for the following year.
2 no maximum

Ancillary benefits include the provision of a car for business and private use. Pension expenses for Mr Wellner comprise a defined contribution pension plan amounting to €50 thousand p. a. which was granted to him until the age of 62. The pension commitment will terminate prematurely if Mr Wellner does not accept an extension to his work on the Executive Board offered to him by the Company and in the event of incapacity for work or death.

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. From 2016, this amount was paid at the start of each year in five equal instalments, finishing in 2020.

REMUNERATION OF 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.

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	2019	2018
Reiner Strecker	59.50	59.50
Thomas Armbrust	29.75	29.75
Beate Bell	29.75	29.75
Manuela Better	29.75	29.75
Dr. Anja Disput	16.51	0.00
Karin Dohm	44.62	44.62
Henning Eggers	16.51	0.00
Dr Henning Kreke	29.75	29.75
Alexander Otto	29.75	29.75
Claudia Plath	16.51	0.00
Klaus Striebich	29.75	29.75
Roland Werner	29.75	29.75
	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 2019, 19.47% of shares were owned by Alexander Otto (previous year: 18.83%).

The share capital is €61,783,594, comprised of 61,783,594 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 €11,680,999 through individual or multiple issues of new no-par-value registered shares against cash and / or non-cash contributions before 27 June 2022 (Authorised capital 2017). As at 31 December 2019, no use had been made of this authorisation.

In addition, the Executive Board was authorised by a resolution of the Annual General Meeting held on 28 June 2018 to acquire treasury shares in the Company constituting up to 10% of the share capital available on the entry into force of or – if this is lower – on exercise of the authorisation by 27 June 2023. As at 31 December 2019, no use had been made of this authorisation.

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 289F HGB)

The declaration on corporate governance, in conformity with section 3.10 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code) and section 289f of the Handelsgesetzbuch (HGB – German Commercial Code) has been published on the Deutsche EuroShop website:

www.deutsche-euroshop.de / Home-enInvestor-Relations / Corporate-Governance / Declaration of Conformity

REPORTING ON THE SEPARATE FINANCIAL STATEMENTS OF DEUTSCHE EUROSHOP AG

As the Group managing company, Deutsche EuroShop AG is responsible for corporate strategy, portfolio and risk management, financing and communication. As the holding company, the economic development of Deutsche EuroShop AG depends primarily on the business development of the Group's operating companies. Deutsche EuroShop AG also directly participates in and shares the opportunities and risks of the Group companies. Therefore, please also refer to the reporting on the Group in sections "Macroeconomic and Sector-Specific Conditions", "Risk report" and "Opportunity report" in this combined management report.

The annual financial statements of Deutsche EuroShop AG were prepared in accordance with the rules of the German Commercial Code (HGB), in compliance with the German Stock Corporation Act (AktG), while those of the Group were drawn up according to IFRS rules.

RESULTS OF OPERATIONS OF DEUTSCHE EUROSHOP AG (HGB)

			Change	
in € thousand	01.01.–31.12.2019	01.01.–31.12.2018	+/-	in %
Other operating income	150	268	-118	-44
Personnel expenses	-2,055	-1,905	-150	-8
Depreciation/amortisation and other operating expenses	-2,185	-2,055	-130	-6
Investment income	69,353	68,681	672	1
Financial gains or losses	-7,918	-4,105	-3,813	-93
Income taxes	11,784	-12,326	24,110	196
Net profit	**69,129**	**48,558**	**20,571**	**42**
Transfer to retained earnings	-34,500	0	-34,500	–
Withdrawal from capital reserves	0	44,117	-44,117	-100
UNAPPROPRIATED SURPLUS	**34,629**	**92,675**	**-58,046**	**-63**

Deutsche EuroShop AG delivered a very positive performance in financial year 2019. Although earnings before taxes, at €57.3 million, were €3.4 million below the previous year (€60.9 million), they were €8 million above expectations (€49.3 million). A principal component of the Company's earnings is investment income, at €69.4 million (previous year: €68.7 million), which exceeded the forecast by €14.4 million. The postponement of planned maintenance and investment until subsequent years, the higher settlement payments received and the improved results of operations in individual investments largely explain these positive differences.

The financial result was positively impacted by the €2.7 million in taxes refunded as part of the trade tax reimbursement. In addition, the interest expenses fell by €0.1 million year-on-year due to the scheduled repayments. Conversely, the write-down of €6.6 million, which was carried out on the basis of an external appraisal report on the investment property, impacted the investment in Saarpark Center Neunkirchen KG.

Taxes on income and earnings resulted in a profit of €11.8 million, compared with a tax expense of €12.3 million in the previous year. Of this amount, €12.9 million is attributable to the reversal of deferred taxes (previous year: additions of €4.9 million), €7.1 million to the trade tax reimbursement and €8.2 million (previous year: €7.4 million) to taxes to be paid. The reversal of deferred taxes is the result of the corporate restructuring of individual investments completed during the financial year, which will enable the extended trade tax reduction to be used to a greater extent than before in future. The increase in taxes to be paid is primarily due to the interest refund as part of the trade tax reimbursement.

NET ASSETS OF DEUTSCHE EUROSHOP AG (HGB)

			Change
in € thousand	31.12.2019	31.12.2018	+/-
Non-current financial assets	1,161,439	1,216,741	-55,302
Other non-current assets	184	222	-38
Receivables and other assets	859	1,643	-784
Cash and bank balances	69,027	50,403	18,624
Assets	**1,231,509**	**1,269,009**	**-37,500**
Equity	1,043,521	1,067,067	-23,546
Provisions	3,066	3,634	-568
Liabilities	103,772	104,312	-540
Deferred tax liabilities	81,150	93,996	-12,846
Liabilities	**1,231,509**	**1,269,009**	**-37,500**

The decline in non-current financial assets is due mainly to distributions that exceed the proportional net profits of the investees, as determined under commercial law, and to withdrawals.

The change in equity was the result of the profit for the financial year at €69.1 million and the dividend of €92.7 million paid in June 2019. The equity ratio of Deutsche EuroShop AG improved slightly from 84.1% to 84.7% and remained at a very healthy and high level.

FINANCIAL POSITION OF DEUTSCHE EUROSHOP AG (HGB)

in € thousand	01.01. – 31.12.2019	01.01. – 31.12.2018
Net profit	69,129	48,558
Cash distributions on investees recognised in equity	50,509	39,962
Measurement of investments not affecting liquidity	6,618	0
Addition / reversal for deferred income taxes	-12,846	4,942
1. Free cash flow from operating activities	**113,410**	**93,462**
2. Outflows for new investments	**-100**	**0**
3. Inflows from equity	**0**	**0**
Inflows / outflows from bank loans	-1,753	-1,730
4. Inflows / outflows from financing activities	**-1,753**	**-1,730**
5. Other cash changes in the balance sheet	**-258**	**951**
6. Dividend for the previous year	**-92,675**	**-89,586**
Liquidity at the start of the year	**50,403**	**47,307**
Cash changes in liquidity (1st to 6th subtotal)	18,624	3,096
Liquidity at the end of the year	**69,027**	**50,403**

Free cash flow from operating activities increased from €93.5 million in 2018 to €113.4 million in the year under review (+21.3%) and was €1.4 million under budget. The reasons behind the slight deviation from the budget were reductions in distributions at individual investees to finance ongoing and future investments. For the past financial year, there was a return on the equity paid in (including equity from the convertible bond) amounting to €1,369.0 million of 8.3% compared with 6.8% in the previous year. Free cash flow per share rose from €1.51 to €1.84.

The outflows for new investments included the newly founded DES Beteiligungs GmbH & Co. KG as part of the corporate restructuring of the Group.

Outflows from financing activities were the result of scheduled repayments of long-term bank loans.

Taking into account the cash changes in net working capital (€-0.3 million) and the dividend paid in June 2019 of €92.7 million, liquidity ended the year at €69.0 million.

FORECAST FOR DEUTSCHE EUROSHOP AG (HGB)

It is not possible at present to produce a forecast for Deutsche EuroShop AG (HGB) due to the uncertainty surrounding the potential impact of the coronavirus pandemic on the investees of Deutsche EuroShop AG. However, we expect a decline in investment income and significantly lower cash distributions from ongoing leasing activity at our investees.

Hamburg, 25 March 2020 / 2 April 2020

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

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Assets

in € thousand	Note	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Intangible assets	7.	53,752	53,736
Property, plant and equipment	7.	424	213
Investment properties	8.	3,822,786	3,891,700
Investments accounted for using the equity method	9.	511,493	531,044
Other financial assets		0	31
Non-current assets		**4,388,455**	**4,476,724**
Current assets			
Trade receivables	10.	7,417	6,643
Other current assets	11.	14,646	10,526
Cash and cash equivalents	12.	148,087	116,335
Current assets		**170,150**	**133,504**
TOTAL ASSETS		**4,558,605**	**4,610,228**

Liabilities

in € thousand	Note	31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital		61,784	61,784
Capital reserves		1,217,560	1,217,560
Retained earnings		970,229	950,404
Total equity	13.	**2,249,573**	**2,229,748**
Non-current liabilities			
Financial liabilities	14.	1,433,373	1,496,313
Deferred tax liabilities	16.	378,755	452,642
Right to redeem of limited partners	17.	351,905	343,648
Other liabilities	15.	33,863	34,297
Non-current liabilities		**2,197,896**	**2,326,900**
Current liabilities			
Financial liabilities	14.	78,974	26,080
Trade payables	15.	5,805	3,543
Tax liabilities	15.	1,401	2,384
Other provisions	18.	8,120	7,413
Other liabilities	15.	16,836	14,160
Current liabilities		**111,136**	**53,580**
TOTAL EQUITY AND LIABILITIES		**4,558,605**	**4,610,228**

CONSOLIDATED INCOME STATEMENT

in € thousand	Note	01.01.–31.12.2019	01.01.–31.12.2018
Revenue	19.	225,941	225,047
Property operating costs	20.	-13,616	-11,690
Property management costs	21.	-10,813	-10,493
Net operating income (NOI)		**201,512**	**202,864**
Other operating income	22.	1,915	1,828
Other operating expenses	23.	-5,958	-5,557
Earnings before interest and taxes (EBIT)		**197,469**	**199,135**
Share in the profit or loss of associated companies and joint ventures accounted for using the equity method	9., 24.	4,345	27,602
Interest expense		-49,256	-52,726
Profit / loss attributable to limited partners	17.	-18,443	-18,448
Other financial income and expenditure		0	2,256
Interest income		2,745	30
Financial gains or losses		**-60,609**	**-41,286**
Measurement gains / losses	25.	**-94,188**	**-55,715**
Earnings before tax (EBT)		**42,672**	**102,134**
Income taxes	26.	69,419	-22,739
CONSOLIDATED PROFIT		**112,091**	**79,395**
Earnings per share (€), undiluted and diluted	27.	1.81	1.29

STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	01.01. – 31.12.2019	01.01. – 31.12.2018
Consolidated profit		**112,091**	**79,395**
Items which under certain conditions in the future will be reclassified to the income statement:			
Actual share of the profits and losses from instruments used to hedge cash flows	13.	487	3,238
Deferred taxes on changes in value offset directly against equity	13.	-78	-675
Total earnings recognised directly in equity		**409**	**2,563**
TOTAL PROFIT		**112,500**	**81,958**
Share of Group shareholders		112,500	81,958

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € thousand	Note	Number of shares outstanding	Issued capital	Capital reserves	Other retained earnings	Statutory reserve	Cash flow hedge reserve	**Total**
01.01.2018		**61,783,594**	**61,784**	**1,217,560**	**984,675**	**2,000**	**-28,643**	**2,237,376**
Total profit			0	0	79,395	0	2,563	81,958
Dividend payments	13.		0	0	-89,586	0	0	-89,586
31.12.2018		**61,783,594**	**61,784**	**1,217,560**	**974,484**	**2,000**	**-26,080**	**2,229,748**
01.01.2019		**61,783,594**	**61,784**	**1,217,560**	**974,484**	**2,000**	**-26,080**	**2,229,748**
Total profit			0	0	112,091	0	409	112,500
Dividend payments	13.		0	0	-92,675	0	0	-92,675
31.12.2019		**61,783,594**	**61,784**	**1,217,560**	**993,900**	**2,000**	**-25,671**	**2,249,573**

CONSOLIDATED CASH FLOW STATEMENT

in € thousand	Note	01.01. – 31.12.2019	01.01. – 31.12.2018
Consolidated profit		**112,091**	**79,395**
Income taxes	26.	-69,419	22,739
Financial gains or losses		60,609	41,286
Amortisation / depreciation of intangible assets and property, plant and equipment with a finite life	23.	169	58
Unrealised changes in fair value of investment property and other measurement gains / losses	25.	94,188	55,715
Distributions and capital repayments received	9.	23,896	23,286
Changes in trade receivables and other assets	10., 11.	-4,894	-1,627
Changes in current provisions	18.	707	1,059
Changes in liabilities	15.	4,419	377
Cash flow from operating activities		**221,766**	**222,288**
Interest paid		-48,776	-52,726
Interest received		2,745	30
Income taxes paid	26.	-5,529	-10,390
Net cash flow from operating activities		**170,206**	**159,202**
Outflows for the acquisition of investment properties	8.	-19,324	-20,862
Outflows for the acquisition of intangible assets and property, plant and equipment		-27	-53
Inflows from the disposal of financial assets		19	0
Cash flow from investing activities		**-19,332**	**-20,915**
Inflows from financial liabilities	14., 28.	16,575	0
Outflows from the repayment of financial liabilities	14.	-27,101	-24,279
Outflows from the repayment of lease liabilities	15.	-107	0
Payments to limited partners	17.	-15,814	-14,666
Payments to Group shareholders	13.	-92,675	-89,586
Cash flow from financing activities		**-119,122**	**-128,531**
Net change in cash and cash equivalents		**31,752**	**9,756**
Cash and cash equivalents at beginning of period	12.	**116,335**	**106,579**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12.	**148,087**	**116,335**

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2019

PRINCIPLES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL DISCLOSURES

The Group parent company is Deutsche EuroShop AG, Hamburg, Germany. The Company's registered office is at Heegbarg 36, 22391 Hamburg, Germany. The Company is entered in the Hamburg Commercial Register (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 315e (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 2019 have been applied. The Executive Board prepared the consolidated financial statements as at 31 December 2019 on 25 March 2020 and forwarded them to the Supervisory Board for examination and approval. In view of recent developments and events relating to the spread of the coronavirus pandemic, "37. Events after the reporting date" in this notes and the "Report on events after the reporting date", "Outlook", "Risk report" and "Forecast for Deutsche EuroShop AG (HGB)" in the combined management report were forwarded again on 2 April 2020 to the Supervisory Board for review and approval.

In addition to the consolidated balance sheet, consolidated income statement and 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 thousands of €.

The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These affect the reported amounts of assets, liabilities and contingent liabilities as at the reporting 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 (for more information, see the notes to section "8. 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 on 31 December 2019, the reporting date of the consolidated financial statements.

2. BASIS OF CONSOLIDATION

Fully consolidated subsidiaries	Domestic [1]	Abroad [1]	Total
As at 01.01.2019	**10**	**4**	**14**
Additions	1	0	1
Disposals	0	0	0
AS AT 31.12.2019	**11**	**4**	**15**

Joint ventures included in consolidated financial statements in accordance with the equity method	Domestic [1]	Abroad [1]	Total
As at 01.01.2019	**4**	**3**	**7**
Additions	0	0	0
Disposals	0	0	0
AS AT 31.12.2019	**4**	**3**	**7**

Associates included in consolidated financial statements in accordance with the equity method	Domestic [1]	Abroad [1]	Total
As at 01.01.2019	**0**	**1**	**1**
Additions	0	0	0
Disposals	0	0	0
AS AT 31.12.2019	**0**	**1**	**1**

[1] 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.

On 10 October 2019, DES Beteiligungs GmbH & Co. KG, a wholly owned subsidiary of Deutsche EuroShop AG, was established. Under the contribution agreement dated 19/20 November 2019, Deutsche EuroShop AG transferred part of its limited partner contributions to Main-Taunus-Zentrum KG, Forum Wetzlar KG, Allee-Center Magdeburg KG, Immobilienkommanditgesellschaft FEZ Harburg and Stadt-Galerie Passau KG at carrying amounts as an additional mandatory contribution to DES Beteiligungs GmbH & Co. KG at carrying amounts. There were no effects on the net assets, financial position and results of operations of the Group.

Financial information of subsidiaries with significant non-controlling interests

The Group 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 €759,972 thousand (previous year: €743,000 thousand) and current assets of €19,710 thousand (previous year: €15,973 thousand) as at the reporting date. Non-current liability items amounted to €214,127 thousand (previous year: €216,064 thousand) and current liability items totalled €7,895 thousand (previous year: €6,108 thousand). The Company generated revenue of €36,004 thousand (previous year: €36,030 thousand) and net profit (after earnings due to limited partners) of €21,949 thousand (previous year: €18,761 thousand). A dividend of €10,242 thousand (previous year: €9,838 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. 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.

Investees

Investments over which Deutsche EuroShop AG has neither significant influence nor control are measured at fair value in principle. In line with IFRS 9, for initial recognition of an investment the Group has the irrevocable right to choose to record the fair value adjustment in other income as well. As at 31 December 2019 the Group had no investees. The investment in Ilwro Holding B.V., Amsterdam still held the previous year was terminated by liquidation of the company.

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 the annual financial statements or management report.

3. 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 negative differences are recognised in income following a 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.

4. 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 2019:

Amendments / standard	Date applied (EU)	Amendments	Impact on the net assets, financial position and results of operations or cash flow of Deutsche EuroShop AG
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, lessees must capitalise the right to use the underlying asset, generally at the present value of the future lease payments plus any directly attributable costs. During the term of the lease, the lease liability is upheld financially on a similar basis to the provisions of IAS 17 for finance 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.	The impact of IFRS 16 on the Group is explained at the foot of this table.
IFRIC 23 Uncertainty over Income Tax Treatments	01.01.2019	IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets where there are uncertainties regarding the income tax treatment.	No material impact
Annual Improvements to IFRSs – 2015–2018 Cycle	01.01.2019	Clarifications of numerous published standards	No material impact

IFRS 16 – Leases

The new IFRS 16 replaces IAS 17 and essentially stipulates that lessees must recognise the assets and liabilities arising from their leases in their balance sheets. Lessees are thus required to recognise lease liabilities for future lease payment obligations in their balance sheets for all leases. At the same time, lessees must capitalise the right to use the underlying asset, generally at the present value of the future lease payments plus any directly attributable costs. During the term of the lease, the lease liability is carried in accordance with the effective interest rate method, while the right-of-use asset is depreciated according to schedule, which leads to higher expenses at the beginning of a lease.

The Group's material lease obligations result from a leasehold agreement for a plot of land used as an extension to the parking space in one of our shopping centers, the rental of office space at Heegbarg 36 in Hamburg, and the leasing of cars. As part of the first-time adoption of IFRS 16, right-of-use assets with corresponding lease liabilities arising from lease obligations running to 2023 amounting to €324,000 were recognised as at 1 January 2019. A weighted average interest rate of 1.5% was used for discounting.

The reconciliation of the future minimum lease payments under operating leases recognised as at 31 December 2018 in accordance with IAS 17 to the lease liabilities recognised as at 1 January 2019 under IFRS 16 is as follows:

in € thousand	
Future minimum lease payments under operating leases as at 31 December 2018 (IAS 17)	338
Discounting	-14
Lease liabilities as at 1 January 2019	**324**

Right-of-use assets are recognised in the consolidated balance sheet under property, plant and equipment and investment properties; lease liabilities under other liabilities. In the consolidated income statement for financial year 2019, depreciation on the right-of-use assets totalling €109,000 is included under other operating expenses, and interest from the compounding of the lease liability amounting to €9,000 is included under interest expense. The redemption portion of €107 thousand paid in financial year 2019 on the lease liability is shown separately in the consolidated cash flow statement under cash flow from financing activities. The interest portion is included in interest paid in the net cash flow from operating activities at €9 thousand.

The prior-year figures have not been restated.

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
Interest Rate Benchmark Reform (amendment to IFRS 9, IAS 39, IFRS 7)	01.01.2020	Relief for the continuation of hedge accounting under the reform of the benchmark interest rate	No material impact
Definition of materiality (amendments to IAS 1 and IAS 8)	01.01.2020	Standardisation and clarification of the definition of materiality in IFRSs	No material impact
Definition of a business (amendment to IFRS 3)	01.01.2020	Clarification of the definition of a business to distinguish more clearly whether a business or a group of assets was acquired.	The amendment has to be applied prospectively to acquisitions after the initial application date. There are therefore no effects from the changeover.
Classification of liabilities as current and non-current (amendment to IAS 1)	01.01.2022	Clarification of the classification of liabilities as Current and non-current.	No material impact

In addition, further standards and interpretations were adopted which are not expected to have any impact on the Group.

5. 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 arising if the translation rates of the balance sheet and consolidated income statement differ are recognised in profit or loss.

Translation was based on the following exchange rates:

	31.12.2019		31.12.2018	
€1 =	Closing rate	Average rate	Closing rate	Average rate
Hungarian forint (HUF)	330.52	325.35	321.51	318.87
Polish zloty (PLN)	4.26	4.30	4.30	4.26
Czech koruna (CZK)	25.41	25.73	25.73	25.54

6. SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

Revenue and Expense Recognition

Revenue from leasing the investment properties is recognised on a straight-line basis over the term of the lease. Tenant incentives granted are distributed on a straight-line basis over the lease term. The portion of tenant incentives granted but not yet distributed as at the reporting date is reported under current assets. When passing on operating costs the Group acts as an agent for the service. The income from recharging is therefore netted with the corresponding expenses in the income statement. Other 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 2019, as in the previous financial year no reclassifications between the hierarchical levels occurred.

Intangible assets

Intangible assets include acquired software and software licenses of Deutsche EuroShop AG and goodwill.

Software 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.

Goodwill within the context of a company takeover arose as a positive difference between the fair value of the assets, liabilities and contingent liabilities at the time of acquisition as well as the deferred taxes of the acquired company and the consideration paid for it by the Group.

Goodwill is not subject to amortisation.

Property, plant and equipment

Property, plant and equipment is reported at cost, less depreciation and, where applicable, impairment charges.

Operating and office equipment comprises 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.

As a result of the first-time application of IFRS 16, property, plant and equipment includes right-of-use assets.

Impairment losses on intangible assets and property, plant and equipment

The value of the goodwill is reviewed at least once a year (as at 31 December) at the level of the cash-generating units of the Group to which goodwill was allocated at the time of acquisition. The impairment loss test as at 31 December 2019 did not result in a need for write-downs.

For intangible assets with finite useful lives as well as for property, plant and equipment, the value is only reviewed if there are actual indications of impairment. An impairment loss is recognised in income in the measurement gains / losses provided that the recoverable amount of the assets is lower than the carrying amount. The recoverable amount is the higher value from the fair value less costs of disposal and value in use. In the financial year, there were no indications of impairment for the intangible assets with finite useful lives or for property, plant and equipment.

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. General administrative costs are not added to the 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.

Group as lessee

The Group assesses at inception whether an agreement is a lease or not and for the term of provision recognises an asset for the right of use granted and a lease liability. Initial measurement of the right of use and lease liability is at the present value of the lease payments to be made. Discounting is at the Group's marginal borrowing rate. Subsequently, the right of use is amortised on a straight-line basis over the term of the lease, and the lease liability is reduced by the lease payments made and increased by the interest accrued on the portion not yet repaid.

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 allocated to an IFRS 9 measurement category when they are recognised for the first time. With financial assets, the measurement category is dependent on the cash flow property of the financial instrument and the business model of the Group which holds the financial asset.

Non-current financial assets

The financial assets include an investment in a Dutch corporation that is a joint venture controlled by Deutsche EuroShop AG jointly with partner companies. As Deutsche EuroShop AG, under the provisions of the shareholders' agreement, exercises neither significant influence nor control over this company, the investment is measured at fair value in line with the provisions of IFRS 9. The investment shown was derecognised in financial year 2019.

Receivables and other current assets

Receivables and other current assets are recognised at amortised cost less write-downs. The Group applies the simplified approach permitted under IFRS 9 and measures the write-down on the basis of the credit losses expected over the life of the asset. Receivables are written off if they become 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 was recognised in the balance sheet. This liability must be measured at the repayment amount.

Financial liabilities

Liabilities to banks / bank loans and overdrafts are reported at amortised cost. Discounts are deducted, which under IFRS 9 must be amortised over the term of the loan agreement and recognised annually as an expense.

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.

Derivative financial instruments

Derivatives that qualify for hedge accounting in accordance with IFRS 9 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. The effectiveness of the hedging measures is verified regularly using the degree of harmony between the contract terms for the hedged item and the hedge ("Critical Term Match"). 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.

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% was taken, while for Polish taxes the rate was 19%, for Czech taxes it was 19% and for Austrian taxes it was 25%. 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

7. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	Goodwill		Software and software licenses		Operating and office equipment	
in € thousand	2019	2018	2019	2018	2019	2018
Costs as at 1 January	**53,867**	**53,867**	**72**	**82**	**440**	**414**
Addition from right-of-use assets (IFRS 16)	0	0	0	0	369	0
Additions	0	0	33	4	4	49
Disposals	0	0	0	-14	-14	-23
as at 31 December	**53,867**	**53,867**	**105**	**72**	**799**	**440**
Depreciation as at 1 January	**-140**	**-140**	**-63**	**-63**	**-227**	**-206**
Additions	0	0	-17	-14	-152	-44
Disposals	0	0	0	14	4	23
as at 31 December	**-140**	**-140**	**-80**	**-63**	**-375**	**-227**
Carrying amount at 1 January	53,727	53,727	9	19	213	208
CARRYING AMOUNT AT 31 DECEMBER	**53,727**	**53,727**	**25**	**9**	**424**	**213**

The goodwill arose from deferred tax liabilities for the real estate assets that had to recognised at the time of the initial consolidation (31 March 2017) of Olympia Brno.

At the reporting date, operating and office equipment included right-of-use assets under leases amounting to €261 thousand. These result mainly from the rental of office space and the leasing of cars.

8. INVESTMENT PROPERTIES

in € thousand	2019	2018
Carrying amount at 1 January	**3,891,700**	**3,924,157**
Addition from right-of-use assets (IFRS 16)	322	0
Additions	0	1,336
Recognised construction measures	19,324	19,526
Unrealised changes in fair value	-88,560	-53,319
CARRYING AMOUNT AT 31 DECEMBER	**3,822,786**	**3,891,700**

The addition from right-of-use assets (IFRS 16) results from the capitalisation of a leasehold. The annual ground rent of €10 thousand payable for this is charged to a tenant in the same amount. As at the reporting date, investment properties still included a right of use in the amount of €322 thousand.

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

The fair values of the properties in the period under review as at 31 December 2019 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. The remuneration fixed contractually for the appraisal reports prior to preparation of the appraisals is independent of the measurement gain / loss.

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 parameters in %	31.12.2019	31.12.2018
Rate of rent increases	1.24	1.33
Cost ratio	10.42	10.20
Discount rate	5.92	5.90
Capitalisation interest rate	5.11	5.07

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 %
		+ 0.25 percentage points	160.2	4.0
Rate of rent increases	1.24	- 0.25 percentage points	-128.2	-3.2
		+ 0.25 percentage points	-12.1	-0.3
Cost ratio	10.42	- 0.25 percentage points	11.6	0.3
		+ 0.25 percentage points	-73.9	-1.9
Discount rate	5.92	- 0.25 percentage points	78.7	2.0
		+ 0.25 percentage points	-121.4	-3.0
Capitalisation interest rate	5.11	- 0.25 percentage points	130.8	3.3

Over the forecast period, rents were assumed to increase on average over the long term at 1.24% (previous year: 1.33%). On average, management and administrative costs at 10.42% (previous year: 10.2%) were deducted from the forecast rents. This resulted in an average net income of 89.58% (previous year: 89.8%). Actual management and administrative costs amounted to 10.8% of rental income in the year under review (previous year: 9.9%). The appraisal showed that, for financial year 2019, the real property portfolio had an initial yield before deduction of transaction costs of 5.43% compared with the previous year's 5.32%, and an initial rate of return net of transaction costs (net initial yield) of 5.12%, the figure for the previous year having been 5.01%.

Outstanding tenant incentives granted and still to be distributed over the term of the rental agreements amounting to €3,935 thousand were deducted from the appraisal value. These are reported under other assets.

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 2019:

IFRS 13 hierarchy levels in € thousand	Level 1	Level 2	Level 3
Investment properties	0	0	3,822,786

The properties are secured by mortgages. There are land charges in the amount of €1,512,347 thousand (previous year: €1,522,393 thousand). The rental income of the properties valued in accordance with IAS 40 was €225,941 thousand (previous year: €225,047 thousand). Directly associated operating expenses were €24,429 thousand (previous year: €22,183 thousand).

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

in € thousand	2019	2018
Carrying amount at 1 January	**531,044**	**526,728**
Distributions and capital repayments received	-23,896	-23,286
Share of profit / loss	4,345	27,602
CARRYING AMOUNT AT 31 DECEMBER	**511,493**	**531,044**

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	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
Non-current assets	245,871	253,000	263,888	274,000	173,350	182,000
Current assets	3,698	2,913	5,279	5,106	4,598	3,345
thereof cash and cash equivalents	2,721	2,148	4,502	4,391	3,319	2,794
Non-current liabilities	0	0	117,356	119,146	0	0
thereof financial liabilities	0	0	117,356	119,146	0	0
Current liabilities	1,081	625	4,355	3,786	544	471
thereof financial liabilities	0	0	2,581	2,519	0	0
Revenue	15,930	15,745	14,293	14,465	9,603	9,459
Net interest income	0	2	-3,663	-3,719	0	0
EBT (excl. measurement gains / losses)	13,684	13,663	8,949	8,897	8,589	8,589
Measurement gains / losses	-7,636	-5,647	-10,581	-3,322	-9,971	3,018
Income taxes	0	0	0	0	0	0
Net profit	6,048	8,016	-1,632	5,575	-1,382	11,607
Other income	0	0	0	0	0	0
TOTAL PROFIT	**6,048**	**8,016**	**-1,632**	**5,575**	**-1,382**	**11,607**

	Saarpark Center Neunkirchen KG, Hamburg		EKZ Eins Errichtungs- und Betriebs Ges. m.b.H. & Co OG, Vienna[1]		Einkaufs-Center Arkaden Pécs KG, Hamburg	
in € thousand	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
Non-current assets	199,760	219,000	228,891	229,934	110,000	105,000
Current assets	3,021	2,260	4,328	3,848	3,833	4,688
thereof cash and cash equivalents	2,064	1,345	3,520	2,875	2,639	3,586
Non-current liabilities	52,875	54,123	91,553	92,596	35,312	35,078
thereof financial liabilities	51,625	52,089	47,684	48,227	27,450	28,050
Current liabilities	4,485	4,839	2,464	2,793	2,210	1,988
thereof financial liabilities	3,423	4,037	504	493	600	600
Revenue	12,209	12,517	13,335	13,258	8,023	7,777
Net interest income	-517	-593	-1,998	-2,040	-890	-905
EBT (excl. measurement gains / losses)	9,968	10,788	10,226	9,735	5,801	5,662
Measurement gains / losses	-20,945	-6,253	-1,218	798	3,628	4,681
Income taxes	0	0	0	0	-1,114	-1,207
Net profit	-10,977	4,535	9,008	10,533	8,315	9,136
Other income	0	0	0	0	0	0
TOTAL PROFIT	**-10,977**	**4,535**	**9,008**	**10,533**	**8,315**	**9,136**

[1] Includes the figures for the immaterial joint venture CAK City Arkaden Klagenfurt KG, Hamburg. The equity method valuation amounted to €965 thousand (previous year: €934 thousand) and the net loss for the year €35 thousand (previous year: €14 thousand).

Under the equity method, the joint ventures changed 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 01.01.2019	**127,644**	**78,087**	**138,656**	**81,149**	**69,197**	**36,311**
Share of profit / loss	3,024	-816	-1,036	-5,489	4,504	4,158
of which EBT (excl. measurement gains / losses)	6,842	4,475	6,442	4,984	5,113	2,901
of which measurement gains / losses	-3,818	-5,291	-7,478	-10,473	-609	1,814
Deposits / withdrawals	-6,424	-3,543	-4,567	-2,949	-4,100	-2,313
EQUITY METHOD VALUATION AS AT 31.12.2019	**124,244**	**73,728**	**133,053**	**72,711**	**69,601**	**38,156**

10. TRADE RECEIVABLES

in € thousand	2019	2018
Trade receivables as at 31.12.	**9,901**	**8,364**
Write-downs as at 01.01.	**-1,721**	**-1,649**
Utilisation	455	323
Change in write-downs for expected losses	-1,218	-395
Write-downs as at 31.12.	**-2,484**	**-1,721**
	7,417	**6,643**

Receivables arose 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 trade receivables recognised at the reporting date are largely protected by means of guarantees, cash security deposits and letters of comfort.

11. OTHER CURRENT ASSETS

in € thousand	31.12.2019	31.12.2018
Other receivables from tenants	3,453	3,029
Other current assets	11,193	7,497
	14,646	**10,526**

Other receivables from tenants mainly comprise receivables for heating and ancillary costs. Other current assets primarily consist of cash security deposits received as collateral, prepaid marketing costs for centers, accrued rental incentives and tax receivables.

Receivables in € thousand	Total	Up to 1 year	Over 1 year
Trade receivables	7,417 (6,643)	7,417 (6,643)	0 (0)
Other assets	14,646 (10,526)	14,646 (10,526)	0 (0)
(PREVIOUS YEAR'S FIGURES)	**22,063 (17,169)**	**22,063 (17,169)**	**0 (0)**

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

12. CASH AND CASH EQUIVALENTS

in € thousand	31.12.2019	31.12.2018
Short-term deposits / time deposits	470	5,565
Current accounts	147,616	110,769
Cash	1	1
	148,087	**116,335**

13. EQUITY AND RESERVES

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

The share capital is €61,783,594, comprised of 61,783,594 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 €11,680,999 through one or multiple issues of new no-par-value registered shares against cash and / or non-cash contributions before 27 June 2022 (Authorised capital 2017). As at 31 December 2019, no use had been made of this authorisation.

In addition, the Executive Board was authorised by a resolution of the Annual General Meeting held on 28 June 2018 to acquire treasury shares in the Company constituting up to 10% of the share capital available on the entry into force of or – if this is lower – on exercise of the authorisation by 27 June 2023. As at 31 December 2019, no use had been made of this authorisation.

At the Annual General Meeting on 16 June 2020, the Executive Board and Supervisory Board will propose that Deutsche EuroShop AG's unappropriated surplus for 2019 of €34,629 thousand be carried forward. The previous year's unappropriated surplus of €92,675 thousand was distributed in full to the shareholders. The dividend paid was €1.50 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). In addition, the capital reserves include costs of capital increases and their corresponding deferred tax assets.

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:

2019 in € thousand	Before taxes	Taxes	Net
Cash flow hedges	487	-78	409

2018 in € thousand	Before taxes	Taxes	Net
Cash flow hedges	3,238	-675	2,563

14. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	31.12.2019		31.12.2018	
in € thousand	Non-current	Current	Non-current	Current
Bank loans and overdrafts	1,433,373	78,974	1,496,313	26,080

Bank loans and overdrafts relate to loans raised to finance property acquisitions and investment projects. Land charges on Company properties totalling €1,512,347 thousand (previous year: €1,522,393 thousand).

Discounts are amortised over the term of the loan. In the year under review, €29 thousand (previous year: €29 thousand) was recognised as an expense in the income statement. A total of €49,256 thousand (previous year: €52,726 thousand) was recognised in financial gains or losses as interest expense for bank loans and overdrafts.

14 of the 20 loan agreements currently contain arrangements regarding covenants. There are a total of 22 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.

Non-current and current financial liabilities arose from the following changes affecting liquidity and not affecting liquidity:

in € thousand	2019	2018
Carrying amount at 1 January	**1,522,393**	**1,546,672**
Changes affecting liquidity	-10,526	-24,279
Changes not affecting liquidity		
Change in carrying amount under the effective interest rate method	480	0
CARRYING AMOUNT AT 31 DECEMBER	**1,512,347**	**1,522,393**

15. OTHER NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	31.12.2019		31.12.2018	
in € thousand	Non-current	Current	Non-current	Current
Interest rate swaps	33,059	0	33,546	0
Rental deposits	0	3,286	0	3,309
Other liabilities to tenants	0	8,979	0	6,210
Value added tax	0	1,870	0	2,379
Debtors with credit balances	0	1,334	0	792
Lease liabilities	502	82	0	0
Other	302	1,285	751	1,470
	33,863	**16,836**	**34,297**	**14,160**

In connection with borrowing, interest rate hedges (interest rate swaps) were concluded to hedge against higher capital market interest rates. Their present value totalled €33,059 thousand as at the reporting date (previous year: €33,546 thousand).

Other liabilities to tenants mainly comprise liabilities for heating and ancillary costs as well as prepaid rent.

Liabilities in € thousand	Total	Current	Non-current
Financial liabilities	1,512,347 (1,522,393)	78,974 (26,080)	1,433,373 (1,496,313)
Trade payables	5,805 (3,543)	5,805 (3,543)	0 (0)
Tax liabilities	1,401 (2,384)	1,401 (2,384)	0 (0)
Other liabilities	50,699 (48,457)	16,836 (14,160)	33,863 (34,297)
(PREVIOUS YEAR'S FIGURES)	**1,570,252** **(1,576,777)**	**103,016** **(46,167)**	**1,467,236** **(1,530,610)**

16. DEFERRED TAX LIABILITIES

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

	31.12.2019		31.12.2018	
in € thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Investment properties	0	328,564	0	374,343
Investments accounted for using the equity method	0	58,711	0	86,950
Other liabilities				
Interest swaps (not recognised in profit or loss)	7,388	0	7,466	0
Other	1,132	0	1,132	0
Corporation tax loss carryforwards	0	0	53	0
Deferred taxes before netting	**8,520**	**387,275**	**8,651**	**461,293**
Balance	-8,520	-8,520	-8,651	-8,651
DEFERRED TAXES AFTER NETTING	**0**	**378,755**	**0**	**452,642**

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 related to an interest rate swap for the Altmarkt-Galerie in Dresden which had to be recognised in profit or loss following the acquisition of the remainder of the Altmarkt-Galerie in Dresden.

As at the reporting date, there were taxable temporary differences of €7,301 thousand (previous year: €7,155 thousand) between the net assets of Group companies recognised in the consolidated financial statements and the tax basis of the shares in these Group companies (outside basis differences) for which no deferred taxes were recognised since the differences are not expected to be reversed in the foreseeable future.

17. RIGHT TO REDEEM OF LIMITED PARTNERS

in € thousand	2019	2018
Settlement claim as per 01.01.	**343,648**	**337,479**
Earnings contributions	18,443	18,448
Share of measurement gains / losses	5,628	2,387
Outflows	-15,814	-14,666
SETTLEMENT CLAIM AS PER 31.12.	**351,905**	**343,648**

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 Baltycka G.m.b.H. & Co. KG, which are to be reported in accordance with IAS 32 as debt capital.

18. OTHER PROVISIONS

in € thousand	As at 01.01.2019	Utilisation	Reversal	Addition	As at 31.12.2019
Maintenance and construction work already performed but not yet invoiced	3,368	2,088	426	1,579	2,433
Fees	123	116	7	134	134
Other	3,922	3,360	96	5,087	5,553
	7,413	**5,564**	**529**	**6,800**	**8,120**

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

NOTES TO THE CONSOLIDATED INCOME STATEMENT

19. REVENUE

in € thousand	2019	2018
Minimum rental income	223,305	222,024
Turnover rent	2,157	2,227
Other	479	796
	225,941	**225,047**
of which directly attributable rental income in accordance with IAS 40 Investment Properties	225,941	225,047

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

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	2019	2018
Maturity within 1 year	214,984	214,457
Maturity from 1 year to 5 years	534,810	571,499
Maturity after 5 years	161,189	165,825
	910,983	**951,781**

20. PROPERTY OPERATING COSTS

in € thousand	2019	2018
Operating costs that cannot be passed on	5,599	4,099
Center marketing	3,137	3,511
Maintenance and repairs	1,658	1,746
Write-downs of rent receivables	1,674	1,034
Real property tax	573	587
Other	975	713
	13,616	**11,690**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	13,616	11,690

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

21. PROPERTY MANAGEMENT COSTS

in € thousand	2019	2018
Center management / agency agreement costs	10,813	10,493
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	10,813	10,493

22. OTHER OPERATING INCOME

in € thousand	2019	2018
Income from the reversal of provisions	529	595
Exchange rate gains	66	50
Other	1,320	1,183
	1,915	**1,828**

Other operating income primarily consists of receivables already value-adjusted in previous years.

23. OTHER OPERATING EXPENSES

in € thousand	2019	2018
Personnel expenses	2,055	1,905
Legal, consulting and audit expenses	1,177	1,084
Marketing costs	552	494
Supervisory Board compensation	312	312
Appraisal costs	287	274
Exchange rate losses	228	187
Fees and contributions	187	165
Write-downs	169	58
Other	991	1,078
	5,958	**5,557**

Legal, consulting and audit expenses include €312 thousand in expenses for the auditing of Group companies (previous year: €303 thousand). Personnel expenses include social security contributions and expenses for pensions and other benefits amounting to €227 thousand (previous year: €150 thousand), of which €143 thousand (previous year: €71 thousand) is attributable to pension expenses.

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

in € thousand	2019	2018
Profit / loss from joint ventures	4,328	27,602
Profit / loss from associates	17	0
PROFIT / LOSS FROM EQUITY-ACCOUNTED ASSOCIATES	**4,345**	**27,602**

The profit / loss of equity-accounted companies includes a measurement loss before deferred taxes of €-25,854 thousand (previous year: €-2,608 thousand). EBT (excl. measurement gains / losses) for equity-accounted companies amounted to €30,757 thousand (previous year €30,815 thousand).

25. MEASUREMENT GAINS / LOSSES

in € thousand	2019	2018
Unrealised changes in fair value	-88,560	-53,319
Profit / loss attributable to limited partners	-5,628	-2,387
Write-down of other financial assets	0	-9
	-94,188	**-55,715**

The write-down of other financial assets in the previous year was undertaken on the investment in Ilwro Holding B.V.

26. INCOME TAXES

in € thousand	2019	2018
Current tax expense	-4,546	-10,573
Domestic deferred tax expense	75,596	-8,741
Foreign deferred tax expense	-1,631	-3,425
	69,419	**-22,739**

Deferred tax expense in Germany included income from the reversal of deferred trade tax of € 73,410 thousand. This reversal is the result of the corporate restructuring of individual investments completed during the financial year, which will enable the extended trade tax reduction to be used to a greater extent than before in future.

Tax reconciliation

Income taxes in the amount of €69,419 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	2019	2018
Consolidated profit before income tax	**42,672**	**102,134**
Theoretical income tax 32.28%	**-13,775**	**-32,969**
Tax rate differences for foreign Group companies	3,999	3,576
Tax rate differences for domestic Group companies	-1,988	5,637
Tax-free income / non-deductible expenses	-408	-457
Tax effect from investments accounted for under the equity-accounted method	1,342	1,474
Aperiodic tax expense / income	6,839	0
Reversal of deferred trade tax	73,410	0
CURRENT INCOME TAX	**69,419**	**-22,739**

Ignoring tax expenses / income for other periods and the reversal of deferred trade tax, the effective income tax rate in financial year 2019 was 25.4%.

27. EARNINGS PER SHARE

in € thousand	2019	2018
Group shareholders' portion of profits / losses (€ thousand)	112,091	79,395
Weighted number of no-par-value shares issued	61,783,594	61,783,594
UNDILUTED AND DILUTED EARNINGS PER SHARE (€)	**1.81**	**1.29**

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. There is no potential dilution as at the reporting date, e.g. through convertible bonds or share options, with the result that diluted earnings correspond to undiluted earnings.

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 measurement principles for segment reporting correspond to those of the Group.

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

Breakdown by geographical segment

in € thousand	Domestic	Abroad	Total	Reconciliation	01.01 – 31.12.2019
Revenue	**196,556**	**43,635**	**240,191**	**-14,250**	**225,941**
EBIT	**172,556**	**40,774**	**213,330**	**-15,861**	**197,469**
Profit / losses of joint ventures and associates	0	0	0	4,345	4,345
Interest income	9	7	16	2,729	2,745
Interest expense	-41,983	-7,133	-49,116	-140	-49,256
EBT (EXCL. MEASUREMENT GAINS / LOSSES)	**130,932**	**33,647**	**164,579**	**-1,448**	**163,131**
					31.12.2019
Investment properties	3,246,262	743,828	3,990,090	-167,304	3,822,786
Additions and recognised construction measures for investment properties	19,659	2,228	21,887	-2,563	19,324
Goodwill	0	0	0	53,727	53,727
Investments accounted for using the equity method	0	0	0	511,493	511,493
Other segment assets	69,690	29,872	99,562	71,037	170,599
SEGMENT ASSETS	**3,315,952**	**773,700**	**4,089,652**	**468,953**	**4,558,605**
SEGMENT LIABILITIES	**1,242,809**	**334,008**	**1,576,817**	**732,215**	**2,309,032**

in € thousand	Domestic	Abroad	Total	Reconciliation	01.01. – 31.12.2018
Revenue	**196,070**	**43,118**	**239,188**	**-14,141**	**225,047**
EBIT	**174,360**	**40,349**	**214,709**	**-15,574**	**199,135**
Profit / losses of joint ventures and associates	0	0	0	27,602	27,602
Interest income	19	9	28	2	30
Interest expense	-45,414	-7,226	-52,640	-86	-52,726
EBT (EXCL. MEASUREMENT GAINS / LOSSES)	**131,568**	**33,131**	**164,699**	**-3,765**	**160,934**
					31.12.2018
Investment properties	3,346,684	741,558	4,088,242	-196,542	3,891,700
Additions and recognised construction measures for investment properties	20,046	2,751	22,797	-1,935	20,862
Goodwill	0	0	0	53,727	53,727
Investments accounted for using the equity method	0	0	0	531,044	531,044
Other segment assets	51,285	30,071	81,356	52,401	133,757
SEGMENT ASSETS	**3,397,969**	**771,629**	**4,169,598**	**440,630**	**4,610,228**
SEGMENT LIABILITIES	**1,244,755**	**339,385**	**1,584,140**	**796,340**	**2,380,480**

The adjustment of the proportionate consolidation of the joint ventures and subsidiaries in which the Group does not own a 100% stake is carried out in the reconciliation column. Deferred tax liabilities are considered by the Executive Board of Deutsche EuroShop AG in a cross-segment manner and are therefore included in the reconciliation column of the segment liabilities. Accordingly, the goodwill from the acquisition of Olympia Brno was allocated to the reconciliation column of the segment assets. The reconciliation column also contains the companies which are not allocated to either of the two segments (Deutsche EuroShop AG, DES Management GmbH, DES Beteiligungs GmbH & Co. KG). These do not generate any revenue and are included in the reconciliation column after intra-Group eliminations with their EBIT and EBT (excl. measurement gains / losses) of €-4,051 thousand (previous year: €-3,654 thousand) as well as in the segment assets with €70,435 thousand (previous year: €52,341 thousand) and in the segment liabilities with €3,971 thousand (previous year: €4,366 thousand).

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

OTHER DISCLOSURES

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

in € thousand	Measurement category in accordance with IFRS 9	Amount stated in line with IFRS 9				
		Carrying amounts 31.12.2019	Amortised cost	Fair value recognised in income	Fair value recognised in equity	Fair value 31.12.2019
Financial assets						
Non-current financial assets [3]	FVTPL	0		0		0
Trade receivables	AC	7,417	7,417			7,417
Other assets	AC	7,080	7,080			7,080
Cash and cash equivalents	AC	148,087	148,087			148,087
Financial liabilities						
Financial liabilities [2]	FLAC	1,512,347	1,512,347			1,584,376
Right to redeem of limited partners	FLAC	351,905	351,905			351,905
Trade payables	FLAC	5,805	5,805			5,805
Other liabilities	FLAC	12,813	12,813			12,813
Interest rate hedges not recognised in profit or loss [2]	n. a.	33,059			33,059	33,059

in € thousand	Measurement category in accordance with IFRS 9	Amount stated in line with IFRS 9				
		Carrying amounts 31.12.2018	Amortised cost	Fair value recognised in income	Fair value recognised in equity	Fair value 31.12.2018
Financial assets						
Non-current financial assets [3]	FVTPL	31		31		31
Trade receivables	AC	6,643	6,643			6,643
Other assets	AC	6,351	6,351			6,351
Cash and cash equivalents	AC	116,335	116,335			116,335
Financial liabilities						
Financial liabilities [2]	FLAC	1,522,393	1,522,393			1,601,010
Right to redeem of limited partners	FLAC	343,648	343,648			343,648
Trade payables	FLAC	3,543	3,543			3,543
Other liabilities	FLAC	9,547	9,547			9,547
Interest rate hedges not recognised in profit or loss [2]	n. a.	33,546			33,546	33,546

[1] Corresponds to level 1 of the IFRS 7 fair value hierarchy
[2] Corresponds to level 2 of the IFRS 7 fair value hierarchy
[3] Corresponds to level 3 of the IFRS 7 fair value hierarchy
Measurement categories in accordance with IFRS 9: Financial assets measured at amortised cost (AC), at fair value through other comprehensive income (FVOCI), Financial liabilities measured at amortised cost (FLAC), at fair value through profit and loss (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 as at 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.

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 the 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 2019, this credit line had not been used. 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 2019:

in € thousand	Carrying amount 31.12.2019	Cash flows 2020	Cash flows 2021 to 2024	Cash flows from 2025
Bank loans and overdrafts	1,512,347	121,998	718,783	872,398

The amounts relate to all contractual commitments existing as at the reporting 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 2019. The majority of the trade payables and other financial liabilities reported at the end of the financial year will fall due in 2020.

Credit and default risk

There are no significant credit risks in the Group. The trade receivables recognised as at the reporting date were predominantly paid up to the date of preparation of the financial statements.

Write-downs on trade receivables are determined on the basis of the credit losses expected over the term. Unless the reasons for doing so can be refuted in individual cases, receivables that are more than 90 days overdue, taking into account the collateral provided by the tenant and valuable collateral, are written down fully. In addition, if information exists that points to an increased risk of default for a tenant, checks are made to decide whether receivables that are less than 90 days overdue should also be written down. During the reporting year, write-downs of rent receivables of €1,674 thousand (previous year: €1,034 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totalled €22,063 thousand as at the reporting date (previous year: €17,169 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 "8. 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 as at the reporting date, this shows the effect of a change on the Group's equity. As at the reporting date, interest rate risks existed 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 €9,483 thousand (previous year: €8,846 thousand). The vast majority of loan liabilities have fixed interest terms. As at the reporting date, loans totalling €109,400 thousand (previous year: €119,900 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	31.12.2019	31.12.2018
Equity	2,601,478	2,573,396
Equity ratio (%)	57.1%	55.8%
Net financial debt	1,364,260	1,406,058

Equity is reported here including the compensation claims by limited partners.

Net financial debt is determined from the financial liabilities as at the reporting date less cash and cash equivalents.

29. 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.

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 corresponded to the cash and cash equivalents (see section 12. Cash and cash equivalents).

30. OTHER FINANCIAL OBLIGATIONS

There are other financial obligations of €71.3 million arising from service contracts.

There are financial obligations of €5.4 million which will arise in 2020 in connection with investment measures in our shopping centers.

31. NUMBER OF EMPLOYEES

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

32. AUDITOR'S FEES

The total fees invoiced by the auditor for the consolidated financial statements for financial year 2019 amounted to €312 thousand (previous year: €308 thousand). of which €307 thousand (previous year: €303 thousand) related to auditing services. Other audit-related services were also provided by the auditor in the amount of €5 thousand (previous year: €5 thousand).

33. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

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 has been made available to shareholders on the Deutsche Euroshop website under Investor Relations > Corporate Governance > Declaration of Conformity: https://www.deutsche-euroshop.de/Investor-Relations/Corporate-Governance/Entsprechenserklaerung

34. 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 section "36. Supervisory Board and Executive Board" and also in the remuneration report portion of the combined management report.

Fees for service contracts with the ECE Group totalled €17,716 thousand (previous year: €20,476 thousand). This amount was partially offset by income from leases and mall marketing with the ECE Group in the amount of €7,627 thousand (previous year: €7,280 thousand). Receivables from the ECE Group were €3,065 thousand, while liabilities were €587 thousand.

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

35. VOTING RIGHTS NOTICES

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 Deutsche EuroShop AG in conformity with the duty of disclosure in accordance with section 33 of the Wertpapierhandelsgesetz (WpHG – Securities Trading Act). The disclosures were taken from the latest notice by those subject to reporting requirements. It should be noted that the number of voting rights might have since changed within the respective thresholds, with no reporting obligation arising:

Shareholder	Shareholding report as at	Event … (in %)	New voting share (in %)	of which held as treasury shares (in %)	of which indirectly attributable (in %)
Alexander Otto	28.05.2015	… exceeds threshold (15)	17.33	0.65	16.68
Johannes Schorr	08.02.2016	… exceeds threshold (3)	3.37	1.12	2.25
AROSA Vermögensverwaltungs-gesellschaft m.b.H., Hamburg	15.12.2018	… exceeds threshold (15)	15.05	0.00	15.05
State Street Corporation, Boston, MA, United States of America	11.03.2019	… exceeds threshold (5)	5.02	0.00	5.02
BlackRock, Inc., Wilmington, DE, United States of America	20.09.2019	… falls below threshold (3)	2.51	0.00	2.51 [1]

[1] We were also notified by BlackRock, Inc. of a securities lending transaction (1.40%) and contracts for differences (0.01%).

All voting rights notices received by Deutsche EuroShop AG can be found on the website of Deutsche EuroShop AG under Investor Relations > Share > Significant voting interests.

36. THE SUPERVISORY BOARD AND EXECUTIVE BOARD

Supervisory Board

The Supervisory Board of Deutsche EuroShop AG is composed of nine members. As at 31 December 2019, 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 Government & Regulatory Affairs, Deutsche Bank AG, Frankfurt

- Deutsche Bank Europe GmbH, Frankfurt (Chair)
- Deutsche Bank Luxembourg S.A., Luxembourg
- Ceconomy AG, Düsseldorf

Thomas Armbrust, Reinbek (until 12.06.2019)
Member of Management, CURA Vermögensverwaltung G.m.b.H., 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 (until 12.06.2019)
Managing partner, immoAdvice GmbH, Cologne

- Hochtief AG, Essen

Manuela Better, Munich (until 12.06.2019)
Member of the Board of Management, Deka Bank Deutsche Girozentrale, Frankfurt and Berlin

- Deka Investment GmbH, Frankfurt (Deputy Chair)
- Deka Vermögensmanagement GmbH, Frankfurt (Deputy Chair)
- Deka Immobilien GmbH, Frankfurt (Dep. Chair)
- Deka Immobilien Investment GmbH, Frankfurt (Dep. Chair)
- S Broker AG & Co. KG, Wiesbaden (Deputy Chair)
- S Broker Management AG, Wiesbaden (Deputy Chair)
- WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf (Dep. Chair)
- DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg

Dr. Anja Disput, Frankfurt (since 12.06.2019)
Attorney-at-law, partner at Curtis, Mallet-Prevost, Colt & Mosle LLP, Frankfurt

Henning Eggers, Halstenbek (since 12.06.2019)
Member of Management, CURA Vermögensverwaltung G.m.b.H., Hamburg

- TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich
- Platinum AG, Hamburg
- ECE Projektmanagement G.m.b.H. & Co. KG (since 01.07.2019)

Dr. Henning Kreke, Hagen / Westphalia
Managing partner, Jörn Kreke Holding KG, Hagen / Westphalia and Kreke Immobilien KG, Hagen / Westphalia

- Douglas GmbH, Düsseldorf (Chair)
- Thalia Bücher GmbH, Hagen / Westphalia
- Encavis AG, Hamburg
- Axxum Holding GmbH, Wuppertal
- Noventic GmbH, Hamburg
- Perma-tec GmbH & Co. KG, Euerdorf
- Ferdinand Bilstein GmbH & Co. KG, Ennepetal
- Püschmann GmbH & Co. KG, Wuppertal
- Con-Pro Industrie-Service GmbH & Co. KG, Peine
- Noventic GmbH, Hamburg

Claudia Plath, Hamburg (since 12.06.2019)
Managing Director Finance, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg

- Ceconomy AG, Düsseldorf
- Hochbahn AG, Hamburg (until 23.08.2019)
- MEC Metro-ECE Centermanagement GmbH & Co. KG, Dusseldorf

Alexander Otto, Hamburg
CEO, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg

- SITE Centres Corp. Inc. (previously DDR Corp. Inc.), Beechwood, USA
- Peek & Cloppenburg KG, Düsseldorf
- Aliansce Sonae Shopping Centres S.A. (previously: Sonae Sierra Brasil S.A.), São Paulo, Brazil (until 06.08.2019)
- Verwaltungsgesellschaft Otto mbH, Hamburg

Klaus Striebich, Besigheim
Managing Director, RaRe Advise Klaus Striebich

- MEC Metro-ECE Centermanagement GmbH & Co. KG, Düsseldorf (Chair) (until 31.03.2019)
- Unternehmensgruppe Dr. Eckert GmbH, Berlin
- Klier Hairgroup GmbH, Wolfsburg
- Sinn GmbH, Hagen
- The Food Chain Investor Holding SE, Hamburg

Roland Werner, Hamburg
Chairman of the Board of Management, Bijou Brigitte modische Accessoires AG, Hamburg

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

Executive Board

Wilhelm Wellner, Hamburg, CEO

Olaf Borkers, Hamburg, Member of the Executive Board

The remuneration of the Executive Board totalled €1,352 thousand (previous year: €1,232 thousand), which includes performance-related compensation in the amount of €688 thousand (previous year: €666 thousand).

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. From 2018, this amount was paid at the start of each year in five equal instalments, finishing in 2020.

On 1 July 2018, the term of a new Long-Term Incentive (LTI 2018) commenced which did not result in a liability as at the reporting date.

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

37. EVENTS AFTER THE REPORTING DATE

To contain the coronavirus pandemic, extensive security and quarantine measures have been ordered by the authorities in a number of countries. In Germany, Austria, Poland and the Czech Republic governments issued orders in March that all shops nationwide must remain closed unless they are needed for essential supplies. The closure orders are different across the different countries, but there are generally exceptions for food, drugstores, pharmacies, banking services and a limited number of other everyday products and services. Restrictions have also been imposed in some cases on the catering trade. In Hungary, shop opening hours have been significantly reduced. The restrictions will either apply in the countries until further notice or are limited in time. In addition, legislation has already been passed in Germany and Poland to mitigate the consequences of the coronavirus pandemic on the stores affected by the closure. In the case of Germany, legal regulations restrict the termination of tenancy agreements in the event of non-payment of rent between 1 April 2020 and 30 June 2020, provided that this is due to the impact of the coronavirus pandemic. The fundamental obligation of tenants to pay rent remains intact. In Poland, it was decided to relieve tenants of the obligation to pay rent during the period of official closure. Hungary is also examining the possibility of reducing the burden on tenants through legal regulations.

Deutsche EuroShop rental contracts contain regular agreements on fixed minimum rent payments. However, the prolonged decline in sales due to temporary mandatory shop closures and the expected general reluctance of customers to spend will have a negative impact on the economic situation of the retailers affected or has already led to the first insolvencies and applications for protective shielding measures from our tenants. For Deutsche EuroShop, this increases the risk that contractual obligations will not be honoured by rental partners either at all or on time, resulting in defaults and delays in payment that will affect liquidity. There may also be an increased risk of default and write-downs as a result of accumulated unpaid rent, as could happen in Germany given the legislation passed. In addition, temporary relief measures may become necessary for center operations and individual tenants. All this will have an impact on the performance of our business in 2020 and the valuation of our shopping centers. An assessment of the effects of the pandemic is not possible at the present time and depends, among other things, on the duration and extent of the pandemic, further official restrictions and support measures. Deutsche EuroShop is constantly coordinating with ECE, the European market leader for shopping center management, which is commissioned with integrated asset management of the shopping center portfolio. The Executive Board will reassess the situation as soon as it has quantifiable information and report accordingly.

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

Hamburg, 25 March 2020 / 2 April 2020

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 2019:

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 [1]	100%
DES Beteiligungs GmbH & Co. KG, Hamburg [1]	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, Hamburg [1]	100%
Stadtgalerie Hameln GmbH & Co. KG, Hamburg [1]	100%
Altmarkt-Galerie Dresden GmbH & Co. KG, Hamburg [1]	100%
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Hamburg	74%
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	99.99%
CASPIA Investments Sp. z o.o., Warsaw, Poland	100%
City-Point Beteiligungs GmbH, Hamburg	100%
Olympia Brno s.r.o., Prague, Czech Republic	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:	
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna, Austria	50%

[1] For these companies, exemption from the disclosure obligation in accordance with section 264b HGB was made use of.

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 combined 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, 25 March 2020 / 2 April 2020

Wilhelm Wellner Olaf Borkers

INDEPENDENT AUDITOR'S REPORT

To Deutsche EuroShop AG, Hamburg

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

Opinion

We have audited the consolidated financial statements of Deutsche EuroShop AG, Hamburg and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31. Dezember 2019, the consolidated income statement, the statement of comprehensive income, the statement of changes in equity, the consolidated cash flow statement for the financial year from 1. Januar 2019 to 31. Dezember 2019 as well as the notes to the consolidated financial statements, including a summary of relevant accounting methods. We have also audited the combined management report (Company management report and Group management report) of Deutsche EuroShop AG for the financial year from 1. Januar 2019 to 31. Dezember 2019. In accordance with the provisions of German law, we have not audited the content of the statements listed under "OTHER INFORMATION" in the combined management report.

In our opinion, based on the findings of our audit:

- the enclosed consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the supplementary provisions of German law required to be applied under section 315e (1) HGB and give a true and fair view of the net assets and financial position of the Group as at 31. Dezember 2019 as well as its results of operations for the financial year from 1. Januar 2019 to 31. Dezember 2019 in accordance with these requirements; and
- the enclosed combined management report as a whole provides a suitable understanding of the Group's position. This combined management report is consistent with the consolidated financial statements in all material respects, complies with the provisions of German law and suitably presents the opportunities and risks of future development. Our opinion on the combined management report does not extend to the content of the statements listed under "OTHER INFORMATION" in the combined management report.

In accordance with section 322 (3) sentence 1 HGB, we hereby declare that our audit has not led to any reservations with respect to the regularity of the consolidated financial statements or combined management report.

BASIS FOR OPINION

We conducted our audit of the consolidated financial statements and combined management report in accordance with section 317 HGB and the EU Audit Regulation (No 537/2014; hereinafter "EU AR"), taking into account the German generally accepted standards for the auditing of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility pursuant to these provisions and principles is described in more detail in the "RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT" section of our auditor's report. We are independent from the Group companies in line with the provisions of European and German commercial and professional law and have fulfilled our other professional duties under German law in line with these requirements.

Furthermore, in accordance with article 10 (2) point f) EU AR, we hereby declare that we have not provided any prohibited non-audit services pursuant to article 5 (1) EU AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements and combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significant impact in our audit of the consolidated financial statements for the financial year from 1. Januar 2019 to 31. Dezember 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

We identified the following as key audit matters

1. Measurement of investment properties
2. Recognition and measurement of deferred taxes

1. MEASUREMENT OF INVESTMENT PROPERTIES

Matter

Deutsche EuroShop AG reports investment properties totalling €3.822,8 million in its consolidated financial statements as at 31. Dezember 2019 and holds a participating interest in further material investment properties through its stakes in joint ventures and associates. The shopping center properties held as investment property are measured at fair value in accordance with IAS 40. In financial year 2019, expenses from this measurement of €88,6 million was recognised in the income statement. In addition, the profit / loss of equity-accounted joint ventures and associates includes a measurement loss of €25,9 million.

The respective fair value measurements in accordance with IFRS 13 are determined on the basis of the discounted cash flow method by one of the external appraisers appointed by Deutsche EuroShop AG. They are level 3 measurements pursuant to IFRS 13 that are based on input factors not materially observable on the market. Forecasts about future cash flows from rental income and management, maintenance and administrative costs as well as the derivation of the capitalisation interest rate involve significant decisions based on personal judgement and estimates that have a material effect on the consolidated financial statements.

The disclosures provided by Deutsche EuroShop AG on the measurement of investment properties are included in the sections "6. Significant accounting policies and valuation methods / Investment properties" and "8. Investment properties" of the notes to the consolidated financial statements.

Auditor's review

As part of our audit, we obtained evidence of the externally appointed appraiser's competence and independence.

We examined the appraisals in respect of their appropriateness, consistency, correct implementation of measurement methods and validity of input factors (leased space and rental income) by means of samples. In addition, we acknowledged the projected values and parameters (rental income, future vacancy rates, management, maintenance and administrative costs and interest rates) used in the valuation and are satisfied with the suitability of the decisions based on personal judgement and estimates.

In performing the audit, we consulted internal specialists in the field of real estate valuation.

2. RECOGNITION AND MEASUREMENT OF DEFERRED TAXES

Matter

Deutsche EuroShop AG reports deferred tax liabilities totalling €378,8 million in its consolidated financial statements as at 31. Dezember 2019. The recognition and measurement of deferred taxes in the consolidated financial statements of Deutsche EuroShop AG take account of complex tax matters in connection with property companies under the legal form of commercial partnerships.

The disclosures provided by Deutsche EuroShop AG on the determination and measurement of deferred taxes are included in sections "6. Significant accounting policies and valuation methods / Investment properties" and "16. Deferred tax liabilities" of the notes to the consolidated financial statements.

Auditor's review

We acknowledged the calculation of deferred taxes with respect to their compliance with IAS 12. We also analysed the confirmation letter of the tax consultant. We are satisfied with the competence and independence of the tax consultant assisting Deutsche EuroShop AG in the determination of deferred taxes. We also examined the determination method used to measure and report deferred taxes, whereby we compared the values used with the tax calculations of the company and the tax consultant by means of samples and verified the validity of the tax bases utilised. In auditing the deferred taxes, we consulted internal specialists in the field of deferred taxes.

OTHER INFORMATION

The legal representatives are responsible for other information. This includes:

- the separately published declaration on corporate governance referred to in the "Declaration on corporate governance" section of the combined management report;
- the Corporate Governance Report referred to in the "Declaration on corporate governance" section of the combined management report pursuant to No. 3.10 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code),
- the other sections of the annual report, with the exception of the audited consolidated financial statements and combined management report as well as our auditor's report;
- the responsibility statement in accordance with section 297 (2) sentence 4 HGB for the consolidated financial statements and responsibility statement in accordance with section 315 (1) sentence 5 HGB for the combined management report.

Our opinion on the consolidated financial statements and combined management report does not extend to the other information and we do not provide an opinion or any other form of audit conclusion in this regard.

In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information and determine whether the other information

- contains material discrepancies with the consolidated financial statements, combined management report or the knowledge acquired through our own audit; or
- appears to be misstated in any other way.

If, on the basis of the work we have carried out, conclude that this other information contains a material misstatement, we are obliged to report this. We have nothing to report in this regard.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

The legal representatives are responsible for preparing the consolidated financial statements in compliance with IFRS as adopted by the EU and the supplementary provisions of German law required to be applied under section 315e (1) HGB, and for ensuring that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Further, the legal representatives are responsible for any internal control they deem relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. In addition, they are responsible for recognising the ability to continue as a going concern on the going concern basis of accounting, unless there is an intent to liquidate the Group or discontinue business operations or there is no realistic alternative to these options.

Furthermore, the legal representatives are responsible for preparing a combined management report that as a whole provides a suitable understanding of the Group's position, is consistent with the consolidated financial statements in all material respects, complies with the provisions of German law and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for any precautions and measures (systems) they deem necessary to enable the combined management report to be prepared in accordance with the applicable provisions of German law, and to enable sufficient and appropriate evidence to be provided for the statements in the combined management report.

The supervisory board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and combined management report.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides a suitable understanding of the Group's position, is consistent with the consolidated financial statements and the findings of the audit in all material respects, complies with the provisions of German law and suitably presents the opportunities and risks of future development, and to provide an auditor's report containing our opinion on the consolidated financial statements and combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit performed in accordance with section 317 HGB and the EU AR, taking into account the German generally accepted standards for the auditing of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), will always detect a material misstatement. These can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and combined management report.

As part of our audit, we exercise professional judgement and maintain professional scepticism. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and precautions and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting policies used and the reasonableness of estimates and related disclosures made by the legal representatives;
- conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and combined management report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position and results of operations of the Group in compliance with IFRS as adopted by the EU and the supplementary provisions of German law required to be applied under section 315e (1) HGB;

- obtain sufficient and appropriate audit evidence for the accounting information of the companies or business activities within the Group in order to express an opinion on the consolidated financial statements and combined management report. We are responsible for providing guidance on, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our opinion;
- evaluate the consistency of the combined management report with the consolidated financial statements, its legal counterpart and the understanding it provides of the Group's position;
- perform audit procedures for the forward-looking statements made by the legal representatives in the combined management report. On the basis of sufficient and appropriate audit evidence, we acknowledge in particular the significant underlying assumptions of the forward-looking statements made by the legal representatives and evaluate the appropriate derivation of the forward-looking statements based on these assumptions. We do not express a separate opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We communicate with those responsible for monitoring regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We provide those responsible for monitoring with a statement that we have fulfilled the relevant independence requirements and communicate with them regarding all relationships and other matters which might reasonably be considered to have an effect on our independence as well as the associated precautions taken.

From the matters communicated with those responsible for monitoring, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER APPLICABLE LEGAL REQUIREMENTS

Other disclosures according to article 10 EU AR

We were elected as auditor by the Annual General Meeting on 12 June 2019. We were appointed by the Chairman of the Audit Committee on 8 August 2019. We have audited the consolidated financial statements of Deutsche EuroShop AG over a continuous period since the 2005 financial year.

We hereby declare that the opinion in this auditor's report is consistent with the supplementary report issued to the Audit Committee in accordance with article 11 EU AR (audit report).

NOTES TO THE SUPPLEMENTARY AUDIT

We issue this auditor's report on the amended consolidated financial statements and the amended combined management report on the basis of our dutiful audit completed on 30 March 2020 and our supplementary audit completed on 3 April 2020, which related to the changes in disclosures in the notes to the consolidated financial statements and the combined management report due to a change in the supplementary, forecast and risk reporting in light of new information on the effects of the coronavirus pandemic. Please refer to the presentation of the changes by the legal representatives in the amended notes to the consolidated financial statements in the "1. General Disclosures" section.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Christoph Hyckel.

Hamburg, 30 March 2020 / limited to the changes mentioned in the notes to the supplementary audit on 3 April 2020

BDO AG
Wirtschaftsprüfungsgesellschaft

(signed) Reese	(signed) Hyckel
Auditor	Auditor

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, EPRA has defined key figures in its Best Practice Recommendations. Deutsche EuroShop supports this goal as a member of EPRA.

The currently valid version[1] of the EPRA Best Practice Recommendations was used to determine the key figures.

OVERVIEW OF EPRA KEY FIGURES

	31.12.2019		31.12.2018		Change	
	in € thousand	per share in €	in € thousand	per share in €	+/- in € thousand	in %
EPRA earnings	158,260	2.56	147,388	2.39	10,872	7.4
EPRA NAV	2,613,390	42.30	2,667,499	43.17	-54,109	-2.0
EPRA NNNAV	2,139,458	34.63	2,114,355	34.22	25,103	1.2

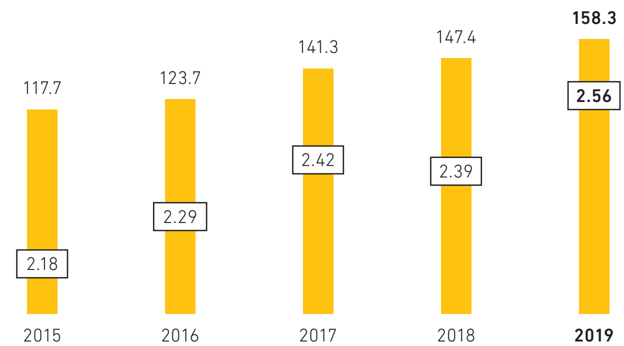
	31.12.2019	31.12.2018	Change
	in %	in %	in % points
EPRA net initial yield (EPRA NIY)	5.1	5.0	0.1
EPRA "topped-up" net initial yield	5.1	5.1	0.0
EPRA cost ratio (incl. direct vacancy costs)	13.4	12.3	1.1
EPRA cost ratio (excl. direct vacancy costs)	13.1	12.1	1.0
EPRA vacancy rate	2.4	1.4	1.0

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

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" (FFO) parameter that we employ. In contrast to EPRA earnings, however, FFO are adjusted for all non-cash deferred taxes and, in this financial year, the income from a tax refund.

EPRA EARNINGS
in € million / in € per share



EPRA EARNINGS

	31.12.2019			31.12.2018			Change	
	in € thousand	in € thousand	per share in €	in € thousand	in € thousand	per share in €	per share in €	in %
Consolidated profit		112,091	1.81		79,395	1.29	0.52	40.3
Measurement gains / losses investment properties	94,188			55,706				
Measurement gains / losses investment properties (at equity)	25,854			2,608				
Measurement gains / losses investment properties[1]		120,042	1.94		58,314	0.94	1.00	106.4
Measurement gains / losses derivative financial instruments	0			-2,256				
Measurement gains / losses derivative financial instruments (at equity)	-350			-348				
Measurement gains / losses derivative financial instruments[1]		-350	0.00		-2,604	-0.04	0.04	100.0
Other measurement gains / losses		0	0.00		9	0.00	0.00	–
Deferred taxes on adjustments[1]		-73,523	-1.19		12,274	0.20	-1.39	–
EPRA EARNINGS[2]		**158,260**	**2.56**		**147,388**	**2.39**	**0.17**	**7.1**
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 EPRA earnings include a one-off tax refund in the period under review, including interest accrued for previous years. Without this tax refund, EPRA earnings would total €149.3 million (+0.8%) million or €2.41 per share.

EPRA NET ASSET VALUE

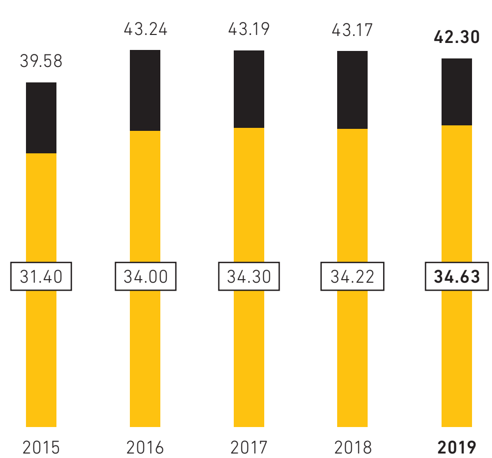
EPRA NAV measures the net asset value of a company based on a business model with a long-term focus. To do so, Group equity is adjusted for assets and liabilities that are unlikely to be realised if held over the long term.

EPRA NAV

	31.12.2019			31.12.2018			Change	
	in € thousand	in € thousand	per share in €	in € thousand	in € thousand	per share in €	per share in €	in %
Equity		2,249,573	36.41		2,229,748	36.09	0.32	0.9
Derivative financial instruments measured at fair value	33,059			33,546				
Derivative financial instruments measured at fair value (at equity)	667			1,017				
Derivative financial instruments measured at fair value[1]		33,726	0.55		34,563	0.56	-0.01	-1.8
Equity excluding derivative financial instruments		**2,283,299**	**36.96**		**2,264,311**	**36.65**	**0.31**	**0.8**
Deferred taxes on investment properties and derivative financial instruments[1]		383,818	6.21		456,915	7.39	-1.18	-16.0
Goodwill as a result of deferred taxes		-53,727	-0.87		-53,727	-0.87	0.00	–
EPRA NAV		**2,613,390**	**42.30**		**2,667,499**	**43.17**	**-0.87**	**-2.0**
Number of no-par-value shares issued as at the reporting date			61,783,594			61,783,594		

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

EPRA NAV/EPRA NNNAV
per share in € / in € million



in € million					
EPRA NAV	2,135.2	2,332.6	2,668.4	2,667.5	**2,613.4**
EPRA NNNAV	1,693.7	1,833.9	2,119.5	2,114.4	2,139.5

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 at 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 NNNAV

	31.12.2019			31.12.2018			Change	
	in € thousand	in € thousand	per share in €	in € thousand	in € thousand	per share in €	per share in €	in %
EPRA NAV		2,613,390	42.30		2,667,499	43.17	-0.87	-2.0
Derivative financial instruments measured at fair value[1]		-33,726	-0.55		-34,563	-0.56	0.01	1.8
Difference between non-accounted financial liabilities measured at fair value and their carrying amount	-72,029			-78,617				
of which attributable to third-party shareholders in commercial partnerships	9,040			11,210				
Difference between non-accounted financial liabilities measured at fair value and their carrying amount (at equity)	-7,845			-7,677				
Difference between non-accounted financial liabilities measured at fair value and their carrying amount[1]		-70,834	-1.14		-75,084	-1.22	0.08	6.6
Deferred taxes on difference between non-accounted financial liabilities measured at fair value and their carrying amount[1]		14,446	0.23		13,418	0.22	0.01	4.5
Deferred taxes on investment properties and derivative financial instruments[1]		-383,818	-6.21		-456,915	-7.39	1.18	16.0
EPRA NNNAV		**2,139,458**	**34.63**		**2,114,355**	**34.22**	**0.41**	**1.2**
Number of no-par-value shares issued as at the reporting date			61,783,594			61,783,594		

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

EPRA NET INITIAL YIELD AND EPRA "TOPPED-UP" NET INITIAL YIELD

EPRA net initial yield is calculated on the basis of annualised rental income as at the reporting date 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 (EPRA NIY) AND EPRA "TOPPED-UP" NET INITIAL YIELD

	31.12.2019		31.12.2018	
	in € thousand	in € thousand	in € thousand	in € thousand
Market value investment properties	3,822,786		3,891,700	
Market value investment properties (at equity)	654,206		676,960	
Market value investment properties		4,476,992		4,568,660
Less expanded space [1]		-5,560		-7,160
Less ancillary acquisition costs [1]		255,240		262,271
Market value investment properties (gross)		**4,726,672**		**4,823,771**
Annualised rental income [1]		263,249		264,415
Non-allocable property expenses [1]		-22,041		-21,521
Annualised net rental income		**241,208**		**242,894**
Rental incentives and other rental adjustments [1]		742		1,088
Annualised "topped-up" net rental income		**241,950**		**243,982**
EPRA net initial yield (EPRA NIY)		**5.1%**		**5.0%**
EPRA "topped-up" net initial yield		**5.1%**		**5.1%**

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

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

	31.12.2019	31.12.2018
	in € thousand	in € thousand
Market rent for vacancy [1]	6,143	3,464
Total market rent [1]	253,419	253,060
EPRA vacancy rate	**2.4%**	**1.4%**

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

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 RATIO

	31.12.2019	31.12.2018
	in € thousand	in € thousand
Operating and administrative costs for property [1]	29,263	26,702
Other operating expenses excluding financing costs [1]	6,158	5,723
Other revenue from cost allocations and reimbursement [1]	0	0
EPRA costs (incl. direct vacancy costs)	**35,421**	**32,425**
Direct vacancy costs [1]	-781	-378
EPRA costs (excl. direct vacancy costs)	**34,640**	**32,047**
Rental revenue [1]	265,073	264,056
EPRA cost ratio (incl. direct vacancy costs)	**13.4%**	**12.3%**
EPRA cost ratio (excl. direct vacancy costs)	**13.1%**	**12.1%**

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

INVESTMENTS IN REAL ESTATE ASSETS

Investments in the Group's real estate assets amounted to:

EPRA INVESTMENTS IN REAL ESTATE ASSETS

	31.12.2019			31.12.2018		
in € thousand	Group	at-equity	Total	Group	at-equity	Total
Acquisitions	0	0	0	0	0	0
Developments, new construction	0	0	0	1,336	0	1,336
Portfolio properties (like-for-like portfolio)	19,324	3,099	22,423	19,526	3,608	23,134
Other	0	0	0	0	0	0
EPRA investments in real estate assets	**19,324**	**3,099**	**22,423**	**20,862**	**3,608**	**24,470**

Development investments in the previous year were made as part of the planned expansion of the Galeria Baltycka. The increase in investments in portfolio properties was the result of the "At-your-service" and "Mail Beautification" investment programmes started in financial year 2018 and continued during this financial year, which will further boost the attractiveness of the shopping centers.

REPORT OF THE SUPER-VISORY BOARD

DEAR SHAREHOLDERS,

Below I would like to report to you on the work of the Supervisory Board in the past financial year.

COLLABORATION BETWEEN THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

During financial year 2019, 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 Executive Board coordinated the strategic orientation of the Company with the Supervisory Board, and discussed the status of implementing the strategy with us 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.

As the Chairman of the Supervisory Board, I was kept up to date in timely fashion by the Executive Board on all important events of significance for assessing the Company's situation, development and its management. I was also given ongoing, detailed briefings between meetings of the Supervisory Board and its committees in regular conference calls with the Executive Board.

FOCUS OF ADVISORY ACTIVITIES

We conducted detailed examinations of our 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 on how the Company should act in an environment of an ongoing process of change in the retail sector, continuing low interest rates and a further decline in investor demand for retail property. The implementation of the extensive investment programme for the years 2018 to 2022 to increase the competitiveness of our shopping centers was intensively monitored and further discussed. In addition, the ongoing integration of online and offline trade and its effects on the retail sector were analysed. Further connecting our shopping centers to the rapidly developing omni-channel distribution system was seen as strategically important for the positioning of our centre portfolio. A corresponding digitisation programme ("Digital Mall") and related investments were discussed and put into action. 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 how the Company was valued by the stock market and its participants and made peer group comparisons. This year we also dealt intensively with the expected requirements of the new Corporate Governance Code and ARUG II (the Act Implementing the Second Shareholder Rights Directive), discussed the effects on our company with the Executive Board and monitored the preparatory measures taken by the Executive Board to implement ARUG II.

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 or a committee were discussed and decided on at the scheduled meetings. Where required, circular resolutions were passed in writing by the Supervisory Board and the responsible committee for transactions of the Executive Board requiring approval. All resolutions in the reporting period were passed unanimously. To avoid conflicts of interest, any parties affected abstained from voting. Some meetings were held without the Executive Board present.

MEETINGS

Four ordinary Supervisory Board meetings were held during financial year 2019. No member of the Supervisory Board attended only half or fewer than half of the meetings of the Supervisory Board and the committees on which they serve during the reporting year. You can find the individual attendance record of members of the Supervisory Board in meetings of the Supervisory Board and its committees in the following overview:

Meetings of the Supervisory Board	Member since	Appointment ends	Plenary Meetings	Executive Committee Meetings	Audit Committee Meetings	Audit Committee Conference calls	Total
Reiner Strecker (Chairman)	2012	2022 Annual General Meeting	4/4	1/1	1/1	2/3	89%
Karin Dohm (deputy Chairwoman)	2012	2022 Annual General Meeting	3/4	1/1	1/1	3/3	89%
Thomas Armbrust	2001	12.06.2019	1/1	1/1	1/1	1/1	100%
Beate Bell	2014	12.06.2019	1/1	–	–	–	100%
Manuela Better	2014	12.06.2019	1/1	–	–	–	100%
Dr. Anja Disput	12.06.2019	2024 Annual General Meeting	3/3	–	–	–	100%
Henning Eggers	12.06.2019	2024 Annual General Meeting	3/3	0/0	0/0	2/2	100%
Dr. Henning Kreke	2013	2023 Annual General Meeting	4/4	–	–	–	100%
Alexander Otto	2002	2023 Annual General Meeting	4/4	–	–	–	100%
Claudia Plath	12.06.2019	2024 Annual General Meeting	3/3	–	–	–	100%
Klaus Striebich	2012	2022 Annual General Meeting	4/4	–	–	–	100%
Roland Werner	2015	2020 Annual General Meeting	4/4	–	–	–	100%

April meeting

At the first ordinary meeting held on **25 April 2019**, the main focus was the Executive Board's presentation of the financial, accounting and tax aspects of the 2018 annual financial statements. The auditor also provided an explanation of the results of his audit of the annual financial statements. During the subsequent discussion of the annual financial statements, we again attached great importance this year to the explanations of the Executive Board and those of the auditor concerning the real estate appraisals. We also discussed the Company's dividend strategy with the Executive Board on the basis of longer-term planning scenarios. The Executive Board reported on the implementation of the restructuring and modernisation concepts for individual centers, as well as on the loans maturing over the next few years and the refinancing that has been arranged in the meantime. We dealt intensively with the expected legal changes in the environment for our company, including the reforms to land tax and land transfer tax. The focus of discussions was on ARUG II. We discussed the three candidates proposed by the Executive Committee for election at the Annual General Meeting and the selection process at the meeting and approved the Executive Committee's proposal. Finally, the agenda for the Annual General Meeting was unanimously adopted.

June meeting

After the Annual General Meeting on **12 June 2019** elected Dr Anja Disput, Henning Eggers and Claudia Plath to the Supervisory Board, as proposed by the management, we reorganised the Supervisory Board at the subsequent meeting held the same day. As a result, there was a change in the allocation of responsibilities, with Mr Eggers taking over the responsibilities of Mr Armbrust in the Executive Committee, the Audit Committee and the Capital Markets Committee. The Executive Board reported to us on investments in the Rhein-Neckar-Zentrum and the lease renewal situation in the Saarpark-Center Neunkirchen and Stadt-Galerie Hameln, and also on the continuing low level of activity on the investment market for shopping centers.

September meeting

At our third meeting on **26 September 2019**, we carried out the scheduled in-depth examination of the Company's strategy and the measures and methods to be derived from it in view of the competition facing bricks-and-mortar retailing from online retailing, which continues to increase. The Executive Board reported on the preparations it had made and the measures it intended to take for the corporate restructuring of the Group with the aim of avoiding trade tax liability for various subsidiaries. In addition, the Executive Board presented to us the current letting situation in Stadt-Galerie Passau, the Main-Taunus-Zentrum and the Olympia-Center in Brno. Together we discussed the current status of the legislative procedure for ARUG II and the resulting preparations by the Executive Board. We delegated to our Executive Committee the change to our company's remuneration system due to the anticipated requirements of ARUG II and the new Corporate Governance Code.

November meeting

At our meeting on **28 November 2019**, the Executive Board reported to us on the letting activities in the Rhein-Neckar-Zentrum and investments to renovate the apartments above the Herold-Center in Norderstedt. We approved the investments in the Olympia Center planned and proposed by the Executive Board. The Executive Board explained the projection for 2019 and also presented its planning for the years 2020 to 2024; we approved the 2020 budget. Finally, the Executive Board reported on its negotiations on extending our credit line and the portfolio financing for City-Arkaden in Wuppertal, City-Galerie in Wolfsburg and the Billstedt-Center in Hamburg.

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 convened on 11 April 2019 for a regular meeting.

The Audit Committee also discussed the quarterly financial reports with the Executive Board in conference calls on 7 May, 14 August and 8 November 2019.

CORPORATE GOVERNANCE

In September 2019, 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 (DCGK) is included in this Annual Report. The members of the Supervisory Board and the Executive Board declared in writing at the beginning of 2020 that no conflicts of interest had arisen during financial year 2019.

We have drawn up a clear matrix of the powers of the members of the Supervisory Board (see "Declaration on Corporate Governance") in order to further increase transparency in this area as well. We regularly review the composition profile of the Supervisory Board and will adjust it if necessary.

The Supervisory Board decided in 2017 that the Chairman of the Supervisory Board can conduct talks with investors on topics of relevance to the Supervisory Board in accordance with the recommendations of the DCGK and the "Principles for Dialogue between Investor and Supervisory Board". No investor requested a meeting in 2019.

Klaus Striebich has been an independent member of the Supervisory Board since 1 April 2019 after terminating his business relationships with companies affiliated to the major shareholder Alexander Otto.

Since the new elections to the Supervisory Board on 12 June 2019, five of the total of nine members of the Supervisory Board have thus been independent.

FINANCIAL STATEMENTS OF DEUTSCHE EUROSHOP AG AND THE GROUP FOR THE PERIOD ENDING 31 DECEMBER 2019

At the Audit Committee meeting on 30 March 2020 and the extraordinary Supervisory Board meeting on 3 April 2020, 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 2019, as well as the combined management report and Group management report for 2019. The effects of the coronavirus pandemic on the future performance of Deutsche EuroShop AG, as explained in the supplementary report in the combined management report, were also discussed with the Executive Board. The auditor explained to us all matters which he regarded as being of particular significance for his audit of the consolidated financial statements, doing so in a manner that was easy to follow. The Supervisory Board shares the auditor's assessment of the importance of these matters for the consolidated financial statements. You can find details of these matters in the auditor's report.

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 12 June 2019 – 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 30 March 2020 and the extraordinary Supervisory Board meeting on 3 April 2020 and explained the main findings.

The Supervisory Board has come to the conclusion that there are no objections to be raised against the annual financial statements or the audit conducted by the auditor. The combined management report meets statutory requirements in the opinion of the Supervisory Board. The Supervisory Board agrees with the statements in the management report on the further growth of the Company. The Supervisory Board has issued its agreement with the result of the audit of the annual financial statements and approved the annual financial statements of Deutsche EuroShop AG and the consolidated financial statements of the Deutsche EuroShop Group; the annual financial statements are therefore approved. The Supervisory Board also endorsed the Executive Board's proposal for the appropriation of profits to carry forward the unappropriated surplus of €34,629 thousand.

The Supervisory Board would like to thank the Executive Board and all employees of Deutsche EuroShop AG for their good, reliable work and their consistent commitment in an environment that has become more difficult for our industry.

Hamburg, 3 April 2020

Reiner Strecker, Chairman

CORPORATE GOVERNANCE 2019

AND DECLARATION ON CORPORATE GOVERNANCE

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 the 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 289f (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 potential. A 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 form the basis for the high earnings targets being 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 must 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.

HIGHLY 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 (1a) 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.

TAILORED RENT STRUCTURE

One key component of the rental model is a tailored rent structure. 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 that is regularly hedged through indexed minimum rents during the rental period.

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 around 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 lively market places where there is always something new and spectacular on offer. In addition, we are constantly adding new products and services that are being developed as part of the ongoing integration of bricks-and-mortar retailing and online shopping sites, for example Digital Mall, and that further enhance the shopping experience and level of service for our customers. Some of these include Click & Collect and shop delivery services.

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 at an early stage 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. Online retailing, its impact on footfall and sales in centers and the countermeasures taken to combine the strategic advantages of our shopping centers with the opportunities afforded by e-commerce are becoming increasingly important in reporting to the Executive Board. In addition, legal changes within our Company are discussed between the Executive Board and the Supervisory Board at an early stage and any changes that are potentially required to meet legal requirements are prepared.

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

CORPORATE GOVERNANCE 2019

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 on 7 February 2017. On 16 December 2019, the Government Commission then adopted a fundamentally amended German Corporate Governance Code, which came into force on 20 March 2020.

THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The Supervisory and Executive Boards performed their statutory duties in financial year 2019 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 informed regularly, promptly and in detail of business developments and the risk situation by the Executive Board. Detailed information on the main areas of focus of its activities in financial year 2019 can be found in its report in Annual Report 2019 of Deutsche EuroShop AG.

In financial year 2019, 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

In 2015, the Supervisory Board added a diversity concept to the goals specified in 2012 for its composition, confirmed both in 2017 and last updated them in 2019. The Supervisory Board gears 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 for the Supervisory Board to 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, law and business management. It is intended that the proportion of women on the Supervisory Board be at least 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.

Since 2015 the Company has disclosed the skills provided by the individual members of the Supervisory Board in the nomination process for the elections to the Supervisory Board.

The current competence matrix is as follows:

	Reiner Strecker	Karin Dohm	Dr. Anja Disput	Henning Eggers	Dr. Henning Kreke	Alexander Otto	Claudia Plath	Klaus Striebich	Roland Werner
Retail sector	x				x	x		x	x
Real estate			x			x	x	x	
Business management	x			x	x	x	x	x	x
Accounting	x	x		x	x		x		x
Funding		x		x			x		
Capital market	x	x		x	x	x			x
Law		x	x						
Corporate governance	x	x	x	x	x	x	x		

The German Corporate Governance Code states that a member of the Supervisory Board "is not deemed independent if they have a personal or business relationship with the Company, its governing bodies, a controlling shareholder or an associate thereof that could give rise to a material conflict of interest which is more than temporary." In 2015, the Supervisory Board of Deutsche Euroshop AG stipulated that the materiality criterion does not apply to tenants accounting for less than 1% of Group rental income. This is the case for Roland Werner, Chair of the Management Board of Bijou Brigitte Modische Accessoires AG, a tenant operating a total of some 1,000 shops. 21 of these are in shopping centers of Deutsche Euroshop AG.

Klaus Striebich stepped down as Chairman of the Advisory Board of MEC Metro-ECE Centermanagement GmbH & Co. KG on 31 March 2019 and also ceased to be an independent advisor to KG CURA Vermögensverwaltung G.m.b.H. & Co. Since then he has been an independent member of the Supervisory Board.

The mandate periods of Beate Bell, Manuela Better and Thomas Armbrust ended at the Annual General Meeting on 12 June 2019. The three members of the Supervisory Board did not stand for re-election, so the Annual General Meeting elected Dr. Anja Disput, Henning Eggers and Claudia Plath as new members of the Supervisory Board at the suggestion of the Board of Directors. Dr. Anja Disput is an independent member, while Henning Eggers and Claudia Plath are dependent members of the Supervisory Board through their business relationship with Alexander Otto.

Based on its own assessment, the Supervisory Board continues to have an adequate number of independent members. Five of the nine Supervisory Board members are independent. These are Reiner Strecker, Karin Dohm, Dr. Anja Disput, Roland Werner and Klaus Striebich (since 1 April 2019).

The length of service on the Supervisory Board ranges from 0.5 to 17.5 years, the average being 5.8 years.

Last name	Function	Since	Until the AGM, which will decide on ...	AGM in	Membership (years) on the Supervisory Board as of December 2019
Reiner Strecker	Chairman	13.07.2012	2021	2022	7.5
Karin Dohm	Deputy Chairwoman and Financial Expert	13.07.2012	2021	2022	7.5
Klaus Striebich		13.07.2012	2021	2022	7.5
Alexander Otto		18.06.2002	2022	2023	17.5
Dr. Henning Kreke		20.06.2013	2022	2023	6.5
Henning Eggers		12.06.2019	2023	2024	0.5
Dr. Anja Disput		12.06.2019	2023	2024	0.5
Claudia Plath		12.06.2019	2023	2024	0.5
Roland Werner		18.06.2015	2019	2020	4.5
Average:					**5.8**

The Supervisory Board assesses its effectiveness and that of its committees (efficiency review) every two years on the basis of a questionnaire. The members of the Supervisory Board have the opportunity to express criticism, make suggestions and propose improvements. The efficiency review has potential implications, which are discussed on the Supervisory Board and, where necessary, implemented in the Supervisory Board's work. The last self-assessment took place in February 2019.

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** (until 12 June 2019)
- **Beate Bell** (until 12 June 2019)
- **Manuela Better** (until 12 June 2019)
- **Dr. Anja Disput** (since 12 June 2019)
- **Henning Eggers** (since 12 June 2019)
- **Dr. Henning Kreke**
- **Alexander Otto**
- **Claudia Plath** (since 12 June 2019)
- **Klaus Striebich**
- **Roland Werner**

The **Supervisory Board Executive Committee** consists of Mr Strecker, Ms Dohm, Mr Armbrust (until 12 June 2019) and Mr Eggers (since 12 June 2019). 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 and Mr Armbrust (until 12 June 2019) Mr Strecker and Mr Eggers (since 12 June 2019). 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 (until 12 June 2019), Mr Eggers (since 12 June 2019) Dr. Kreke and Mr Strecker are members of the **Capital Market Committee**. During the past year, it was chaired by Mr Armbrust (until 12 June 2019) and Mr Eggers (since 12 June 2019). The position of Deputy Chairman is 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.

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, implementation and monitoring of risk management.

The diversity concept of the Supervisory Board for the Executive Board which originated in 2015 was given concrete shape and expanded in April 2017. It proposes that the Executive Board should consist of members of both sexes with a proportion of women of at least 30%. The composition of the Executive Board should be geared towards the needs of a listed company with a small staff base. This should take into account the requirements of accounting with high capital investment as well as the largely national activities in long-term investment in retail properties. The members of the Executive Board are expected to have knowledge and experience in the application of accounting principles and internal control procedures according to German and / or international accounting standards, in the retail trade as well as in the management of shopping centers, in equity and debt financing, capital market, corporate governance, corporate and personnel management, corporate acquisitions and mergers, and in the purchase and sale of real estate. The focal points of knowledge and experience should complement each other.

The upper age limit for members of the Executive Board is 60.

As of 31 December 2019, the Executive Board of Deutsche EuroShop AG comprised two members.

Wilhelm Wellner
Born 8 March 1967
First appointed: 2015
Appointed until: 31 December 2021

Wilhelm Wellner joined Deutsche EuroShop in 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 on 10 December 1964
First appointed: 2005
Appointed until: 30 September 2022

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, and is responsible for ESG issues (environmental social governance) on the Executive Board.

Together with the Executive Board, the Supervisory Board ensures long-term succession planning. The Supervisory Board devotes particular attention to the deferred end of the terms of office of the two Executive Board members in combination with their respective experience and areas of expertise. Discussions and negotiations for potentially extending terms of office begin at least one year before the end of the current term of office, so that internal and external successors can be appointed.

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. A quota of women of at least 30% was set for the Supervisory Board and the Executive Board. The Executive Board also set the same target for the management levels below the Executive Board. Given that there are five employees in total, there is only one management level.

Since the quota was established in 2015, the target for the nine-member Supervisory Board has been met with three female members.

The quota of women on the two-member Executive Board as of 31 December 2019 was 0%.

In December 2018, Mr Borkers' term in office on the Executive Board, which was due to end on 30 September 2019, was extended until 30 September 2022 in view of his performance. Moreover, continuity and experience gained with the business model are important to the Company's success. 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.

The quota of women in the first management level below the Executive Board, which consists of two people, was also at 0% on 31 December 2019.

SHAREHOLDINGS

Executive Board

As at 31 December 2019, the Executive Board held a total of 6,500 shares, less than 1% of Deutsche EuroShop AG's share capital.

Supervisory Board

As at 31 December 2019, the Supervisory Board held a total of 12,103,396 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 2019 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act):

Name / Company name	Name of financial instrument	Type of transaction	Date	Price (€)	Number	Total volume (€)	Place
Oliver Bell	Share*	Purchase	22.03.2019	27.00	700	18,900.00	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase**	23.05.2019	27.40	200,000	5,480,000.00	Eurex
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase**	21.06.2019	25.00	200,000	5,000,000.00	Eurex
Claudia Plath	Share*	Purchase	19.08.2019	22.60	1,000	22,600.00	Xetra

* ISIN: DE0007480204
** Purchase / take-up due to previously concluded option transactions (sold put options)

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.

COMPLIANCE MANAGEMENT

The Executive Board has set up a compliance management system suitable for a holding company and gives appropriate consideration to legal and corporate governance requirements at a key affiliated service provider. In financial year 2019, the compliance management system and the internal control system (ICS) were adapted in particular to the requirements of ARUG II (Act on the Implementation of the Shareholders' Rights Directive), which came into force on 1 January 2020. The Company set up a whistleblower system for the collection of anonymous internal and external information in the first quarter of 2018.

ACCOUNTING AND AUDITS

The Deutsche EuroShop Group prepares its financial statements according to International Financial Reporting Standards (IFRSs) on the basis of section 315e 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 12 June 2019, BDO AG Wirtschaftsprüfungsgesellschaft was elected as the statutory auditor for the consolidated financial statements for financial year 2019. BDO AG Wirtschaftsprüfungsgesellschaft audited the annual and consolidated financial statements of Deutsche EuroShop AG from 2005 to 2019 without interruption. The responsible auditors within the audit company changed several times during the above-mentioned period. The current auditor, Andrea Reese, audited the annual financial statements for the fourth time in 2019, while the ancillary auditor, Christoph Hyckel, audited the annual financial statements of our Company for the sixth time in this function. BDO also provided other consultancy services for our Company in financial year 2019 in the amount of €5 thousand.

OUTLOOK

The composition of the Supervisory Board has changed significantly with the election of three new members in June 2019 and the generational change that began in 2012 was completed with the end of Thomas Armbrust's mandate. 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 September 2019, 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 2019 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 7 February 2017), 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 of the Code).

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, 30 September 2019

The Executive Board and the Supervisory Board
Deutsche EuroShop AG

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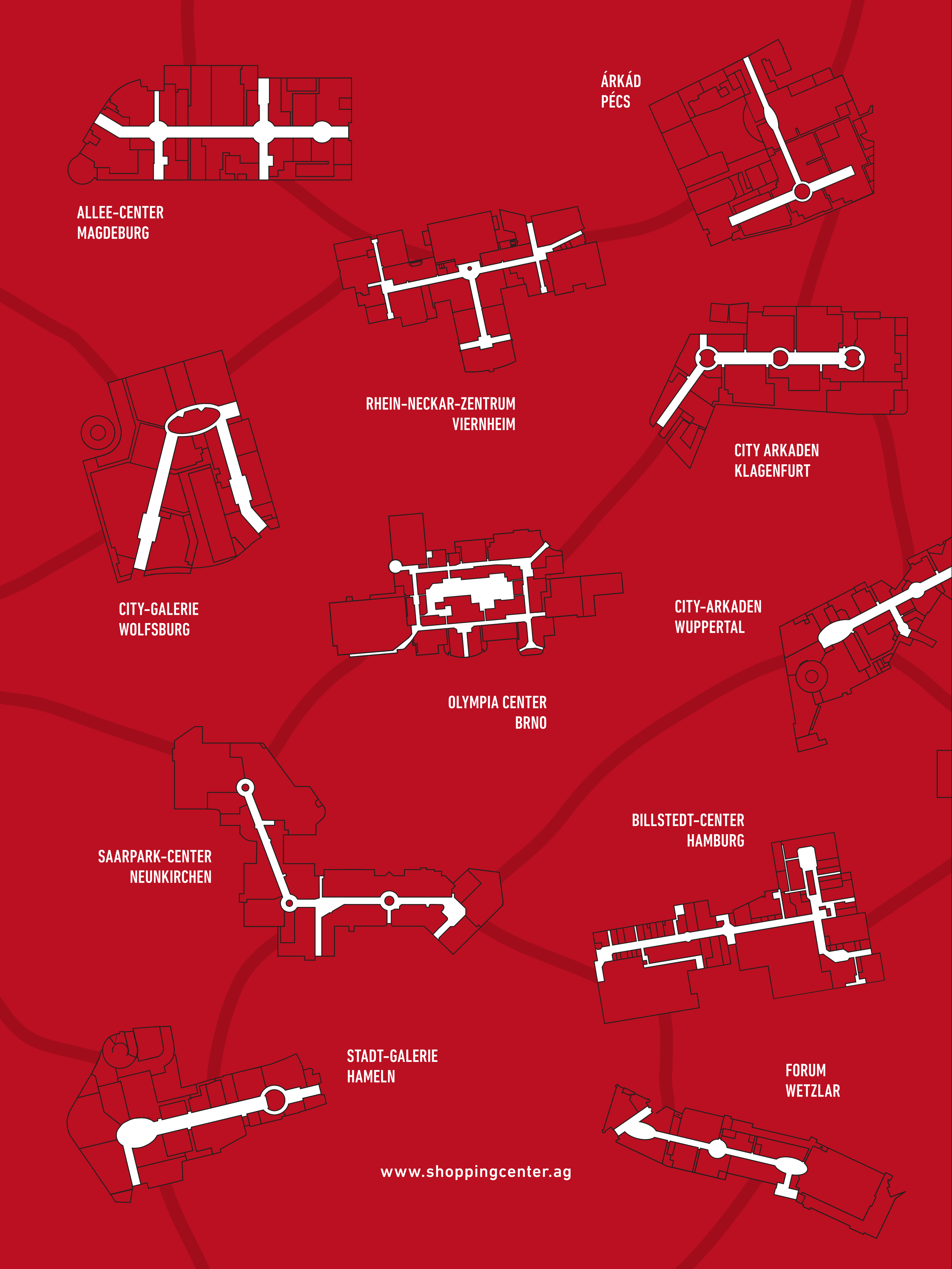
Information on wording: Wherever any terms indicating the male gender only (he, him, etc.) have, in the interests of simplicity, been used in this Annual Report, such references should be construed as referring equally to the female gender. **Author contributions:** Sections of text bearing an author's name do not necessarily reflect the views of Deutsche EuroShop AG. The authors in question are responsible for the content of the texts. **Trademarks:** All trademarks and brand or product names mentioned in this Annual Report are the property of their respective owners. This applies in particular to DAX, MDAX, SDAX and Xetra, which are registered trademarks and the property of Deutsche Börse AG. **Rounding and rates of change:** Percentages and figures stated in this report may be subject to rounding differences. The prefixes before rates of change are based on economic considerations: improvements are indicated by a plus (+); deteriorations by a minus (–). **Forward-looking statements:** This Annual Report contains forward- looking statements based on estimates of future developments by the Executive Board. The statements and forecasts represent estimates based on all of the information available at the current time. If the assumptions on which these statements and forecasts are based do not materialise, the actual results may differ from those currently being forecast. **Publications for our shareholder:** Annual Report (in English and German), Quarterly Statement 3M 2019, Quarterly Statement 9M 2019 and Interim Report H1 2019 (in English and German). **Online Annual Report:** The Deutsche EuroShop Annual Report can be downloaded in PDF format or accessed as an interactive online report at deutsche-euroshop.com. This Annual Report is also available in German. In the event of conflicts the German-language version shall prevail.

Convenience Translation – the German version is the only binding version



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