Deutsche EuroShop

DES

ANNUAL REPORT

12

feelestate.de

Hamburg³

This document is a excerpt of our annual report 2012 to be published on the website of Deutsche Börse (ERS, Exchange Reporting System). You will find a complete annual report on www.deutsche-euroshop.com/ir.

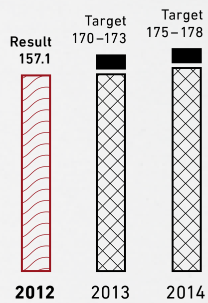
Deutsche EuroShop Overview

Key data

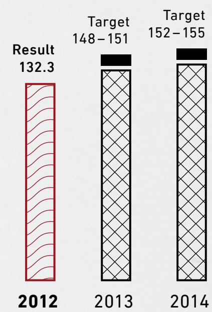
€ million	2012	2011	DIFFERENCE
Revenue	211.2	190.0	11 %
EBIT	181.0	165.7	9 %
Net finance costs	-86.0	-79.1	-9 %
Measurement gains / losses	8.5	50.1	-83 %
EBT	103.5	136.7	-24 %
Consolidated profit	122.5	99.0	24 %
FFO per share (€)	1.66	1.61	3 %
Earnings per share (€)*	2.36	1.92	23 %
Equity**	1,606.1	1,473.1	9 %
Liabilities	1,942.8	1,752.0	11 %
Total assets	3,548.9	3,225.1	10 %
Equity ratio (%)**	45.3	45.7	
LTV-ratio (%)	44	45	
Gearing (%)**	121	119	
Cash and cash equivalents	167.5	64.4	160 %
Net asset value (EPRA)	1,538.9	1,427.3	8 %
Net asset value per share (€, EPRA)	28.53	27.64	3 %
Dividend per share (€)	1.20***	1.10	9 %

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

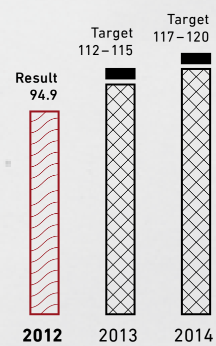
Revenue* in € millions



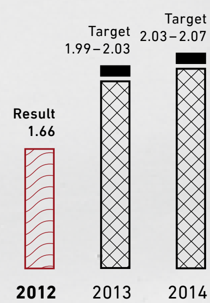
EBIT* in € millions



EBT in € millions

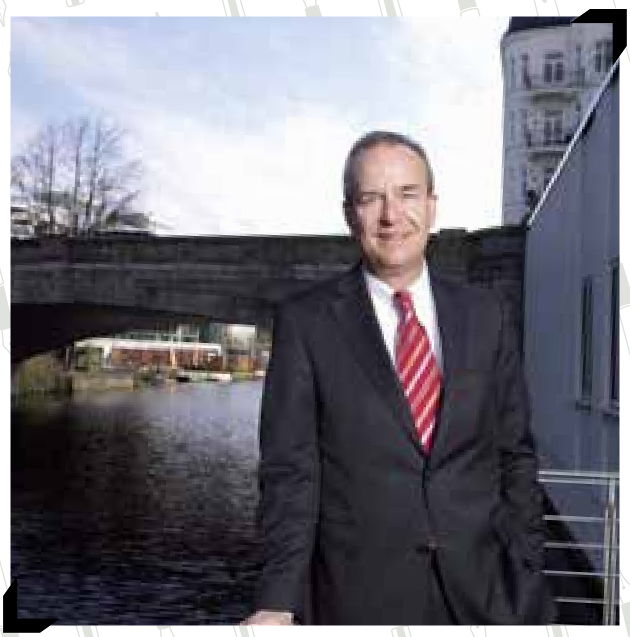


FFO per share in €



* at-equity consolidation

Editorial



Dear Readers,

We have dedicated this year's Annual Report to our "home port" of Hamburg, where Deutsche EuroShop has had its headquarters since 2004. Our portfolio with its three shopping centers is also closely linked to the Hanseatic City and the surrounding area, and is the reason why the title of this report is simply "Hamburg^3".

As well as providing a closer insight into the city of Hamburg, we would like to introduce you to our shopping centers and the districts where the DES team members live and shop. We have also compiled selected facts and figures on the city, some of which we even found surprising. And last but not least, we would like to introduce you to three of our tenants whose roots are in Hamburg.

Not forgetting, of course, our business results, which we have drawn up for you in the customary level of detail and are pleased to say reflect a very successful financial year 2012. And, as usual, we have also ventured a look into the future and outlined our forecast for 2013 and 2014.

Finally, I would like to invite you to visit our shopping centers in and around Hamburg, in Billstedt, Harburg and Norderstedt. Not to mention our 17 other shopping centers in Germany, Austria, Poland and Hungary, where you'll always find a warm welcome. And if you happen to be in Hamburg-Poppenbüttel, do visit us in our new office premises!

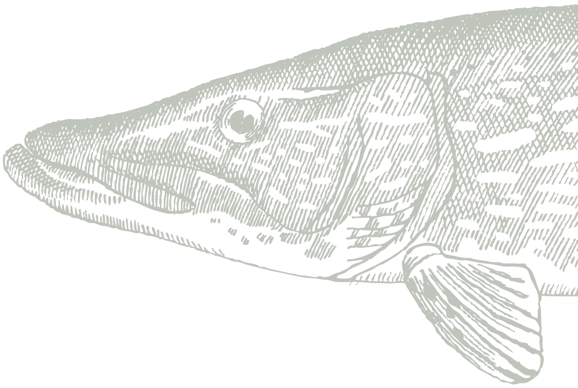
Best regards

Claus-Matthias Böge
CEO

Interview with the Executive Board

„Don't put the rod down just because you haven't had a bite yet."

ONE KEY QUALITY OF SUCCESSFUL RETAILERS IS THEIR WILLINGNESS TO CHANGE. EVERY TRADER KNOWS THE RETAIL TRADE NEVER STANDS STILL. IN 2012, VERSATILITY WAS CALLED FOR FROM DEUTSCHE EUROSHOP, TOO. NOT FROM AN OPERATIONAL PERSPECTIVE, BUT A TAX ONE. DESPITE THE FACT THAT THE GROUP'S RESTRUCTURING PUT A HEAVY STRAIN ON CAPACITIES, THE TWO MEMBERS OF THE EXECUTIVE BOARD, CLAUS-MATTHIAS BÖGE AND OLAF BORKERS, WERE ABLE TO CONTINUE DRIVING THE COMPANY'S GROWTH FORWARD. READ ABOUT HOW THE INDIVIDUAL ISSUES WERE HANDLED IN THE INTERVIEW WITH THE EXECUTIVE BOARD.



? Deutsche EuroShop just finished restructuring. What happened?

CLAUS-MATTHIAS BÖGE: We reacted to a surprising ruling from the German Federal Fiscal Court (Bundesfinanzhof) and restructured the Deutsche EuroShop Group in such a way that, in future, we will be able to take advantage of the "extended trade tax deduction" for at least a portion of our shopping center portfolio in Germany.

We're working on sustainably optimising this situation; however, that's an undertaking that will take several years. It was and remains highly complex – unfortunately something German tax law is known for.

OLAF BORKERS: One positive effect of this restructuring was that we were able to release €49.3 million in deferred trade tax provisions created during the previous years.

? While we're on the positive aspects, were you also able to secure growth?

CLAUS-MATTHIAS BÖGE: Yes, we acquired the Herold-Center in Norderstedt just before the end of the year. The investment volume is around € 187 million, the initial rate of return about 6.1 % – certainly an attractive return on a popular shopping center market.

OLAF BORKERS: Our portfolio now comprises 20 shopping centers with a market value of € 3.8 billion. Built on two levels, with a retail space of around 26,000 m^2, the Herold-Center houses some 130 specialist outlets, all of which are let. The center was opened in 1971 and most recently expanded in 2003.

? – Did you explore new avenues with regard to external financing this time?

OLAF BORKERS: Yes we did. We issued a our very first convertible bond. In doing so we secured financing in the amount of € 100 million for a five-year period at an interest rate of 1.75 %. That's a good rate for us, yet at the same time attractive for bond investors who expect DES share prices to rise.

CLAUS-MATTHIAS BÖGE: A small capital increase also brought € 67.7 million in equity.

? – Why were private shareholders excluded from participating in the capital increase?

CLAUS-MATTHIAS BÖGE: I've said many times in the past that we prefer to carry out capital increases with subscription rights for our many loyal private shareholders, as we most recently did twice in 2010.

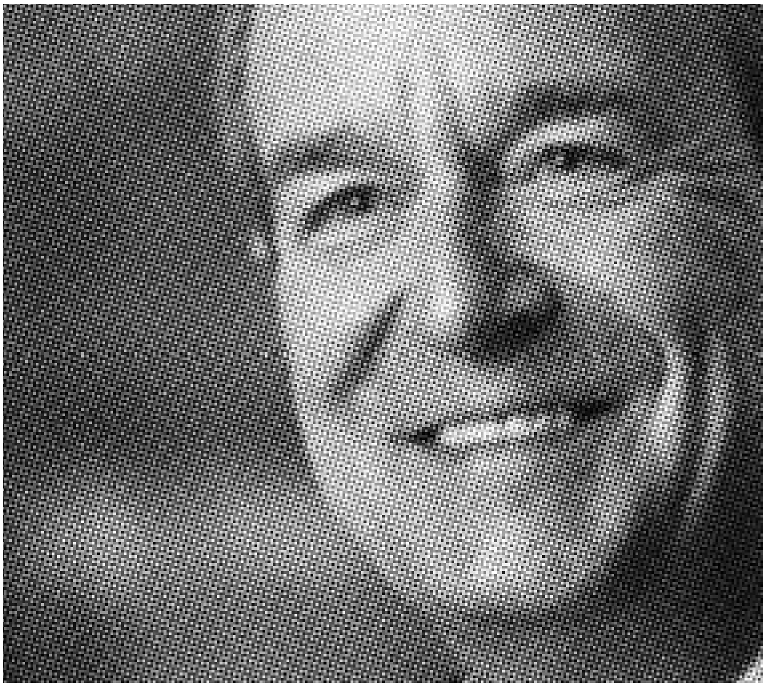
However, there's been a change in the Wertpapierprospektgesetz (German Securities Prospectus Act). A general securities prospectus requirement has been in effect since July 2012, also for the type of rights issue we liked to work with. Since it takes several weeks to draw up a prospectus, the delay that entails as well as the uncertain outcome in a changing capital market environment could become a deal breaker during the purchase process. That's something we'd like to avoid. Plus drawing up a prospectus is extremely expensive.

We only issued around 2.3 million shares in November and chose the quick accelerated book building process to do this. Unfortunately when using this process, one which places new shares close to the stock market price, only "qualified investors" can be approached, generally institutional investors, and subscription rights must be excluded for shareholders.

Ultimately, though, we were very pleased that both measures were well received on the capital market despite the fact that we were still an unknown quantity for the bond market. The good track record we've now been able to establish here, too, should prove beneficial if we ever decide to repeat the move.

? – But you'll also continue to rely on classical forms of external financing?

OLAF BORKERS: Absolutely! We took advantage of favourable financing terms for Deutsche EuroShop and were able to reduce the average interest rate of our liabilities from 4.59 % to 4.1 %, or in other words by 43 basis points.



That all sounds great. How were operations?

CLAUS-MATTHIAS BÖGE: Good, as always, according to plan. To be more precise: We projected between € 207 million and € 211 million in revenue and in the end generated € 211.2 million. We were especially pleased with revenue trends at the Main-Taunus-Zentrum, the Altmarkt-Galerie Dresden and the A10 Center, where extensions had been opened up during the previous year.

Earnings before interest and taxes (EBIT) were projected at between € 177 million and € 181 million. A 9 % increase to € 181.0 million put us at the upper end of that range.

We always plan earnings before taxes (EBT) without measurement gains / losses and were expecting a figure of between € 90 million and € 93 million. Over the course of the year we raised our forecast from € 94 to 97 million and, with a result of € 95.9 million, our corridor was extremely accurate.

Originally we predicted that funds from operations, FFO for short, would fall within the € 1.64 to € 1.68 range per share. As the year progressed we adjusted our forecast here, too, and raised this range to € 1.70 to € 1.74 per share. In the end we came in at € 1.66, right in the middle of the original forecast.

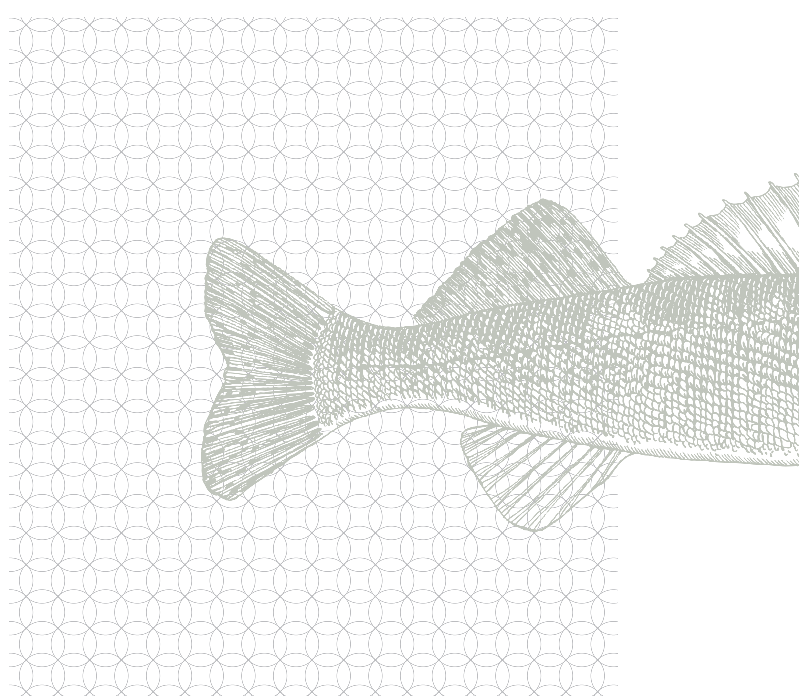
OLAF BORKERS: I'm sure you'd like to hear more on the background to that. One-off fees in the form of prepayment compensation and tax payments were incurred in connection with both the refinancing of the Main-Taunus-Zentrum and the restructuring of the Group, which reduced the FFO by € 0.16 per share. Adjusted for these effects, the FFO would have been € 1.82 per share and, in that case, we would have significantly exceeded our forecasts.

Some people regard the measurement gain as surprisingly low. What were the reasons behind that?

OLAF BORKERS: There was a measurement gain of € 8.5 million. Our Hungarian shopping center in Pécs, which represents around 1 % of our investment properties, was depreciated by about 16 % as a precautionary measure. The value of the Main-Taunus-Zentrum, on the other hand, was increased by 8 % after the expansion was well received by customers. Those were the anomalies. Changes in the market values of the other properties remained within a very narrow corridor of between -1.9 to +3.4 %.

CLAUS-MATTHIAS BÖGE: Internally we had expected the measurement gain / loss to zero out. In fact it's impossible to predict the myriad of effects which include interest rate movements, real estate market and tenant risk as well as some 150 other factors, something we stress over and over again. Anyway, the only thing that counts for us is the cash we influence through our business decisions and can distribute as a dividend. Since we aren't planning to sell our portfolio of shopping centers, the annual measurement gain or loss isn't very meaningful for us.

"GOOD, AS ALWAYS, ACCORDING TO PLAN."



"OUR PORTFOLIO NOW COMPRISES 20 SHOPPING CENTERS WITH A MARKET VALUE OF € 3.8 BILLION."

However if you expect a measurement gain based on the most recently conducted center transactions, you're failing to consider the fact that our experts don't use a mark-to-market but a discounted cash flow method. Since shopping centers are hard to compare, I also consider that the better approach.

How will shareholders participate in the Group's renewed set of good results?

CLAUS-MATTHIAS BÖGE: With a dividend that's been increased to € 1.20 per share. At least that's going to be our proposal at the Annual General Meeting. We've always promised our shareholders that the most recently paid dividend will be the minimum amount for future distributions. So far, these distributions – at least for our long-standing shareholders – have been entirely tax free. That's changing now: For the first time, € 0.31 per share of the 2012 dividend is subject to capital gains withholding tax. That means that 31 cents of the dividend are subject to taxes totalling 26.37 % (25 % flat-rate withholding tax plus 5.5 % solidarity surcharge) or, in other words, a little over 8 cents. A 10-cent raise in the dividend more than evens out this effect so that, in the end, our shareholders are not receiving any less.

Could you briefly explain why the 2013 forecast shows a dip in revenue and EBIT?

CLAUS-MATTHIAS BÖGE: That's due to the changes to IFRS accounting standards announced last year, which prohibit the use of proportional consolidation in the future. While this change means decreased transparency in the presentation of results, it doesn't actually change results. We're not the only ones affected by this change; all companies that used to include subsidiaries on a proportional basis in consolidated financial statements are affected.

Yet ultimately it doesn't change a thing because, in the income statement, the results of the investees are accounted for in the net finance costs as income from investments. That means that these IFRS amendments only visually impact the revenue and EBIT in our forecast, while both the EBT and FFO remain practically unchanged.

Can you tell us a bit about your forecasts for 2013 and 2014?

OLAF BORKERS: Things continue to improve. During the current financial year we anticipate our rental income, recognised as revenue, to rise 9 % from € 170 million to € 173 million. Next year this figure could be between € 175 million and € 178 million. Our outlook for 2013 predicts that EBIT of between € 148 million and € 151 million, which corresponds to an increase of 13 %, and another 3 % increase to between € 152 million and € 155 million in 2014. We anticipate that our earnings before taxes excluding measurement gains / losses will rise by 19 % to between € 112 million and € 115 million with another 4 % increase to between € 117 million and € 120 million expected next year.

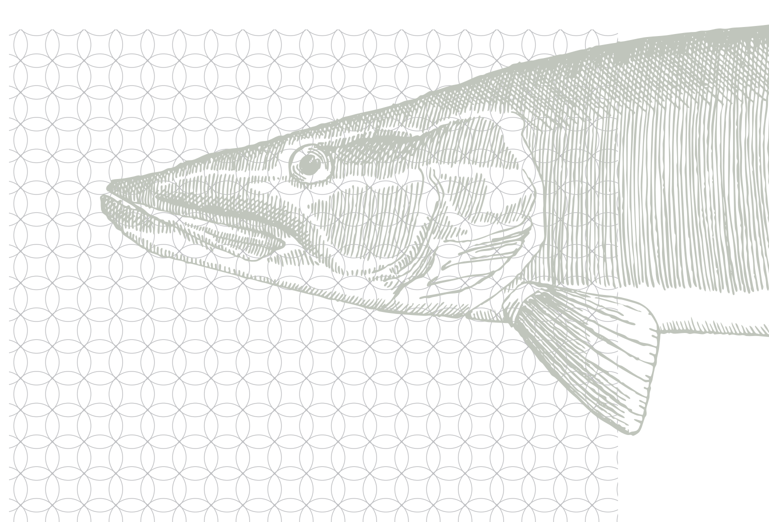
After the one-off effects recognised in 2012, the jump in funds from operations (FFO) is particularly impressive. For 2013 we anticipate an increase of 21 % to between € 1.99 and € 2.03 per share. That will return to normal in 2014, when we predict a two-percent increase to between € 2.03 and € 2.07.

In light of all of these predictions, we anticipate stable business without any surprises and, as always, we have not planned in any acquisitions.

No acquisitions?

CLAUS-MATTHIAS BÖGE: We're still ready to seize attractive opportunities as they arise. But patience is a virtue – just like when you're fishing. I had more opportunities to go fishing as a child than I do now but that experience also helps me in my professional life. Incidentally, in Low German we have a saying which roughly translates to: "Don't put the rod down just because you haven't had a bite. Because eventually, you will."

Thank you for talking to us.



Claus-Matthias Böge

CEO

After successfully qualifying as a bank clerk and completing a business administration degree, Mr. Böge began his professional career in 1987 at the Düsseldorf-based Privatbankhaus Trinkaus & Burkhardt in Mergers & Acquisitions. His work, for which he was made a Prokurist (authorised signatory) in 1989, focused on advising small and medium-sized companies on buying and selling companies and equity interests. In 1990, Mr. Böge was appointed to the management of KST Stahltechnik GmbH, a subsidiary of the Austrian industrial plant construction group VA Technologie AG, where he was responsible for the financial control, personnel, legal, tax and administration departments.

In autumn 1993, Mr. Böge moved to ECE Projektmanagement G.m.b.H. & Co. KG in Hamburg, the European market leader for the development, realisation, leasing and long-term management of shopping centers. It was here that he first became fascinated with the world of shopping centers. In addition to a series of management positions at subsidiaries in the ECE group, his work focused on concept planning, financing and ongoing profitability optimisation of property investments. Mr. Böge joined the Executive Board of Deutsche EuroShop AG in October 2001. He is married and has two children.

Olaf Borkers

Member of the Executive Board

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

Olaf Borkers joined the Executive Board of Deutsche EuroShop AG in October 2005. He is married and has two children.

Report of the Supervisory Board

Dear Shareholders,

During financial year 2012, the Supervisory Board performed the duties incumbent on it according to the law and the Articles of Association and closely followed the performance of Deutsche EuroShop AG. The strategic orientation of the Company was coordinated with the Supervisory Board, and the status of the strategy implementation was discussed at regular intervals. The Supervisory Board monitored and advised the Executive Board on its management of the business, and the Executive Board informed us regularly, promptly and in detail of business developments.

FOCUS OF ADVISORY ACTIVITIES

We examined the Company's net assets, financial position and results of operations, as well as its risk management, regularly and in detail. In this context, we checked that the formal conditions for implementing an efficient system of monitoring our Company were met and that the means of supervision at our disposal were effective.

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

We considered the development of the portfolio properties, specifically their turnover trends, the accounts receivable and occupancy rates as well as the Company's liquidity position. The Executive Board's plans to restructure the Group, which, according to an assessment by the Executive Board and the Supervisory Board, became necessary following the ruling by the German Federal Fiscal Court (Bundesfinanzhof) regarding the extended trade tax deduction, were the subject of particularly intense discussions during the financial year.

Regular discussions were conducted with the Executive Board regarding trends on the capital, credit, real estate and retail markets and the effects of these on the Company's strategy. The Executive Board and Supervisory Board also examined various investment options. We received regular reports detailing the turnover trends and payment patterns of our tenants and the credit policies of the banks.

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

MEETINGS

Five scheduled Supervisory Board meetings took place during financial year 2012. The only absences were recorded at the constituent meeting on 21 June 2012; in this case, three members of the Supervisory Board were excused from attending. They granted voting proxies prior to the meeting.

At the first scheduled meeting, on **26 April 2012**, the Supervisory Board's annual review of efficiency was completed and the agenda for the Annual General Meeting was approved. We selected the auditor, who was proposed to the shareholders for election. In relation to the audit of the annual financial statements, we once again attached great importance to the explanations of the Executive Board and those of the auditor on the real estate appraisals. In addition, the Executive Board explained the possibilities opened up by corporate restructuring and the tax impact on the Group. The Executive Board also reported on the conclusion of the expansion of Main-Taunus-Zentrum, the acquisition of the remaining shares in the Rathaus-Center in Dessau and various refinancing negotiations. Explanations regarding the occupancy situation focused on the office space in the expanded Altmarkt-Galerie in Dresden. The Executive Board also presented the option of purchasing a shopping center in Poland.

At the meeting held on **21 June 2012 prior to the Annual General Meeting**, the Executive Board reported on refinancing agreements implemented as well as the occupancy situation at the shopping center in Pécs, Hungary, in particular. The Executive Board informed us of the latest insights regarding Group restructuring, given that the concept will soon be ready to submit for a decision, and presented the possibility of acquiring the Herold-Center in Norderstedt.

One focus of this meeting was also the planned enlargement of our Supervisory Board in light of changes to the requirements of the Corporate Governance Code. We discussed the planned enlargement and composition of the Supervisory Board as well as the various functions in the committees.

At the constituent meeting on **21 June 2012 following the Annual General Meeting**, we elected members by open ballot to various functions on the Supervisory Board and its committees. The election was suspended pending the legally valid amendment to the Articles of Association to enlarge the Supervisory Board. It was then held on 13 July 2012.

Elections results

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

At the fourth meeting on **20 September 2012**, the Executive Board reported again on the occupancy and refinancing situation of the property in Pécs. The Executive Board also reported about opportunities to expand our shopping center portfolio. A more detailed report was provided by the Executive Board on the process to purchase the Herold-Center in Norderstedt and its thoughts regarding financing for this investment.

Once again, the main focus of our meeting was the restructuring of the Group. The Executive Board presented us its final concept, which we approved following an in-depth discussion.

At the last meeting on **27 November 2012**, the Executive Board reported on the Group restructuring process currently in progress, the completed acquisition of the Herold-Center as well as the financing measures undertaken for this acquisition (capital increase and issue of a convertible bond). We also held extensive discussions on the projections for the current financial year and the Company's medium-term performance planning as presented by the Executive Board.

COMMITTEES

The Supervisory Board has established three committees: the Executive Committee of the Supervisory Board, the Audit Committee and the Capital Market Committee. Each of these is made up of three members. The Executive Committee of the Supervisory Board functions simultaneously as a nomination committee. Given the size of the Company and the number of Supervisory Board members, we consider the number of committees and committee members to be appropriate. The enlargement of the Supervisory Board prompted a change in the composition of the individual committees. The decision-making powers of the Capital Market Committee were expanded to include the issue of convertible bonds and bonds with warrants; moreover, the Committee elected Thomas Armbrust as its Deputy Chairman.

During the reporting period, the Executive Committee of the Supervisory Board and the Audit Committee met on 18 April 2012.

The Audit Committee also discussed the quarterly financial reports with the Executive Board in a meeting on 26 April and in conference calls on 9 August and 9 November 2012. The Executive Board conducted several telephone conferences in November to inform the Capital Market Committee about the capital-raising measures and request Committee approval of its resolutions. The Committee passed the relevant resolutions.

CORPORATE GOVERNANCE

In November 2012, together with the Executive Board, we issued an updated declaration of conformity in relation to the recommendations of the government commission pursuant to section 161 of the Aktiengesetz (German Public Companies Act – AktG) and made this permanently available on the Deutsche EuroShop AG website. A separate report on the implementation of the German Corporate Governance Code is included in this Annual Report. The members of the Supervisory Board and the Executive Board declared in writing at the beginning of 2013 that no conflicts of interest had arisen.

FINANCIAL STATEMENTS OF DEUTSCHE EUROSHOP AG AND THE GROUP FOR THE PERIOD ENDING 31 DECEMBER 2012

At the Audit Committee meeting on 12 April 2013 and the Supervisory Board meeting on 23 April 2013, 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 2012, as well as the management report and group management report for financial year 2012.

The documents relating to the financial statements, the auditor's reports and the Executive Board's proposal for the appropriation of the unappropriated surplus were presented to us in good time. The auditor appointed by the Annual General Meeting on 21 June 2012 – BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg – had already audited the financial statements and issued an unqualified audit opinion in each case. The auditor also confirmed that the accounting policies, measurement methods and methods of consolidation in the consolidated financial statements complied with the relevant accounting provisions. In addition, the auditor determined in the course of its assessment of the risk management system that the Executive Board had undertaken all required measures pursuant to section 91 (2) AktG to promptly identify risks that could jeopardise the continued existence of the Company.

The auditor's representatives took part in the discussion of the annual financial statements and the consolidated financial statements on the occasions of the Audit Committee meeting on 12 April 2013 and the Supervisory Board meeting on 23 April 2013 and explained the main findings.

Following its own examination of the annual financial statements of Deutsche EuroShop AG, the consolidated financial statements and the corresponding management reports, the Supervisory Board did not raise any objections. It agreed with the findings of the auditor's examination and approved the annual financial statements of Deutsche EuroShop AG and the consolidated financial statements. The annual financial statements have thus been adopted. The Supervisory Board endorses the Executive Board's proposal for the appropriation of the unappropriated surplus and distribution of a dividend of € 1.20 per share.

The Company's success in financial year 2012 was the result of its sustainable, long-term strategy and the dedication shown by the Executive Board and our employees, for which the Supervisory Board would like to express its particular gratitude.

Hamburg, 23 April 2013

MANFRED ZASS, CHAIRMAN

Members of the Supervisory Board

Name	MANFRED ZASS (CHAIRMAN)	DR. MICHAEL GELLEN (DEPUTY CHAIRMAN)	THOMAS ARMBRUST
Born:	1941	1942	1952
Place of residence:	Königstein im Taunus	Cologne	Reinbek
Nationality:	German	German	German
End of appointment:	2013 Annual General Meeting	2014 Annual General Meeting	2014 Annual General Meeting
Committee activities:	Chairman of the Executive Committee, Member of the Audit Committee, Chairman of the Capital Market Committee	Member of the Executive Committee	Member of the Executive Committee, Chairman of the Audit Committee, Deputy Chairman of the Capital Market Committee
Membership of other statutory supervisory boards	–	–	C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman) Platinum AG, Hamburg (Chairman), TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman), Verwaltungsgesellschaft Otto mbH, Hamburg
Membership of comparable supervisory bodies of business enterprises in Germany or other countries:	–	–	ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Deputy Chairman)
Profession:	Banker	Independent lawyer	Member of Management, CURA Vermögensverwaltung G.m.b.H., Hamburg
Key positions held:	1965 – 2002: DekaBank Deutsche Girozentrale, Frankfurt of which: 1980 – 1999: Member of the Executive Board 1999 – 2002: Chairman of the Executive Board until 2005: Deutsche Börse AG, Frankfurt, Deputy Chairman of the Supervisory Board 2008 – 2009: Hypo Real Estate Group AG, Unterschleißheim, Member of the Supervisory Board	1971 – 1983: Deutsche Bank AG, Düsseldorf, Frankfurt 1984 – 1995: Deutsche Centralbodenkredit-AG, Cologne, Member of the Executive Board 1995 – 1997: Europäische Hypothekenbank AG, Luxembourg, Member of the Executive Board 1997 – 2000: Deutsche Bank AG, Frankfurt, Managing Director 2001 – 2003: DB Real Estate GmbH, Frankfurt, Managing Director	until 1985: Auditor and tax advisor 1985 – 1992: Gruner + Jahr AG & Co KG, Hamburg, Director of Finance seit 1992: Member of Management of CURA Vermögensverwaltung G.m.b.H., Hamburg (Family Office of the Otto Family)
Relationship to majority / major shareholders:	none	none	Shareholder representative of the Otto family
Deutsche EuroShop securities held as at 31 December 2012:	10,000	0	

Members of the Supervisory Board – Continuation

Name	KARIN DOHM	DR. JÖRN KREKE	ALEXANDER OTTO
Born:	1972	1940	1967
Place of residence:	Kronberg im Taunus	Hagen / Westphalia	Hamburg
Nationality:	German	German	German
End of appointment:	2017 Annual General Meeting	2013 Annual General Meeting	2013 Annual General Meeting
Committee activities:	Chairwoman of the Audit Committee / Financial Expert	–	–
Membership of other statutory supervisory boards	–	Capital Stage AG, Hamburg DOUGLAS HOLDING AG, Hagen / Westphalia (Chairman)	Verwaltungsgesellschaft Otto mbH, Hamburg
Membership of comparable supervisory bodies of business enterprises in Germany or other countries:	–	Kalorimeta AG & Co. KG, Hamburg Urbana Gruppe, Hamburg	Peek & Cloppenburg KG, Düsseldorf
Profession:	Chief Accounting Officer, Head of Group External Reporting, Deutsche Bank AG, Frankfurt	Businessman	CEO, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg
Key positions held:	1991–1997: Studied business and economics in Münster, Zaragoza (Spain) and Berlin 2002: Steuerberaterexamen (German tax advisor exam) 2005: Wirtschaftsprüferexamen (German auditor exam) 1997 – 2010: Deloitte & Touche GmbH, Berlin, London (UK), Paris (France) 2010 – 2011: Deloitte & Touche GmbH, Berlin, Partner Financial Services since 2011: Deutsche Bank AG, Frankfurt, Chief Accounting Officer, Head of Group External Reporting	Studied in the USA, Doctorate from the University of Frankfurt 1963 until today: DOUGLAS HOLDING AG, Hagen / Westphalia (previously Rudolf Hussel Süßwaren AG) of which: 1963 – 1969: Assistant to the Management Board 1969 – 2001: Chairman of the Executive Board seit 2001: Chairman of the Supervisory Board	Studied at Harvard University and Harvard Business School, Cambridge, USA 1994 until today: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg since 2000: Chief Executive Officer
Relationship to majority / major shareholders:	none	none	Major shareholder
Deutsche EuroShop securities held as at 31 December 2012:	0	0	5,136,390

	REINER STRECKER	KLAUS STRIEBICH	DR. BERND THIEMANN
	1961	1967	1943
	Wuppertal	Besigheim	Kronberg im Taunus
	German	German	German
	2017 Annual General Meeting	2017 Annual General Meeting	2014 Annual General Meeting
	Member of the Capital Market Committee	–	–
	akf Bank GmbH & Co. KG, Wuppertal	Unternehmensgruppe Dr. Eckert GmbH, Berlin MEC Metro-ECE Centermanagement GmbH & Co. KG, Düsseldorf (Chairman of the Advisory Board)	Deutsche Pfandbriefbank AG, Unterschleißheim (Chairman) Hypo Real Estate Holding AG, Unterschleißheim (Chairman) IVG Immobilien AG, Bonn M.M. Warburg & Co. KGaA, Hamburg (Deputy Chairman) Wave Management AG, Hamburg (Deputy Chairman) Hannoversche Direktversicherung AG, Hanover
	–	–	Würth Finance International B.V., Amsterdam Würth Gruppe, Künzelsau (Deputy Chairman)
	Personally liable partner, Vorwerk & Co. KG, Wuppertal	Managing Director Leasing, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg	Management consultant
	1981 – 1985: Studied business in Tübingen 1986 – 1990: Commerzbank AG, Frankfurt 1991 – 1997: STG-Coopers & Lybrand Consulting AG, Zurich (Switzerland) 1998 – 2002: British-American Tobacco Group, Hamburg, London (UK), Auckland (New Zealand) 2002 – 2009: British-American Tobacco (Industrie) GmbH, Hamburg, Member of the Executive Board for Finance and IT 2009 until today: Vorwerk & Co. KG, Wuppertal since 2010: Personally liable partner	Studied business in Mosbach 1990: Kriegbaum Gruppe, Böblingen, Assistant to the Management Board 1992 until today: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg since 2003: Managing Director Leasing	1976 – 1991: NORD / LB Norddeutsche Landesbank Girozentrale, Hanover of which 1976 – 1981: Member of the Executive Board 1981 – 1991: Chairman of the Executive Board 1991 – 2001: DG Bank Deutsche Genossenschaftsbank AG, Frankfurt, Chairman of the Executive Board
	none	Member of the Management Board of Verwaltung ECE Projektmanagement G.m.b.H., Hamburg (Alexander Otto (major shareholder) is the Chairman of the Management Board)	none
	3,975	20,000	6,597

CORPORATE GOVERNANCE 2012

The Government Commission on the German Corporate Governance Code published the German Corporate Governance Code on 26 February 2002 and approved amendments and additions to individual recommendations and suggestions, most recently on 15 May 2012. Going forward, the Government Commission will continue to monitor the development of corporate governance in legislation and in practice, and will adapt the Code as needed.

Deutsche EuroShop welcomes the German Corporate Governance Code produced by the Government Commission. The Code not only creates a transparent legal framework for corporate management and control in Germany, but also documents generally accepted standards for good and responsible corporate leadership.

WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

The Supervisory and Executive Boards performed their statutory duties in financial year 2012 in accordance with the applicable laws and the Articles of Association. The strategic orientation of the Company was coordinated between the Executive Board and the Supervisory Board, and the progress of strategy implementation was discussed at regular intervals. The Executive Board informed the Supervisory Board regularly, promptly and in detail of business developments and the risk situation. Detailed information on the main areas of focus of the Supervisory Board's activities in the 2012 financial year can be found in its report on pages 14 to 19.

In financial year 2012, there were no advisory or other contracts for work or services in existence between members of the Supervisory Board and the Company.

COMPOSITION AND DIVERSITY

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

To implement these goals, the Supervisory Board was expanded to nine members at the Annual General Meeting on 21 June 2012 with effect on 13 July 2012 (date on which the amendment to the Articles of Association was entered into the commercial register) by means of a resolution to amend the Articles of Association and corresponding Supervisory Board elections. The new members possess the professional qualifications and skills defined in the objective. Ms Karin Dohm was appointed Financial Expert of the Supervisory Board. These objectives are to be pursued further as the mandate periods of several members of the Supervisory Board expire in 2013 and 2014.

EXECUTIVE BOARD

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

The Executive Board of Deutsche EuroShop currently comprises two members.

Claus-Matthias Böge
Born 13 February 1959
First appointment: 2001
Appointment ends: 2015

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

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

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

SUPERVISORY BOARD

The Supervisory Board supervises and advises the Executive Board in its management activities in accordance with the provisions of German company law and 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 and has formed an Executive Committee, an Audit Committee and a Capital Market Committee, each comprising three people.

The members of the Supervisory Board are:
Manfred Zaß, Chairman
Dr. Michael Gellen, Deputy Chairman
Thomas Armbrust
Karin Dohm
Dr. Jörn Kreke
Reiner Strecker
Klaus Striebich
Alexander Otto
Dr. Bernd Thiemann

The members of the **Executive Committee** are Mr Zaß, Dr Gellen and Mr Armbrust. The Executive Committee is chaired by the Chairman of the Supervisory Board. The Committee discusses urgent business matters and passes relevant resolutions. It is also responsible for preparing human resources issues concerning the Executive Board and for reviewing the Company's corporate governance principles. The Executive Committee of the Supervisory Board also fulfils the function of a nomination committee.

The **Audit Committee** consists of Ms Dohm as Financial Expert and Chairwoman as well as Mr Zaß and Mr Armbrust. It is responsible for issues relating to financial reporting, auditing and the preparation of the annual and consolidated financial statements. Former members of the Company's Executive Board and the Chairman of the Supervisory Board generally do not chair the Audit Committee, to avoid conflicts of interest.

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

SHAREHOLDINGS

Executive Board

As at 31 December 2012, the Executive Board held a total of 19,000 shares, less than 1 % of Deutsche EuroShop's share capital.

Supervisory Board

As at 31 December 2012, the Supervisory Board held a total of 5,197,187 shares, 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 during financial year 2012 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act):

Directors' Dealings		DATE	SHARE PRICE IN €	SALES (NO. OF SHARES)
Claus-Matthias Böge	Sale	21.05.2012	28.80	6,061
Olaf Borkers	Sale	21.05.2012	28.85	1,000
Manfred Zaß	Sale	19.07.2012	30.96	1,500
Manfred Zaß	Sale	23.07.2012	30.38	1,000

RELATIONSHIPS WITH SHAREHOLDERS

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

Deutsche EuroShop 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 provides financial information and other information about the Deutsche EuroShop Group on its website.

ACCOUNTING AND AUDITS

The Deutsche EuroShop Group prepares its financial statements according to International Financial Reporting Standards (IFRSs) on the basis of section 292a 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.

OUTLOOK

Further intensive discussions are being held on the diversity of management. Deutsche EuroShop has adapted accordingly and enlarged its Supervisory Board from six to nine members. After the Supervisory Board elections in 2013 and 2014, Deutsche EuroShop will continue to comply with the requirements of the Corporate Governance Code and the corresponding, diverse composition of the Supervisory Board or meet the objectives of these.

DECLARATION OF CONFORMITY

In November 2012, 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 2012 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 15 May 2012), subject to a limited number of exceptions as indicated below:

- The existing D&O insurance policy taken out for the Supervisory Board does not provide for any deductible (Section 3.8).

The Executive and Supervisory Boards of Deutsche EuroShop AG have acted in a responsible manner, managing and supervising the Company in line with the principles of creating enterprise value ever since the Company was established, preceding the official introduction of corporate governance guidelines. The Company therefore takes the view that the agreement of a deductible is not necessary, in particular as this has no effect on the level of the insurance premium.

- There is no stipulated age limit for members of the Executive Board (Section 5.1.2).

The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Executive Board. An age limit could force the retirement of a suitably qualified and successful Executive Board member.

- There is no stipulated age limit for members of the Supervisory Board (Section 5.4.1).

The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Supervisory Board. An age limit could force the retirement of a suitably qualified and successful Supervisory Board member.

- The remuneration of the Supervisory Board does not include any performance-based elements (Section 5.4.6).

The Company believes that fixed remuneration for members of the Supervisory Board best reflects the Company's business model. The selection of shopping centers to be acquired and held and the quality of long-term leases represent the key factors determining the Company's long-term success.

- The consolidated financial statements are published within 120 days of the end of the financial year (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, 29 November 2012

The Executive Board and the Supervisory Board
Deutsche EuroShop AG

2012

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Forward-looking statements

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

Rounding and rates of change

Percentages and figures stated in this report may be subject to rounding differences. The signs attributed to rates of change are based on economic considerations: improvements are denoted with a plus (+) and debasements with a minus (-).

Business and Economic Conditions

OPERATING ACTIVITIES

Deutsche EuroShop AG is the only public company in Germany to invest solely in shopping centers in prime locations. On 31 December 2012, it had investments in 20 shopping centers in Germany, Austria, Poland and Hungary. The Group generates its reported revenue from rental income on the space which it lets in the shopping centers.

GROUP'S LEGAL STRUCTURE

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

The Company's registered office is in Hamburg. Deutsche EuroShop is an Aktiengesellschaft (stock corporation) under German law. The individual shopping centers are managed as separate companies and, depending on the share of nominal capital owned, are either fully or proportionally consolidated or accounted for using the equity method. More information on indirect or direct investment is detailed in the notes to the consolidated financial statements.

Deutsche EuroShop shares are traded on the Frankfurt Stock Exchange and other exchanges. As of 31 December 2012, 9.57 % of shares were owned by Alexander Otto (2011: 10,0 %).

The share capital amounts to €53,945,536.00 and is composed of 53,945,536 no-par value registered shares. The notional value of each share is € 1.00.

According to section 5 of the Articles of Association, the Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to a total of € 12,226,331.00 on one or several occasions until 16 June 2015 by issuing up to 12,226,331 (no-par value) registered shares against cash or non-cash contributions ("Authorised capital 2010", as of 31 December 2012).

The Executive Board is authorised, with the Supervisory Board's approval, to issue, until 15 June 2016, convertible bonds with a total nominal value of up to € 200,000,000 and a maximum term of ten years and to grant the holders of the respective, equally privileged, bonds conversion rights to new no-par value shares in the Company up to a total of 10,000,000 shares (€ 10.0 million), as detailed in the terms and conditions for convertible bonds ("Bond conditions"; "Conditional capital 2011"). The convertible bonds may also pay a variable rate of interest, in which case, as with a participating bond, the interest may be dependent in full or in part on the level of the Company's dividend. In November 2012, Deutsche EuroShop issued a convertible bond with a five-year term and a nominal value of € 100,000,000, for which some 2.8 million no-par shares are currently reserved in conditional capital.

GOVERNANCE AND SUPERVISION

The Executive Board of Deutsche EuroShop manages the Company in accordance with the provisions of German company law and with its rules of procedure. The Executive Board's duties, responsibilities and business procedures are laid down in its rules of procedure and in its schedule of responsibilities.

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

Members of the Executive Board are appointed and dismissed on the basis of sections 84 and 85 of the Aktiengesetz (AktG – German Public Companies Act). Changes to the Articles of Association are made in accordance with sections 179 and 133 of the AktG; the Supervisory Board is also authorised to amend the Articles of Association in line with new legal provisions that become binding on the Company as well as to resolve changes to the Articles of Association that only relate to the wording without a resolution of the Annual General Meeting.

More information about the Executive Board and the Supervisory Board can be found in the declaration on corporate governance.

DECLARATION ON CORPORATE GOVERNANCE

The declaration on corporate governance, in conformity with section 3.10 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code) as well as section 289a (1) of the Handelsgesetzbuch (HGB – German Commercial Code), has been published on the Deutsche EuroShop website at www.deutsche-euroshop.de/ezu.

Remuneration report

Das Vergütungsmodell der Deutsche EuroShop AG wurde 2010 vom Aufsichtsrat überprüft und an das Gesetz zur Angemessenheit der Vorstandsvergütungen (VorstAG) und den Corporate Governance Kodex angepasst.

REMUNERATION REPORT

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 Böge receives 0.5 % of the calculation basis as a bonus and Mr Borkers receives 0.2 % with the amount of the bonus limited to 150 % of the basic annual remuneration.

The non-performance-related basic annual remuneration is € 300,000 for Mr Böge and € 168,000 for Mr Borkers. In addition, Mr Böge is expected to receive a bonus of € 450,000 and Mr Borkers of € 180,000. The final amount of the bonus will only be available after approval of the consolidated financial statements by the Supervisory Board; the bonus will be paid following approval.

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

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

A long-term incentive (LTI) remuneration component was agreed for the first time in 2010. The amount of the LTI is based on the changes in the market capitalisation of Deutsche EuroShop AG between 1 July 2010 and 30 July 2015. Market capitalisation is calculated by multiplying the share price by the number of Company shares issued. On 1 July 2010, according to information provided by the German stock exchange, market capitalisation stood at € 983.5 million.

If, over the above five-year period, there is a positive change in market capitalisation of up to €500 million, Mr Böge will receive 0.2 % and Mr Borkers 0.025 % of the change. For any change over and above this amount, Mr Böge will receive 0.1 % and Mr Borkers 0.0125 %. The LTI will be paid out to Mr Borkers in December 2015, and to Mr Böge in five equal annual instalments, the first being paid on 1 January 2016. In the event that the employment contract is terminated prematurely by the Company, any entitlements arising from the LTI until that date will be paid out prematurely.

Between 1 July 2010 and 31 December 2012, the market capitalisation of the Company rose to €1,706.8 million (31 December 2011: €1,280.5 million), an increase of € 723.3 million (31 December 2011: €297.0 million) since 1 July 2010. The present value of the potential entitlement to the long-term incentive arising therefrom was €1,272 thousand at year-end (31 December 2011: €609 thousand). An allocation to the provision of €305 thousand (2011: €96 thousand) was included for this purpose during the financial year.

REMUNERATION OF THE EXECUTIVE BOARD IN 2012

The remuneration of the Executive Board totalled €1,193 thousand, which breaks down as follows:

€ thousand	NON-PERFORMANCE-RELATED REMUNERATION	PERFORMANCE-RELATED REMUNERATION	ANCILLARY BENEFITS	TOTAL	TOTAL PREVIOUS YEAR
Claus-Matthias Böge	300	464	65	829	739
Olaf Borkers	168	186	10	364	327
Total	**468**	**650**	**75**	**1,193**	**1,066**

In addition to the prospective bonuses for the financial year, the performance-related remuneration also includes the difference between the prospective and final bonuses for the previous year (€20 thousand).

The ancillary benefits for each include the provision of a car for business and private use as well as contributions to a pension scheme.

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

REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is based on section 8 (4) of the Articles of Association of Deutsche EuroShop AG. In accordance with the Articles of Association, the remuneration amounts to €50,000 for the chairman, €37,500 for the deputy chairman and €25,000 for each of the other members of the Supervisory Board. Committee membership is not additionally 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 a member of the Supervisory Board should leave the Supervisory Board during the financial year, they shall receive their remuneration pro rata. In accordance with section 8 (5) of the Articles of Association, expenses are also reimbursed.

REMUNERATION OF THE SUPERVISORY BOARD IN 2012

The remuneration of the members of the Supervisory Board totalled €265 thousand in the period under review, which breaks down as follows:

€ thousand	TOTAL 2012	TOTAL 2011
Manfred Zaß	59.50	59.50
Dr. Michael Gellen	44.62	44.62
Thomas Armbrust	29.75	29.75
Karin Dohm	13.98	0.00
Dr. Jörn Kreke	29.75	29.75
Alexander Otto	29.75	29.75
Reiner Strecker	13.98	0.00
Klaus Striebich	13.98	0.00
Dr. Bernd Thiemann	29.75	29.75
	265.06	**223.12**

Including 19 % value added tax

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

MISCELLANEOUS

No agreements have been concluded with members of the Executive Board that provide for a severance payment on expiry of their current employment contract.

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

COMPENSATION AGREEMENTS CONCLUDED BY DEUTSCHE EUROSHOP AG WITH EXECUTIVE BOARD MEMBERS OR EMPLOYEES OF THE COMPANY FOR THE EVENT OF A CHANGE OF CONTROL

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 Deutsches Wertpapiererwerbs- und Übernahmegesetz (WpÜG – German Securities Acquisition and Takeover Act) and accepted by a majority of shareholders, if the Company is integrated into a new group of companies or if the Company goes private and is delisted.

In the event of such termination of the employment relationship, these employees will receive a one-time payment amounting to three months' gross salary multiplied by the number of years that they have worked for the Company, but limited to a maximum of 24 months' gross salary.

The 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.

Overview of the course of business

MACROECONOMIC CONDITIONS

2012 saw the German economy grow at a slower pace than during the two very dynamic previous years. It did prove its resilience in light of Europe's recessionary environment, but lost momentum towards the end of the year. Real (price-adjusted) gross domestic product (GDP) rose by 0.7 % in 2012 (previous year +3.0 %). Adjusted for the differing number of working days (calendar-adjusted), real GDP grew by 0.9 % (previous year 3.1 %).

Once again, exports proved to be the key factor driving growth in the German economy. While private and government consumption expenditure also contributed to GDP growth, investments have dropped. In the construction industry (particularly in commercial and residential developments), for instance, investments were down by 1.1%.

The German labour market weathered the economic slowdown in 2012 quite well, hitting a new record high for the sixth year in a row with 41.6 million people in employment. According to the German Federal Employment Agency, the number of people registered as unemployed in 2012 averaged 2,897 million, some 79,000 or 2.6 % less than in the previous year. The unemployment rate fell on an annual average from 7.1 % to 6.8 %. Using the internationally comparable ILO (International Labour Organisation) methodology, the unemployment rate in Germany fell by 0.2 % to 5.3 % between December 2011 and December 2012.

In 2012, gross pay per employee rose by 2.6 % according to the German Federal Statistical Office. In an environment marked by high employment and low interest rates, the propensity to consume continued to rise and the savings rate fell to 10.3 % of disposable income in 2012 (2011: 10.4 %). Private consumer spending, which accounted for 57.6 % of GDP, rose by a nominal 2.4 % in 2012 (real: +0.8 %).

Measured against the consumer price index, living costs in Germany have risen by 2.0 %. This represents a further increase on the previous year (+2.3 %), although not as pronounced. Inflation was precisely at the price stability target of 2 % p. a. set by the European Central Bank (ECB). The price increase was mainly driven by energy, with the price of household energy (including electricity and gas) rising by 5.6 %. Stripped of these effects, inflation was only 1.6 %. Other main drivers of inflation were the prices for food as well as clothing and shoes, which rose by 3.2 % and 2.7 %, respectively. Residential rent prices, on the other hand, only rose moderately (+1.2 %). The downward trend in prices for communication (-1.3 %) continued in 2012.

Economic trends varied tremendously within Europe in 2012. On the one hand, countries affected by the sovereign debt crisis continued to suffer from recession. On the other, it was particularly the major economy of Germany, along with a few smaller member states, that underpinned economic development in Europe. Economic output contracted both in the EU (-0.3 %) and in the eurozone (-0.4 %). The upward trend in prices has slowed down in Europe, with the inflation rate falling on an annual average from 3.1 % to 2.6 % for the EU and from 2.7 % to 2.5 % for the eurozone. As a consequence of the problems in countries hit by the euro crisis, the seasonally-adjusted number of unemployed increased by 1,796 million within a year to 18,715 million in December 2012, while the unemployment rate (according to ILO) rose from 10.7 % to 11.7 %.

ECONOMIC CONDITIONS IN THE INDUSTRY

RETAIL SECTOR

According to figures from the German Federal Statistical Office, retail sales in Germany rose by a nominal 1.9 % in 2012 (excluding vehicle sales). In real terms, i.e. adjusted for price differences, they declined by 0.3 %. Almost all branches and sales channels recorded drops in sales. While "other retail (such as books and jewellery)" saw real sales grow by 0.6 % and formed one of the exceptions, "textiles, clothing, footwear and leather goods" recorded a more significant price-adjusted reduction of -2.2 %. Looking at the sales channels, the trend away from "other retail involving goods of various types" (such as department stores) continued with a real fall in revenue of 2.3 %. Sales in "online and mail-order business", on the other hand, increased by 1.4 % in real terms in 2012; taken alone, online business succeeded in boosting its sales by 13 %.

According the Handelsverband Deutschland (HDE – German Retail Association), the retail sector has continued to recover and is a stabilising factor in the German economy. The positive development in the labour market, higher incomes and low interest rates increased the propensity to consume, thus giving the retail trade a boost in 2012. With around 400,000 companies and 3.0 million employees in the reporting year, the retail trade in a narrow sense (excluding vehicles, petrol stations, pharmacies) saw an increase in revenues of 1.5 % to €427.9 billion (previous year: €421.5 billion), representing 16.2 % of GDP according to information provided by HDE.

Based on calculations from Jones Lang LaSalle, rental turnover on retail spaces let in Germany in 2012 decreased by 13 % to 590,000 m2. Two developments were visible here. On the one hand, the share of international concepts declined from 60 % to 55 %. On the other, there is a continued trend both toward large cities (> 100,000 inhabitants) outside the "Big 10"[1] and toward small- and medium-sized cities. The average space let decreased by 14 % to 600 m^2, while rental space in excess of 1,000 m^2 accounted for 33 % of lease agreements. Demand for smaller retail premises of under 350 m^2 remained high, accounting for 38 % of all leases.

With 28 % of rented floor space, textile retailers were the most significant demand group. "General clothing" and "Women's clothing" were the dominating segments within this group. In second place behind textiles retailers were food retailers, accounting for 18 %, followed by catering in third place with 12 %.

[1] Berlin, Dusseldorf, Frankfurt, Hamburg, Hanover, Cologne, Leipzig, Munich, Nuremberg and Stuttgart

REAL ESTATE MARKET

With an 11 % growth in transaction volume to €25.2 billion, the commercial property investment market in Germany continued its expansion course in 2012, according to CBRE. The market was again dominated by individual transactions, with portfolio transactions representing around a quarter of the volume (26 % compared to 20 % in 2011).

Retail properties accounted for just under 36 %, with investments in this asset class declining by 13 % to €9.15 billion in 2012. CBRE sees the combination of a focus on core products by investors and low supply in this segment as one of the main reasons for the decline. According to information provided by Jones Lang LaSalle, foreign investors were responsible for 50 % of the retail investment volume. With half the sum of investments from outside Germany coming from French investors, US investors were relegated to second place (8 % following 39 % during the previous year). Asset and fund managers continued to be the most important investor groups in 2012, representing 41 %, along with real estate companies and REITs, who accounted for 29 % of investments in retail properties.

Shopping centers continued to dominate the retail property segment, with a 34 % share of transactions, followed by inner-city business premises in prime shopping locations (31 %). The transaction volume in shopping centers dropped by 34 % to €3.1 billion in 2012 compared with the strong previous year.

Given the ongoing defensive investment strategy pursued by real estate investors, top returns in 2012 lingered at a record high. High-equity funds, such as international sovereign and pension funds and various German open-ended property funds, are often prepared to accept lower returns in return for being able to invest financial resources promptly. According to Cushman & Wakefield, top returns for shopping center investments in Germany remained at the previous year's level of 4.8 % at the end of 2012. As a result, the current level is still at the lower threshold of the ten-year range of 4.8 % to 5.75 %.

SHARE PRICE PERFORMANCE

Deutsche EuroShop shares began 2012 with a price of €24.80. During the first few trading days of the year, the price dropped to €23.72 on 6 January. From then on, share prices were on an upward trend, reaching their highest price of the year at €32.03 (Xetra closing price) on 1 November 2012. The price hovered around this level until the end of the year and was at €31.64 on the last day of trading in 2012. The shares closed the year with a performance of +32.7 % (incl. dividends; 2011: -11.1 %).

EVALUATION OF THE FINANCIAL YEAR

The Executive Board of Deutsche EuroShop is satisfied with the past financial year. The Allee-Center Magdeburg and the expansion of the Main-Taunus-Zentrum, the Altmarkt-Galerie and the A10 Center, which were included in our full-year results for the first time, made a significant contribution in this regard.

Revenue was planned at between €207 million and €211 million and totalled €211.2 million (2011: €190.0 million) as of the reporting date, corresponding to an increase of 11 %. Earnings before interest and taxes (EBIT) of between €177 million and €181 million were planned; the year ended with EBIT at €181.0 million which was at the upper end of the forecast range and 9 % over the previous year (2011: €165.7 million). We expected earnings before taxes (EBT) excluding measurement gains / losses of between €90 million and €93 million. The actual EBT of €95.9 million exceeded this range and represented an 11 % increase year on year (2011: €86.5 million).

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

Results of operations, financial position and net assets

CORRECTION OF AN ERROR IN ACCORDANCE WITH IAS 8

The Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) notified us that an audit of the financial statements for the financial year 2011 revealed two mistakes:

The item "Measurement gains / losses" indicated in the consolidated income statement was €8.3 million too low because merger-related expenses connected to the acquisition of the Billstedt-Center Hamburg, which should have been recognised in financial year 2010, were erroneously recognised in financial year 2011.

In the 2011 consolidated financial statements, cash inflows in the amount of €155.2 million were recognised in "Cash flow from operating activities" and cash outflows in the same amount in "Cash flow from investment activities", both in connection with the acquisition of the Billstedt-Center Hamburg. However, no cash inflows or outflows in this amount actually took place during the period.

The corresponding corrections, taking into account any deferred taxes, are recognised in the consolidated financial statements in accordance with sections 8.41 et seq.

Where comparisons are made to the previous year in the additional explanatory notes to the results of operations, financial position and net assets, the figures referred to are the 2011 annual results restated in accordance with IAS 8.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Deutsche EuroShop can look back on another successful financial year. Revenue and profit were significantly up on the previous year and, on the investment side, our purchase of the Herold-Center enabled us to expand our portfolio by year's end. By acquiring the interests held by third parties in three other properties in our portfolio (Rhein-Neckar-Zentrum, Allee-Center Hamm and Rathaus-Center Dessau), we were able to lay the foundations for the restructuring of the Group. Consequently, we could release part of the tax provisions created during the previous years, which led to one-off income of €49.3 million.

Our financial structure remains solid. Several favourable refinancing arrangements have made a positive contribution to earnings and the issue of a convertible bond in November allowed us to make full use of an additional option for financing our company for the first time.

Revenue rose by 11 % to €211.2 million and consolidated profit ended the year at €122.5 million compared to €99.0 million in the previous year. This resulted in earnings per share of €2.36, compared with €1.92 per share in 2011, while operating profit per share rose 14 % from €1.19 to €1.35.

Measurement gains/losses declined considerably in 2012 to €8.5 million compared with the previous year (€50.1 million). If stripped of the loss stemming from the initial valuation of the Herold-Center at €4.8 million, earnings would have amounted to €13.3 million. Earnings before taxes rose by around 10%, from €86.5 million in the previous year to €95.0 million.

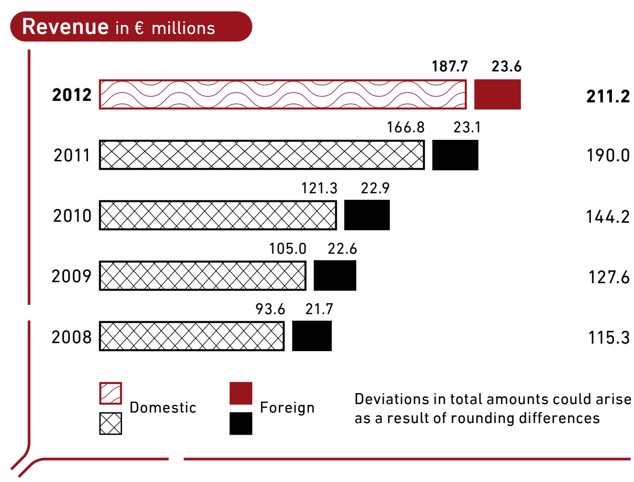
The EPRA net asset value per share rose by 3.2 %, from €27.64 to €28.53.

RESULTS OF OPERATIONS

Revenues in the German retail trade (excluding the vehicle trade) rose by a nominal 1.9 % over the reporting year, while the revenues of the tenants in our German shopping centers rose by 5.2 %. This performance is particularly attributable to the good turnover trends in the Main-Taunus-Zentrum, the Altmarkt-Galerie Dresden and the A10 Center, where expansions were completed in 2011. In the other shopping centers, we registered a slight increase in revenues at 0.4 % in Germany, a slightly higher increase of 2.4 % in our foreign properties.

CONSOLIDATED REVENUE UP 11%

Consolidated revenue was up 11%, from €190.0 million to €211.2 million, in the financial year. The Main-Taunus-Zentrum, the Allee-Center Magdeburg (acquired during the previous year), the Altmarkt-Galerie Dresden and the A10 Center contributed significantly to this revenue growth.



At twelve properties, the rise in revenue was largely due to index-related rental increases, while revenue dropped slightly at City-Point Kassel and Árkád Pécs. Overall, total revenue rose by a satisfactory 2.6 % (2.7 % in Germany, 1.8 % abroad) on a like-for-like basis over the reporting year.

Revenue in € millions	31.12.2012	31.12.2011	DIFF.	DIFF. %
Main-Taunus-Zentrum, Sulzbach	33,184	24,671	8,513	34.5
A10 Center, Wildau	20,646	18,347	2,300	12.5
Rhein-Neckar-Zentrum, Viernheim	17,654	17,400	254	1.5
Altmarkt-Galerie, Dresden	16,096	13,781	2,315	16.8
Phoenix-Center, Hamburg	12,002	11,810	191	1.6
Billstedt-Center, Hamburg	11,040	10,822	218	2.0
Allee-Center, Hamm	9,975	9,925	50	0.5
Stadtgalerie, Passau	9,101	9,017	83	0.9
City-Arkaden, Wuppertal	8,929	8,865	64	0.7
Forum, Wetzlar	8,992	8,727	266	3.0
City-Galerie, Wolfsburg	9,290	8,671	619	7.1
City-Point, Kassel	7,934	8,110	-175	-2.2
Rathaus-Center, Dessau	8,166	8,015	151	1.9
Stadt-Galerie, Hameln	6,889	6,679	210	3.1
Allee-Center, Magdeburg	7,762	1,993	5,770	289.6
Total Germany	187,661	166,833	20,828	12.5
Galeria Baltycka, Gdansk	14,017	13,728	288	2.1
City-Arkaden, Klagenfurt	5,635	5,478	157	2.9
Árkád, Pécs	3,577	3,603	-26	-0.7
Caspia	341	333	8	2.4
Total abroad	23,570	23,142	427	1.8
Overall total	**211,231**	**189,975**	**21,255**	**11.2**

VACANCY RATE REMAINS STABLE AT UNDER 1%

As in previous years, the vacancy rate of retail spaces remained stable at under 1%. At €0.8 million (2011: €0.4 million) or 0.4% (2011: 0.2%), the need for write-downs for rent losses remained at a very low level.

INCREASE IN PROPERTY OPERATING AND ADMINISTRATIVE COSTS

Property operating costs were €2.8 million higher than the previous year at €11.3 million (2011: €8.5 million) and property administrative costs were up by €0.7 million to €10.5 million (2011: €9.8 million). The increases are mainly the result of expansions (€3.0 million) as well as the acquisition of the Allee-Center Magdeburg (€0.6 million). However, we were able to keep these costs on a par with the previous year in the other centers. Overall, the cost ratio came in at 10.3% of revenue (2011: 9.7%). One key factor behind this was increased maintenance expenses compared to the previous year.

OTHER OPERATING INCOME AND EXPENSES

Other operating income of €2.9 million exceeded the previous year's level (€1.0 million), while other operating expenses rose significantly by €4.3 million to €11.3 (2011: €7.0 million). This increase resulted from significantly higher one-off real estate transfer tax of €2.9 million incurred in connection with the restructuring of the Group.

NET FINANCE COSTS RISE IN LINE WITH EXPECTATIONS

Net finance costs increased €6.9 million to €86.0 million (2011: €79.1 million), a development which can largely be attributed to one-off prepayment compensation for the refinancing of the Main-Taunus-Zentrum as well as increased interest expense due to expansions and the acquisition of the Allee-Center Magdeburg (€-8.7 million). However, we achieved interest savings of €2.4 million by refinancing and repaying existing loans.

Profit from equity-accounted shareholdings was down €0.9 million, while income from investments and interest income also fell €0.2 million short of the previous year. The profit share of third-party shareholders declined by €0.5 million.

MEASUREMENT GAINS / LOSSES DOWN ON PREVIOUS YEAR

Measurement gains / losses fell to €8.5 million, €41.6 million less than the previous year (€50.1 million). Unlike in past years, there were vast differences in the measurement gains and losses. Our Hungarian shopping center, in particular, was devalued by about 16 %. This devaluation was undertaken as a precautionary measure in light of upcoming lease renewals at the end of the 10-year lease term next year. The value of the Main-Taunus-Zentrum, on the other hand, increased by 8 % after the center's expansion was well received by customers.

The market value of the remaining properties was between 0 % and +3.4 % higher than in the previous year, with four exceptions where real estate values were decreased by between -0.1 % and -1.9 %. On average, the portfolio properties increased 1.4 % in value.

Measurement of the portfolio properties led to measurement gains of €31.1 million. The initial valuation of the Herold-Center Norderstedt generated measurement gains of €3.5 million, while ancillary acquisition costs for the Herold-Center amounted to €9.2 million. After taking deferred taxes into account, the result is a measurement loss of €4.8 million.

In addition, the acquisition of additional shareholdings in the Allee-Center Hamm KG, the Rhein-Neckar-Zentrum KG and the Rathaus-Center Dessau KG led to a measurement gain of €0.9 million. The purchase price of the shareholdings at the time of transfer fell short of the recognised redemption entitlements of the former limited partners.

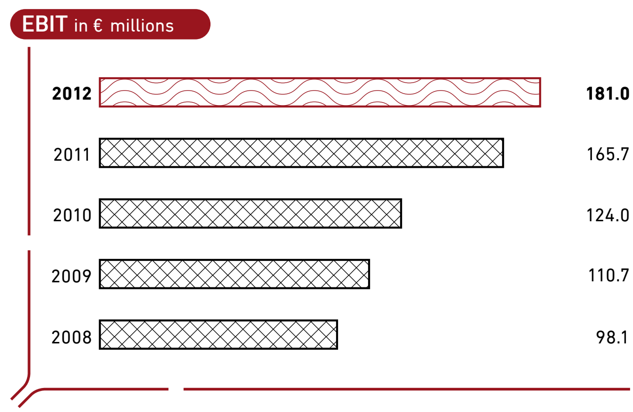
The share of measurement gains attributable to third-party shareholders amounted to €18.7 million in the reporting year (2011: €11.9 million).

ANOTHER SIGNIFICANT CHANGE IN TAX POSITION

A portion of the trade tax provisions created during the previous years could be released following Group restructuring. This release led to gains of €49.3 million. Meanwhile, allocations for deferred income taxes generated expenditures of €21.7 million during the year under review. Tax expense for income tax payments amounted to €8.6 million (domestic: €7.7 million, foreign: €0.9 million). Overall, tax income in the amount of €19.0 is recognised in 2012, compared to tax expense of €37.7 million in the previous year.

SIGNIFICANT INCREASE IN CONSOLIDATED PROFIT

Earnings before interest and taxes (EBIT) climbed 9 %, from €165.7 million to €181.0 million in the year under review. At €103.5 million, earnings before taxes (EBT) was 24% lower than in the previous year (€136.7 million) for the aforementioned reasons. Consolidated profit amounted to €122.5 million and was thus 24 % higher than the previous year (€99.0 million).



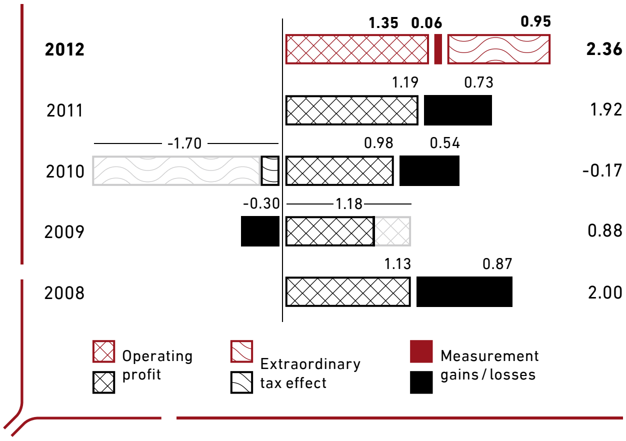
OPERATIONS AND TAX INCOME DRIVING EARNINGS PER SHARE

Earnings per share (consolidated net profit per share) amounted to €2.36 in the reporting year, compared with €1.92 in the previous year (+23 %). Of this amount, €1.35 was attributable to operations (2011: €1.19) and €0.06 to measurement gains / losses (2011: €0.73). Moreover, the earnings per share for the financial year 2012 was positively impacted by one-off tax income in the amount of €0.95 per share.

in € per share	2012	2011
Consolidated net profit	2.36	1.92
Valuation in accordance with IAS 40 / IFRS 3	-0.16	-0.97
Deferred taxes	0.10	0.24
Tax income from past years	-0.95	0.00
EPRA* earnings	**1.35**	**1.19**
Weighted no. of shares in thousands	51,935	51,631

* European Public Real Estate Association

Earnings per share in €, basic



FUNDS FROM OPERATIONS (FFO) UP 5%

Funds from operations (FFO) are used to finance our ongoing investments in portfolio properties, scheduled repayments on our long-term bank loans and the distribution of dividends. During the year under review, FFO of €86.4 million was generated, representing a rise of +4% (2011: €83.1 million). The FFO per share rose by 3% from €1.61 to €1.66.

This low increase in FFO is mainly due to one-off costs of €0.16 per share in connection with the refinancing of the Main-Taunus-Zentrum as well as tax payments incurred as the result of Group restructuring. Stripped of these effects, the FFO amounted to €1.82 per share (+13%).

in € per share	2012	2011
Consolidated profit	122,484	99,038
Measurement gains / losses		
- Equity-accounted companies	-2	-94
- IAS 40 / IFRS 3	-8,495	-50,148
Deferred taxes	-27,545	34,301
FFO	86,442	83,097
FFO per share	**1.66 €**	**1.61 €**
Weighted no. of shares in thousands	51,935	51,631

DIVIDEND PROPOSAL: € 1.20 PER SHARE

Based on a successful financial year, we are able to maintain our dividend policy, which is geared towards the long term and continuity. The Executive Board and Supervisory Board will therefore propose to the shareholders at the Annual General Meeting in Hamburg on 20 June 2013 that a dividend of €1.20 per share, 9% or €0.10 higher than the previous year, be distributed for the financial year 2012. For the first time, an amount of €0.31 per share of the dividend will be subject to the deduction of capital gains tax.

FINANCIAL POSITION

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

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

Loans and bonds are taken out in euros for all Group companies. In general, the use of equity and loans for investments should be equally weighted and the equity ratio in the Group (including third-party interests) should not fall significantly below 45%.

We finance our real estate projects on a long-term basis and also use derivative financial instruments to hedge against rising capital market rates. An available credit line enables Deutsche EuroShop to react quickly to investment opportunities. Any cash not needed is invested in time deposits for the short term until it is used for investments, to finance ongoing costs or to pay dividends.

FINANCING ANALYSIS: IMPROVED INTEREST RATE CONDITIONS

As of 31 December 2012, the Deutsche EuroShop Group reported the following key financial data:

in € per share	2012	2011	CHANGE
Total assets	3,548.9	3,225.1	+323.8
Equity (incl. third-party interests)	1,606.1	1,473.1	+133.0
Equity ratio (%)	45.3	45.7	-0.4
Net financial liabilities	1,489.7	1,407.7	+82.0
Loan to value ratio (%)	44	45	-1

At €1,606.1 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€1,321.9 million) and the equity of the third-party shareholders (€284.2 million), was €133.0 million higher than in the previous year. Nevertheless, the equity ratio declined slightly by 0.4 percentage points to 45.3 %, but continues to be above our minimum target of 45%.

€ thousand	2012	2011
Convertible bond	91,943	0
Non-current bank loans and overdrafts	1,371,154	1,335,986
Current bank loans and overdrafts	194,137	136,163
Total	**1,657,234**	**1,472,149**
Cash and cash equivalents	**-167,511**	**-64,408**
Net financial liabilities	**1,489,723**	**1,407,741**

Current and non-current financial liabilities rose from €1,472.1 million to €1,657.2 million in the year under review, an increase of €185.1 million. At the same time, cash and cash equivalents rose by €103.1 million, leading net financial liabilities to increase by €82.0 million, from €1,407.7 million to €1,489.7 million. Of this, €126.7 million were used to finance the Herold-Center and €100.0 million to increase cash and cash equivalents. Meanwhile, loans amounting to €38.5 million were repaid.

Two existing loans with a residual volume of €104.3 were prematurely extended or replaced by new loans in the year under review. While the loans' average residual maturity at the time of their replacement was 2.0 years with an average rate of interest of 5.83 %, the new loans were taken out for 10.0 years at an average rate of interest of 3.02 %. As a result, we have again significantly improved the maturity and interest rate structure of our loan portfolio.

The net financial liabilities existing at the end of the year are used exclusively to finance non-current assets. As a result, 44 % of non-current assets were financed by loans in the year under review.

The Group has access to a credit line in the sum of €150 million until 2014. Of this, €126.7 million had been drawn down as at the balance sheet date.

Overall, the debt finance terms (including the convertible bond) as of 31 December 2012 remained fixed at 4.16 % p. a. (2011: 4.59 % p. a.) for an average period of 6.3 years (previous year: 6.6 years). Deutsche EuroShop maintains credit facilities with 23 banks which – with the exception of one in Austria – are all German banks.

Loan structure as of 31 December 2012

	IN % OF LOANS	IN € MILLIONS	DURATION (YEARS) IN %	AVERAGE INTEREST RATE
Up to 1 year	21	342.5	1.0	2.93 %
1 to 5 years	26	428.7	3.7	4.74 %
5 to 10 years	48	785.0	8.3	4.32 %
More than 10 years	6	93.0	14.6	5.05 %
Total	**100**	**1,649.3**	**6.3**	**4.16 %**

*average residual maturity

Of 34 loans across the Group, credit covenants were agreed with the financing banks on fourteen of these. This includes a total of 18 different covenants on debt service cover ratios (DSCRs), interest cover ratios (ICRs), changes in rental income and the loan-to-value ratio (LTV). All conditions were met. Based on the budgeted figures, compliance with the covenants may also be assumed in the current financial year.

At the end of February 2013, 13 loans taken out in the past to finance the Main-Taunus-Zentrum were replaced by a new loan in the amount of €220.0 million. Moreover, scheduled repayments amounting to €18.6 million will be made from current cash flow during the 2013 financial year. Over the period from 2014 to 2017, average repayments will be around €18.1 million per year.

No loans are due to expire in the next two financial years. In 2015, one loan in the amount of €61.9 million will be due for renewal, and a further three loans amounting to €173.0 million in 2016. The convertible bond must be repaid in 2017 if the bond holders have not made use of their conversion rights by then.

Short- and long-term financial liabilities totalling €1,657.2 million were recognised in the balance sheet as of the reporting date. The difference between the total sum and the amounts stated here is €7.9 million and relates to deferred interest and repayment obligations that were settled at the beginning of 2013.

INVESTMENT ANALYSIS: INVESTMENTS ABOVE PREVIOUS YEAR'S LEVEL

Investments made during the 2012 financial year amounted to €198.2 million, compared to €197.0 million in the previous year. The acquisition of the Herold-Center, which was acquired on 31 December 2012 for a total of €185.4 million, accounted for the majority of these investments. In addition, residual work on expansions required investments totalling €7.0 million. Ongoing investments in portfolio properties amounted to €5.6 million.

LIQUIDITY ANALYSIS: HIGHER LIQUIDITY DUE TO FINANCING

The Group's operating cash flow of €102.8 million (2011: €100.2 million) comprises the amount generated by the Group for shareholders through the leasing of shopping center floor space after deduction of all costs. It primarily serves to finance the dividends of Deutsche EuroShop AG and payments to third-party shareholders.

Cash flow from operating activities amounted to €121.4 million (2011: €103.4 million) and, in addition to operating cash flow, contains changes in receivables and other assets as well as other liabilities and provisions. This increase was largely due to the need to create merger-related real estate transfer tax provisions and income tax provisions on current earnings.

Cash flow from financing activities rose from €92.8 million to €180.0 million. Cash inflows from financial liabilities, amounting to €191.7 million, resulted from the greater utilisation of a credit line and the convertible bond issued during the year under review. Furthermore, the capital increase against cash contribution in November led to net issue proceeds in the amount of €66.2 million. Dividends paid to shareholders totalled €56.8 million. Payments to third-party shareholders comprise the purchase price of the shareholdings in the Rathaus-Center Dessau acquired at the beginning of the year and distributions paid out during the year under review.

Cash and cash equivalents rose by €103.1 million in the year under review to €167.5 million (2011: €64.4 million).

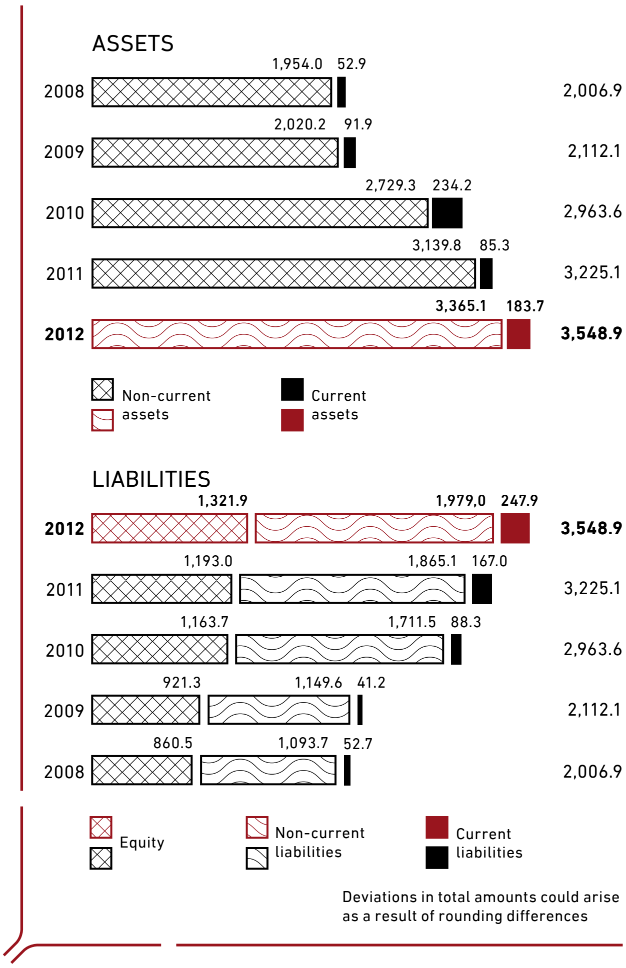
NET ASSETS

BALANCE SHEET ANALYSIS

The Group's total assets increased by €323.8 million, from €3,225.1 million to €3,548.9 million.

€ thousand	2012	2011	CHANGE
Current assets	183,719	85,348	98,371
Non-current assets	3,365,135	3,139,777	225,358
Current liabilities	247,900	166,982	80,918
Non-current liabilities	1,979,040	1,865,102	113,938
Equity	1,321,914	1,193,041	128,873
Total assets	**3,548,854**	**3,225,125**	**323,729**

Balance sheet structure in € millions



CURRENT ASSETS INCREASED AS AT BALANCE SHEET DATE

As at the end of the year, current assets amounted to €183.7 million, an increase of €98.4 million compared to the previous year (2011: €85.3 million). This was exclusively the result of the higher level of cash and cash equivalents at the reporting date. Trade receivables of €4.7 million, on the other hand, fell €0.9 million short of the previous year (€5.6 million). Other assets also declined by €8.2 million, from €15.3 million to €7.1 million.

Cash and cash equivalents amounted to €167.5 million on the reporting date, €103.1 higher than at the end of the previous year (€ 64.4 million). There was also a time deposit as at the balance sheet date, which was recognised as other financial investment.

NON-CURRENT ASSETS INCREASED AS A RESULT OF INVESTMENT

Non-current assets rose by €225.3 million, from €3,139.8 million to €3,365.1 million in the year under review, while investment properties increased by €223.5 million, €179.8 million of which was attributable to the first-time full consolidation of the Herold-Center. Residual work on expansion measures at our centers in Dresden, Sulzbach and Wildau also led to investments totalling €7.0 million. Costs of investments in portfolio properties amounted to €5.6 million. The revaluation of our property portfolio resulted in value increases amounting to €48.2 million and value decreases totalling €17.1 million.

Compared with the previous year, other non-current assets increased by a net €1.9 million as a result of remeasurements, due in particular to the higher valuation of the stake in the Galeria Dominikanska in Wroclaw.

TEMPORARY INCREASE IN CURRENT LIABILITIES

Current liabilities rose by €80.9 million, from €167.0 million to €247.9 million, due in particular to the increase in short-term bank loans and liabilities (+ €58.0 million) as well as tax liabilities (+ €18.6 million).

Other current liabilities rose in net terms by €4.3 million, primarily due to an increase in other provisions.

NON-CURRENT LIABILITIES UP DUE TO FINANCING

Non-current liabilities rose by €113.9 million, from €1,865.1 million to €1,979.0 million. This is primarily attributable to the issue of the convertible bond (€91.9 million) Other non-current bank loans and overdrafts climbed €35.2 million to €1.371.2 million. Non-current deferred tax liabilities, on the other hand, fell by €30.1 million to €180.5 million. At €284.2 million, third-party interests in the equity of the property companies exceeded that of the previous year by €4.1 million. Other liabilities increased by €12.8 million to €51.2 million (2011: €38.5 million), largely due to the valuation of interest rate swaps.

EQUITY

At €1,321.9 million, Group equity was up €128.9 million on the previous year (€1,193.0 million).

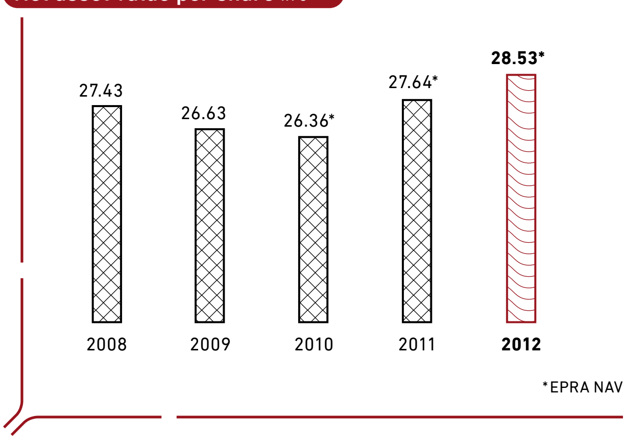
The changes that arose during the year under review were attributable to, among other things, the capital increase that led to net issue proceeds in the amount of €66.7 million. In addition, the conversion rights of the convertible bond issued in November were valued at €7.1 million and recognised directly in equity. The earnings recognised directly in equity resulted in a reduction in equity of €10.6 million. Other changes led to an increase in equity of €65.7 million. This was in particular related to the difference between the consolidated profit of €122.5 million and the dividend in the amount of €56.8 million paid out in June 2012.

NET ASSET VALUE IN ACCORDANCE WITH EPRA FURTHER INCREASED

Net asset value as of 31 December 2012 amounted to € 1,538.9 million or €28.53 per share, compared with €1,427.3 million or €27.64 per share in the previous year. Thus, the net asset value has risen by €111.6 million or 3.2 % per share over the previous year.

€ thousand	31.12.2012	31.12.2011
Equity	1,321,914	1,193,041
Deferred taxes	180,525	210,586
Negative swap values	49,496	35,028
Resulting deferred taxes	-13,057	-11,367
EPRA NAV	1,538,878	1,427,289
EPRA NAV per share	**28.53 €**	**27.64 €**

Net asset value per share in €



EPRA also recommends that an EPRA NNNAV (triple NAV) be calculated, which should roughly correspond to the liquidation value of the company. This adjusts the EPRA NAV to take account of hidden liabilities or reserves resulting from the market valuation of bank loans and overdrafts, as well as deferred tax liabilities. As of 31 December 2012, the EPRA NNNAV amounted to €1,250.3 million, compared with €1,154.2 million in the previous year. This resulted in an EPRA NNNAV per share of €23.18, compared with €22.36 in the previous year, representing an increase of 3.7 %.

€ thousand	31.12.2012	31.12.2011
EPRA NAV	1,538,878	1,427,289
Negative swap values	-49,496	-35,028
Negative present value of bank loans and overdrafts	-89,522	-55,685
Total deferred taxes	-149,607	-182,349
EPRA NNNAV	1,250,253	1,154,226
EPRA NNNAV per share	**23.18 €**	**22.36 €**

OVERALL COMMENT BY THE EXECUTIVE BOARD ON THE ECONOMIC SITUATION

The past financial year has confirmed the Deutsche EuroShop Group's good position. We have again managed to meet our original expectations.

Environment

Climate protection is one of the most important issues for Deutsche EuroShop. We firmly believe that sustainability and profitability as well as shopping experience and environmental awareness are not mutually exclusive. Long-term thinking is part of our strategy, including a commitment to environmental protection.

In 2012, all our German shopping centers had contracts with suppliers who use regenerative energy sources such as hydroelectric power for their electricity needs. The "EnergieVision" organisation certified the green electricity for our centers in Germany with the renowned "ok-power" accreditation in 2012. Within the next few years, we are also planning to switch the centers in other countries to green electricity.

The German centers used a total of around 69.2 million kWh of green electricity in 2012. This represented 100 % of the electricity requirements in these shopping centers, Based on conservative calculations, this meant a reduction of around 25,800 tonnes in carbon dioxide emissions, which equates to the annual CO_2 emissions of around 1,170 two-person households. The use of heat exchangers and energy-saving light bulbs allows us to further reduce the energy consumption in our shopping centers.

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

Reports not included

A **research and development** (R&D) report is not required as part of the Management Report because Deutsche EuroShop does not need or pursue any research and development in line with its primary business purpose.

The Company's business purpose, which is to manage assets, does not require **procurement** in the traditional sense. For this reason, this topic is not covered by a separate section of the Management Report.

At the reporting date, Deutsche EuroShop AG employed only four people and therefore did not prepare a separate **human resources** report.

Report on events after the balance sheet date

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

Risks and opportunities management, internal control system

PRINCIPLES

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

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

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

KEY FEATURES

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

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

2. **Centers under construction**
   - Pre-letting levels
   - Construction status
   - Budget status

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

FINANCIAL STATEMENT PREPARATION PROCESS

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

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

ADVICE ON LIMITATIONS

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

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

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

PRESENTATION OF MATERIAL INDIVIDUAL RISKS

CYCLICAL AND MACROECONOMIC RISKS

The German economy suffered a setback at the end of 2012: The price-, seasonally- and calendar-adjusted gross domestic product (GDP) declined by 0.6 % compared to the previous quarter, which was primarily attributable to a weakening of foreign trade. Private consumer spending, on the other hand, was a driving force both in comparison with the third quarter (+0.1 %) as well as the same quarter of the previous year. Measured in terms of GDP, the German economy saw growth of 0.7 % for the whole of 2012 (after price, seasonal and calendar adjustments: +0.9 %). This is a considerable slowdown compared to the previous year, when GDP had climbed to 3.0 % (adjusted: +3.1 %). The German Bundesbank expects Germany's GDP to rise by around 0.4 % in 2013 (0.5 % after calendar adjustments).

The European Central Bank (ECB) reports that real GDP at European level experienced a downward trend in the eurozone in 2012 and that economic activities got off to a weak start at the beginning of 2013. According to the ECB, this development is attributable to low consumer and investor confidence. Brightening sentiment on financial markets, a stabilisation of business and consumer confidence as well as an upturn in exports due to a global increase in demand mean that gradual recovery should kick in during 2013. The ECB expects real GDP to grow by an average of -0.9 % to 0.3 % over the course of the year.

The prices of all goods and services for private consumption were on average 2.0 % higher in 2012 than in the previous year (2011: +2.3 %). The German Bundesbank expects 2013 to bring another decrease in inflation to 1.5 %. Consumer prices in the eurozone rose 2.2 % in 2012. The ECB predicts an increase of 1.1 % to 2.1 % in the harmonised consumer price index in 2013.

Deutsche EuroShop AG is not as strongly affected by short-term economic developments as other sectors are in terms of its business model – long-term, inflation-proofed letting of retail space – and the associated risks. Past experience has demonstrated that by locating our shopping centers in prime locations and by ensuring broad sector diversification within the centers, we can achieve commercial success even during periods of stagnation.

MARKET AND SECTOR RISKS

There has been a structural change in the retail trade in recent years, caused by shifts in demand patterns and new product formats. The greatest success has been enjoyed by large-scale retail operations that are able to offer customers a wide range of goods. Thanks to its business model, Deutsche EuroShop benefits from this development, especially as the experience aspect of shopping has gained in importance and a trend towards shopping as a recreational and lifestyle activity has become apparent.

We regard this development as more of an opportunity than a risk, as a decline in consumer spending at the macroeconomic level would not necessarily have a negative impact on retailers' revenue in our shopping centers.

Particular attention should, however, be given to the online retail sector. Revenue generated by online business rose 13 % to €29.5 billion in 2012. The Handelsverband Deutschland (HDE – German Retail Association) expects revenue to grow by another 12 % in 2013. Along with these changes in distribution channels, tenants are also expected to increasingly switch to so-called multi-channel concepts that allow the integration of online and offline channels (Internet and stationary retailing).

Revenue in the retail sector saw nominal growth of 1.9 % in 2012 (-0.3 % in real terms) and thus fell short of the previous year (+2.7 % in nominal terms, +1.1 % in real terms) The HDE expects revenue to grow by 1.0 % to €432.1 billion. We also believe that domestic demand will remain strong.

We minimise market and sector risks by closely monitoring the market and by concluding long-term contracts with tenants with strong credit ratings in all retail segments.

RISK OF RENT LOSS

It is possible that tenants may be unable to meet their obligations under existing leases or that the previous rents may no longer be obtained in the case of new and follow-on rentals. As a result, income would turn out to be less than budgeted, and distributions to shareholders might have to be reduced. If the rental income for a property company is no longer sufficient to meet its interest and repayment obligations, this could lead to the loss of the entire property. Tenants' revenue trends and the accounts receivable trends are regularly analysed in this respect, and measures to find new tenants are initiated at an early stage if there are signs of any negative developments.

The tenants furnish corresponding security deposits against the risk of default. In addition, write-downs are recognised in the accounts in individual cases.

COST RISK

Expenditure on current maintenance or investment projects can turn out higher than budgeted on the basis of experience. We minimise risks from cost overruns in current investment projects by costing in all identifiable risks in the planning stage as a precautionary measure. In addition, construction contracts are only awarded on a fixed-price basis to general contractors with strong credit ratings. During the building phase, professional project management is assured by the companies we commission. However, it is impossible to completely avoid cost overruns in ongoing construction projects in individual cases.

VALUATION RISK

The value of a property is essentially determined by its capitalised earnings value, which in turn depends on factors such as the level of annual rental income, the underlying location risk, the evolution of long-term capital market rates and the general condition of the property. A reduction in rental income or a deterioration of the location risk necessarily involves a lower capitalised earnings value. The appreciation of the properties is therefore also significantly influenced by a variety of macroeconomic or regional factors as well as developments specific to the property that can neither be foreseen nor influenced by the Company. The factors described are taken into account in the annual market valuations of our portfolio properties by independent appraisers. Changes in value are recognised in the income statement of the consolidated financial statements in accordance with the requirements of IAS 40 and may thus increase the volatility of the consolidated profit. However, this generally has no effect on the Group's solvency.

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 investees. These risks are not hedged because this is purely an issue of translation at the reporting date and is therefore not associated with any cash flow risks. The currency risk from operations is largely hedged by linking rents and loan liabilities to the euro. A risk could arise if the Hungarian forint or the Polish zloty were to plummet against the euro such that tenants were no longer able to pay what would then be considerably higher rents denominated in foreign currency.

FINANCING AND INTEREST RATE RISKS

We minimise the interest rate risk for new property financing as far as possible by entering into long-term loans with fixed-interest periods of up to 20 years. It cannot be ruled out that refinancing may only be possible at higher interest rates than before. The interest rate level is materially determined by the underlying macroeconomic conditions and therefore cannot be predicted by us.

The possibility cannot be completely excluded that, owing for example to a deterioration in the Company's results of operations, banks may not be prepared to provide refinancing or to extend credit lines. We monitor the interest rate environment closely so as to be able to react appropriately to interest rate changes with alternative financing concepts or hedging if necessary. At an average interest rate of 4.23 % (2011: 4.59 %), this does not currently present a significant risk within the Group, particularly as the most recent refinancing was concluded at lower interest rates than the original financing and the present average interest rate.

Deutsche EuroShop AG uses derivatives that qualify for hedge accounting to hedge interest rate risks. These interest rate swap transactions transform variable interest rates into fixed interest rates. An interest rate swap is an effective hedge if the principal amounts, maturities, repricing or repayment dates, dates for interest payments and principal repayments, and basis of calculation used to determine the interest rates for the hedge are identical to those of the underlying transaction and the party to the contract fulfils the contract. Financial instruments are not subject to liquidity or other risks. The Group counters the risk of default by stringently examining its contract partners. A test of effectiveness for the hedges described is implemented regularly.

RISK OF DAMAGE

The property companies bear the risk of total or partial destruction of the properties. The insurance payouts due in such a case might be insufficient to compensate fully for the damage. It is conceivable that insurance cover is not sufficient for all theoretically possible losses or that the insurers may refuse to provide compensation.

IT RISK

Deutsche EuroShop's information system is based on a centrally managed network solution. Corrective and preventive maintenance of the system is carried out by an external service provider. A virus protection concept and permanent monitoring of data traffic with respect to hidden and dangerous content are designed to protect against external attacks. All data relevant to operations is backed up on a daily basis. In the event of a hardware or software failure in our system, all data can be reproduced at short notice.

PERSONNEL RISK

Given the small number of employees of Deutsche EuroShop AG, the Company is dependent on individual persons in key positions. The departure of these key staff would lead to a loss of expertise, and the recruitment and induction of new replacement personnel could temporarily impair ongoing day-to-day business.

LEGAL RISK

The concept for our business model is based on the current legal situation, administrative opinion and court decisions, all of which may, however, change at any time.

EVALUATION OF THE OVERALL RISK POSITION

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

Outlook

According to the German Bundesbank, 2013 can be expected to begin with a temporary weak phase before the economy returns to its growth trajectory. Assuming that the global economy picks up again and the reform process in the eurozone continues to make progress, the German Bundesbank expects a moderate 0.4 % increase in real gross domestic product in 2013. As long as the eurozone's bank and sovereign debt crisis does not intensify any further and uncertainty among investors and consumers gradually abates, the real gross domestic product could rise 1.9 % in 2014. The temporary economic downturn should not have any negative impact on private consumer demand. According to the German Bundesbank, it will actually benefit from a low unemployment rate (7.2 % in 2013 and 7.0 % in 2014) as well as a slight rise in income. Consequently, the German Bundesbank anticipates that private consumption in 2013 and 2014 will increase in real terms by 1.0 % and 1.3 %, respectively. According to estimates from the Handelsverband Deutschland (HDE – German Retail Association), the retail sector should remain stable in 2013. The Association expects slight revenue growth of 1.0 % in nominal terms. According to the market research company GfK, consumer climate has also improved somewhat recently.

SOUND OUTLOOK FOR OUR SHOPPING CENTERS

We expect this positive trend to be echoed in our shopping centers. Restructuring and modernisation work in the Altmarkt-Galerie Dresden (original site) and the Rhein-Neckar-Zentrum will reach completion during the current business year. With the exception of a few small spaces, all leases due to expire were extended. Thus, the occupancy rate across all our shopping centers is currently expected to continue to hover at around 99 %. At the end of 2012, the occupancy rate for the total surface was at 98.6 %, slightly above the previous year's level (99.5 %). The occupancy rate for retail space stood steady at 99.6 %. Only in Árkád Pécs were there any significant vacancies in retail spaces. The remaining vacancies consisted largely of office and storage space.

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

TRANSACTION MARKET REMAINS STRONG

Against a background of ongoing uncertainty on the financial markets as well as a fear of both rising inflation and low capital market interest rates, the global demand for capital investments that retain value remains strong, particularly in financially well-positioned countries such as Germany. This is still driving demand for properties for which there is insufficient supply. Retail property in particular remains a focus of interest among many institutional investors, leading to very high transaction prices and correspondingly low anticipated returns for core properties. We will therefore continue to monitor developments on the real estate market intensively. As in the past, we will only make new investments if the return that is achievable over the long term bears a reasonable relation to the investment risks.

AGREED TRANSACTIONS ARE THE FOUNDATION FOR REVENUE AND EARNINGS PLANNING

The Deutsche EuroShop Group's revenue and earnings planning for 2013 and 2014 does not include the purchase or sale of any properties. The results of the annual valuation of our shopping centers and exchange rate factors are not included in our planning since they are not foreseeable.

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

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

SWITCH TO EQUITY ACCOUNTING

As mentioned several times in the past, the amendments to the International Accounting Standards regarding the permissibility of proportional consolidation of our joint ventures have been approved, yet application of these changes is only mandatory as of 2014. Regardless of this and as already announced, we will exercise our right as set forth in IAS 31 which permits us to switch to equity accounting as of 1 January 2013.

This means that the share in the revenue and costs of these companies will no longer be included in the consolidated financial statements in the future. Instead, only the share in the results of these shopping centers will be reported under net finance costs. This change not only concerns the five companies previously consolidated as joint ventures using the proportional method, but also Stadt-Galerie Passau KG and Immobilien KG FEZ Harburg, which possess the basic characteristics of a joint venture yet, based on a voting agreement, could be fully included in the consolidated financial statements in the past. These voting agreements were terminated by mutual agreement as per the end of 2012.

In 2012, these seven companies accounted for revenues of €54.2 million, EBIT of €48.7 million and earnings before taxes and measurement gains / losses of €29.3 million. If equity accounting were to have been applied in 2012, revenue would have been €157.1 million and EBIT €132.3 million. At €94.9 million, earnings before taxes and measurement gains / losses would have remained nearly unchanged. In the following, these figures will serve as the basis of forecasts for the next two financial years.

REVENUE TO RISE BY 9% IN 2013

We anticipate an increase in revenue of around 9 % to between €170 million and €173 million in the 2013 financial year. The revenue contribution of the Herold-Center, in particular, will have a positive impact. In the 2014 financial year, revenue should see another slight increase to between €175 million and €178 million.

FURTHER GROWTH IN EARNINGS IN THE NEXT TWO YEARS

Earnings before interest and taxes (EBIT) amounted to €132.3 million in 2012. According to our forecast, EBIT will amount to between €148 million and €151 million (+13 %) in the current financial year. EBIT should increase further to between €152 million and €155 million in 2014 (+3 %).

Earnings before tax (EBT) excluding measurement gains / losses amounted to €94.9 million during the year under review. We expect the corresponding figure to be between €112 million and €115 million for the 2013 financial year (+19 %) and between €117 and €120 million for the 2014 financial year (+4 %).

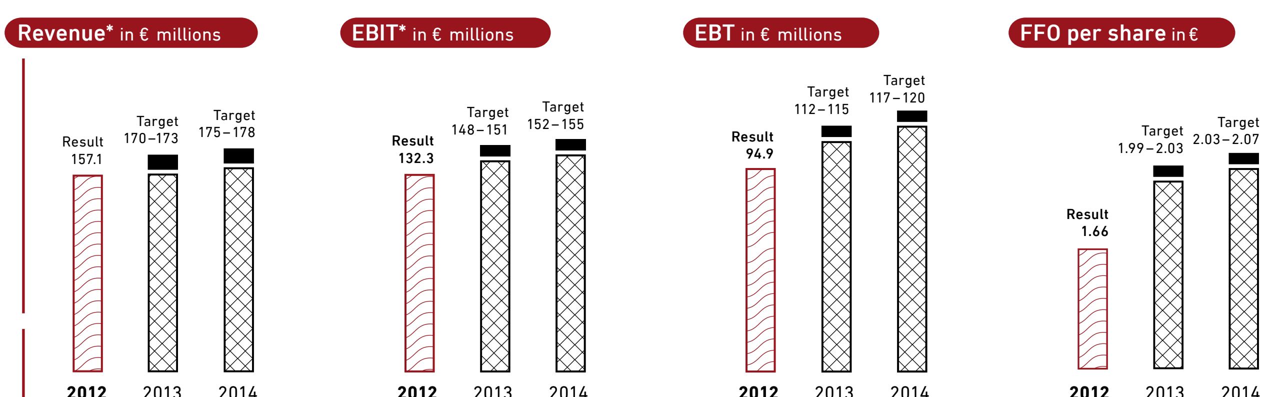
POSITIVE FFO TREND

Funds from operations (FFO) amounted to €1.66 per share in the year under review. We expect this figure to be between €1.99 and €2.03 in 2013 (+21 %) and between €2.03 and €2.07 for the 2014 financial year (+2 %).

DIVIDEND POLICY

We intend to maintain our long-term dividend policy geared towards continuity. We therefore aim to distribute a dividend of at least €1.20 per share to our shareholders again in 2013 and 2014.

Hamburg, 12 April 2013



*at-equity consolidation

2012

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Consolidated balance sheet

Assets

€ thousand	NOTE	31.12.2012	31.12.2011 AFTER ADJUSTMENT	01.01.2011 AFTER ADJUSTMENT
ASSETS				
Non-current assets				
Intangible assets	1.	16	20	29
Property, plant and equipment	2.	112	137	30
Investment properties	3.	3,330,289	3,106,832	2,700,697
Non-current financial assets	4.	30,293	27,815	23,885
Investments in equity-accounted associates	5.	4,109	4,514	4,094
Other non-current assets	6.	316	459	605
Non-current assets		**3,365,135**	**3,139,777**	**2,729,340**
Current assets				
Trade receivables	7.	4,738	5,606	3,481
Other current assets	8.	7,115	15,334	156,634
Other financial investments	9.	4,355	0	0
Cash and cash equivalents	10.	167,511	64,408	65,784
Current assets		**183,719**	**85,348**	**225,899**
Total assets		**3,548,854**	**3,225,125**	**2,955,239**

Equity and liabilities

€ thousand	NOTE	31.12.2012	31.12.2011 AFTER ADJUSTMENT	01.01.2011 AFTER ADJUSTMENT
EQUITY AND LIABILITIES				
Equity and reserves				
Issued capital		53,945	51,631	51,631
Capital reserves		961,987	890,482	890,615
Retained earnings		305,982	250,928	215,849
Total equity	11.	**1,321,914**	**1,193,041**	1,158,095
Non-current liabilities				
Financial liabilities	12.	1,463,097	1,335,986	1,227,096
Deferred tax liabilities	13.	180,525	210,587	182,135
Right to redeem of limited partners		284,176	280,078	277,780
Other liabilities	18.	51,242	38,451	21,839
Non-current liabilities		**1,979,040**	**1,865,102**	1,708,850
Current liabilities				
Financial liabilities	12.	194,137	136,163	61,060
Trade payables	14.	2,331	2,835	6,145
Tax liabilities	15.	24,572	5,935	2,587
Other provisions	16.	12,749	8,859	7,329
Other liabilities	17.	14,111	13,190	11,173
Current liabilities		**247,900**	**166,982**	88,294
Total equity and liabilities		**3,548,854**	**3,225,125**	2,955,239

Consolidated income statement

€ thousand	NOTE	2012	2011 BEFORE ADJUST-MENT	2011 ADJUST-MENT	2011 AFTER ADJUST-MENT
Revenue	19.	211,231	189,975	0	189,975
Property operating costs	20.	-11,256	-8,519	0	-8,519
Property management costs	21.	-10,547	-9,814	0	-9,814
Net operating income (NOI)		**189,428**	171,642	0	**171,642**
Other operating income	22.	2,905	1,010	0	1,010
Other operating expenses	23.	-11,316	-6,991		-6,991
Earnings before interest and taxes (EBIT)		**181,017**	165,661	0	**165,661**
Income from investments	24.	1,400	1,261	0	1,261
Interest income		540	862	0	862
Interest expense		-72,064	-65,761	0	-65,761
Income from equity-accounted associates	25.	-589	270	0	270
Profit / loss attributable to limited partners	26.	-15,271	-15,730	0	-15,730
Net finance costs		**-85,984**	-79,098	0	**-79,098**
Measurement gain / loss	**27.**	**8,495**	41,811	8,337	**50,148**
of which excess of identified net assets acquired over cost of acquisition in accordance with IFRS 3: €4,410 thousand (previous year: €7,888 thousand)					
Earnings before tax (EBT)		**103,528**	128,374	8,337	**136,711**
Income tax expense	28.	18,956	-34,978	-2,695	-37,673
Consolidated profit		**122,484**	**93,396**	**5,642**	**99,038**
Earnings per share (€), basic	32.	2.36	1.81	0.11	1.92
Earnings per share (€), diluted	32.	2.35	1.81	0.11	1.92

Consolidated statement of comprehensive income

€ thousand	NOTE	2012	2011 BEFORE ADJUST-MENT	2011 ADJUST-MENT	2011 AFTER ADJUST-MENT
Consolidated profit		**122,484**	93,396	5,642	**99,038**
Changes due to currency translation effects		0	-373		-373
Changes in cash flow hedge	11., 30.	-14,468	-16,405		-16,405
Change due to IAS 39 measurement of investments	4., 11., 30.	2,478	3,930		3,930
Deferred taxes on changes in value offset directly against equity	11., 13.	1,344	5,684		5,684
Total earnings recognised directly in equity		**-10,646**	-7,164	0	**-7,164**
Total profit		**111,838**	**86,232**	**5,642**	**91,874**
Share of Group shareholders		111,838	86,232	5,642	91,874

Consolidated cash flow statement

€ thousand	NOTE	01.01.– 31.12.2012	01.01.– 31.12.2011 BEFORE ADJUSTMENT	01.01.- 31.12.2011 ADJUSTMENT	01.01.– 31.12.2011 AFTER ADJUSTMENT
Profit after tax		**122,484**	93,396	5,642	**99,038**
Expenses / income from the application of IFRS 3	27.	-5,289	-7,888		-7,888
Profit / loss attributable to limited partners	26., 27.	33,946	27,596		27,596
Depreciation of intangible assets and property, plant and equipment	1., 2.	40	36		36
Unrealised changes in fair value of investment property	27.	-31,079	-54,302		-54,302
Profit / loss for the period of equity-accounted companies	25.	589	-270		-270
Other non-cash income / expenses		484	0		0
Expenses from investment activities to be allocated to the cash flow	27.	9,198	8,512	-8,337	175
Deferred taxes	28.	-27,545	31,606	2,695	34,301
Operating cash flow		**102,828**	98,686	0	**98,686**
Changes in receivables	6., 7., 8., 30.	-12	147,660	-147,611	49
Change in other financial investments		-4,355	0		0
Changes in current provisions	16.	22,528	1,482		1,482
Changes in liabilities	14., 15., 17., 18., 30.	390	1,593		1,593
Cash flow from operating activities		**121,379**	249,421	-147,611	**101,810**
Payments to acquire property, plant and equipment / investment properties	2., 3.	-12,628	-77,201		-77,201
Expenses from investment activities to be allocated to the cash flow		-9,198	-8,512	8,337	-175
Payments to acquire shareholdings in consolidated companies and business units		-176,250	-266,323	148,375	-117,948
Inflows / outflows to / from the financial assets		-184	-150		-150
Cash flow from investing activities		**-198,260**	-352,186	156,712	**-195,474**
Inflows from financial liabilities	12.	191,742	183,993		183,993
Contributions of Group shareholders	11., 29.	66,198	0		0
Payments to Group shareholders	11., 29.	-56,795	-56,795		-56,795
Payments to limited partners	29.	-21,161	-25,319	-9,101	-34,420
Cash flow from financing activities		**179,984**	101,879	-9,101	**92,778**
Net change in cash and cash equivalents		**103,103**	-886	0	**-886**
Cash and cash equivalents at beginning of period		**64,408**	65,784		**65,784**
Currency-related changes		0	-487		-487
Other changes		0	-3		-3
Cash and cash equivalents at end of period	**10.**	**167,511**	**64,408**	**0**	**64,408**

Statement of changes in equity

€ thousand	NOTE	NUMBER OF SHARES OUT-STANDING	SHARE CAPITAL	CAPITAL RESERVES	OTHER RETAINED EARNINGS	STATUTORY RESERVE	TOTAL
01.01.2011		**51,631,400**	**51,631**	**890,615**	**219,491**	**2,000**	**1,163,737**
Adjustment in acc. with IAS 8					-5,642		-5,642
Adjusted on 1 January 2011		**51,631,400**	**51,631**	**890,615**	**213,849**	**2,000**	**1,158,095**
Earnings recognised directly in equity			0	0	-7,164	0	-7,164
Consolidated profit (including adjustment acc. to IAS 8.41f.)					99,038		99,038
Total profit					**91,874**		**91,874**
Change in deferred taxes				-133			-133
Dividend payments	11.				-56,795		-56,795
Other changes							0
Capital increase					0		0
31.12.2011		**51,631,400**	**51,631**	**890,482**	**248,928**	**0**	**1,193,041**
01.01.12		**51,631,400**	**51,631**	**890,482**	**248,928**	**2,000**	**1,193,041**
Earnings recognised directly in equity			0	0	-10,646	0	-10,646
Consolidated profit					122,484		122,484
Total profit				**0**	**111,838**		**111,838**
Dividend payments	11.				-56,795		-56,795
Bond conversion right	12.			7,140			7,140
Capital increase	11.	2,314,136	2,314	64,365			66,679
Other changes					11		11
31.12.2012		**53,945,536**	**53,945**	**961,987**	**303,982**	**2,000**	**1,321,914**

Notes
to the Consolidated financial statements

2012

General disclosures

The Group parent company is Deutsche EuroShop AG, Hamburg, Germany. The Company's registered office is Wandsbeker Straße 3–7, 22179 Hamburg, Germany, and it is entered in the Hamburg commercial register under HRB 91799.

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

The consolidated financial statements of Deutsche EuroShop AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code). They are based on the premise of a going concern. All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as of 31 December 2012 have been applied.

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

Amounts are mainly presented in thousands of €.

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

The consolidated financial statements as at 31 December 2012 are approved by the Audit Committee of the Supervisory Board on 12 April 2013 and are expected to be approved at the Supervisory Board's financial statements review meeting on 23 April 2013. Until the consolidated financial statements are adopted there is still a possibility that they may be amended.

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

The annual financial statements of the consolidated companies were prepared as at 31 December 2012, the reporting date of the consolidated financial statements.

Basis of consolidation and consolidation methods

BASIS OF CONSOLIDATION

SUBSIDIARIES

The consolidated financial statements include all subsidiaries in which Deutsche EuroShop AG directly or indirectly holds a majority of voting rights, plus those companies which are joint ventures.

As at 31 December 2012, the basis of consolidation comprised, in addition to the parent company, 12 (previous year: 19) fully consolidated domestic and foreign subsidiaries and five (previous year: five) proportionately consolidated domestic and foreign joint ventures.

With effect from 1 January 2012, Deutsche EuroShop AG acquired 5.1 % of the Rathaus-Center Dessau KG, thus taking its shareholding to 100 %. The purchase price of €5.9 million was paid in early 2012. In addition, with effect from 1 January 2012, around 11 % of the Allee-Center Hamm KG (purchase price €8.9 million) and 0.1 % of the Rhein-Neckar-Zentrum KG (purchase price €0.2 million) were acquired, thus increasing the shareholding in each to 100 %. The purchase prices were paid at the end of 2011. These acquisitions resulted in an excess of identified net assets acquired over cost of acquisition in the amount of €0.8 million, which was recognised under measurement gains / losses.

DES Shoppingcenter GmbH & Co. KG was founded on 23 August 2012 with an investment of €10 thousand. The company's purpose is to acquire and manage property as well as all transactions associated with this property. Within the scope of the merger agreements of 27 December 2012 and with effect from 31 December 2012, Billstedt-Center Hamburg GmbH & Co. KG, Allee-Center Hamm GmbH & Co. KG, City-Arkaden Wuppertal GmbH & Co. KG, City-Galerie Wolfsburg GmbH & Co. KG, Rathaus-Center Dessau GmbH & Co. KG and Rhein-Neckar-Zentrum GmbH & Co. KG transferred their assets in full to DES Shoppingcenter GmbH & Co. KG including all rights and obligations by dissolution without liquidation as part of a merger by absorption pursuant to sections 2 (1), (4) et seq. and sections 39 et seq. of the Umwandlungsgesetz (UmwG – German Reorganization Act) and were thus merged into the latter. DES Shoppingcenter GmbH & Co. KG thus became the owner of the shopping centers Allee-Center Hamm, Billstedt-Center Hamburg, City-Galerie Wolfsburg, City-Arkaden Wuppertal, Rathaus-Center Dessau and Rhein-Neckar-Zentrum Viernheim.

The company also acquired ownership of the Herold-Center Norderstedt with the property purchase agreement dated 16 November 2012. The transfer of benefits and encumbrances took place on 31 December 2012. The fair value of the acquired property was €179.80 million, which resulted in an excess of identified net assets acquired over the purchase price allocation. This stood at €4.4 million and was recognised under measurement gains / losses. This is offset by ancillary acquisition costs in connection with the acquisition of the property totalling €9.2 million, which are recognised under measurement gains / losses. Information regarding the revenue and profit generated by the acquired property for the financial year 2012 were not available.

2012 in € million	CARRYING AMOUNTS	FAIR VALUE
Acquired property assets	179,760	179,760
Purchase price	-176,250	-176,250
Deferred taxes	900	900
Excess of identified net assets acquired over cost of acquisition	**4,410**	**4,410**

JOINT VENTURES

Joint ventures in which Deutsche EuroShop AG has a majority of the voting rights together with third parties are proportionately included as joint ventures in the consolidated financial statements.
Five companies fall into this category as at the balance sheet date.

ASSOCIATES

In accordance with IAS 28, where Deutsche EuroShop AG can exercise a significant influence but not control over companies these are measured using the equity method, irrespective of the interest held in these companies. Six companies fall into this category as at the balance sheet date.

INVESTEES

Investments over which Deutsche EuroShop AG has neither significant influence nor control are measured at fair value, in line with the provisions of IAS 39. This includes the investment in Ilwro Joint Venture Sp. z o.o., Warsaw.

CONSOLIDATION METHODS

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

Joint ventures are included proportionately in the consolidated financial statements in accordance with IAS 31. Alternatively, the equity method is also permissible. The assets and liabilities and the income and expenses of jointly controlled companies are included in the consolidated financial statements according to the interest held in these companies. Proportionate consolidation and accounting for goodwill follows the same principles applied to the consolidation of subsidiaries.

For associates measured in the consolidated financial statements using the equity method, the cost of the investment is recognised in income at an amount increased or reduced by the changes in equity corresponding to the equity interest of Deutsche EuroShop AG.

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

Currency translation

The Group currency is the euro (€).

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

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

A closing rate of HUF 291.29 (previous year: HUF 311.13) and an average rate of HUF 289.42 (previous year: HUF 279.28) were used in the translation of the separate Hungarian financial statements for Einkaufs-Center Arkaden Pécs KG, Hamburg, from forint to euros. A closing rate of PLN 4.0822 (previous year: PLN 4.4168) and an average rate of PLN 4.185 (previous year: PLN 4.1189) were taken as a basis for translating the separate financial statements of the Polish property company.

Changes in accounting policies

ADJUSTMENT OF PREVIOUS YEAR'S VALUES IN ACCORDANCE WITH IAS 8 (CORRECTION OF AN ERROR)

The Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) has notified us that an audit of the financial statements for the financial year 2011 revealed two mistakes:

The item “Measurement gains / losses” indicated in the consolidated income statement was €8.3 million too low because merger-related expenses connected to the acquisition of the Billstedt-Center Hamburg which should have been recognised in financial year 2010 were erroneously recognised in financial year 2011.

In the 2011 consolidated financial statements, cash inflows in the amount of €155.2 million are recognised in “Cash flow from operating activities” and cash outflows in the same amount are recognised in “Cash flow from investment activities”, both in connection with the acquisition of the Billstedt-Center Hamburg, yet no cash inflows or outflows in this amount actually took place during the period.

Additionally, within the scope of corrections made to the cash flow statement, a correction was made to the way purchase price prepayments in connection with the increased shareholdings in the Allee-Center Hamm and the Rhein-Neckar-Zentrum in 2011 were depicted.

The resulting corrected values, taking into account any deferred taxes, have been recognised in the other parts of the consolidated financial statements and are summarised below:

CONSOLIDATED INCOME STATEMENT

€ thousand	2011 BEFORE ADJUSTMENT	IAS 8 ADJUSTMENT	2011 AFTER ADJUSTMENT
Measurement gains / losses	41,811	8,337	50,148
Income tax expense	-34.978	-2.695	-37.673

CONSOLIDATED PROFIT PER SHARE

in €	2011 BEFORE ADJUSTMENT	IAS 8 ADJUSTMENT	2011 AFTER ADJUSTMENT
basic	1.81	0.11	1.92
diluted	1,81	0,11	1,92

GROUP EQUITY

€ thousand	2011 BEFORE ADJUSTMENT	IAS 8 ADJUSTMENT	2011 AFTER ADJUSTMENT
Retained earnings at 1 January	221,491	-5,642	215,849
Consolidated profit	93,396	5,642	99,038
Other changes in retained earnings	-63.959	0	-63.959
Retained earnings at 31 December	**250,928**	**0**	**250,928**

CONSOLIDATED BALANCE SHEET

€ thousand	01.01.2011 BEFORE ADJUSTMENT	IAS 8 ADJUSTMENT	01.01.2011 AFTER ADJUSTMENT
Other current assets	164,971	-8,337	156,634
Retained earnings	221,491	-5,642	215,849
Deferred tax liabilities	-184,830	-2,695	-182,135

CASH FLOW STATEMENT

€ thousand	2011 BEFORE ADJUSTMENT	IAS 8 ADJUSTMENT	2011 NACH ADJUSTMENT
Profit after tax	93.396	5.642	99.038
Expenses from investment activities to be allocated to the cash flow	8.512	-8.337	175
Deferred taxes	31.606	2.695	34.301
Operating cash flow	98.686	0	98.686
Changes in receivables	147.660	-147.611	49
Cash flow from operating activities	249.421	-147.611	101.810
Expenses from investment activities to be allocated to the cash flow	-8.512	8.337	-175
Payments to acquire shareholdings in consolidated companies and business units	-266.323	148.375	-117.948
Cash flow from investing activities	-352.186	156.712	-195.474
Payments to limited partners	-25.319	-9.101	-34.420
Cash flow from financing activities	101.879	-9.101	92.778
Net change in cash and cash equivalents	-886	0	-886

Reporting principles

The following standards and interpretations or amendments to these were applicable for the first time in financial year 2012:

- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (amendment) (since 1 July 2011)

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

In 2012, the IASB issued standards and interpretations of and amendments to existing standards which it was not yet compulsory to apply in the consolidated financial statements for this period.

- IAS 1 Presentation of Financial Statements: changes to Presentation of Items of Other Comprehensive Income (since 1 July 2012)
- IAS 19 Employee Benefits: accounting treatment of defined benefit plans and post-employment benefits (as of 1 January 2013)
- IFRS 10 Consolidated Financial Statements (as of 1 January 2014)
- IFRS 11 Joint Arrangements (as of 1 January 2014)
- IFRS 12 Disclosures of Interests in Other Entities (as of 1 January 2014)
- IFRS 13 Fair Value Measurement (as of 1 January 2013)
- IAS 27 Separate Financial Statements (as of 1 January 2014)
- IAS 28 Investments in Associates and Joint Ventures (as of 1 January 2014)
- IAS 12 Deferred Tax: Recovery of Underlying Assets (start of the first financial year on or following the ordinance's entry into effect)
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (start of the first financial year on or following the ordinance's entry into effect)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (amendment) (as of 1 January 2013)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as of 1 January 2014)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (as of 1 January 2013)

The official announcements that did not yet have to be applied in 2012 will be implemented in the year in which their application becomes compulsory for the first time. The effects of these individual amendments are being examined by the Group.

The following standards as well as interpretations of and amendments to existing standards were issued by IASB. However, their application was not yet compulsory for the preparation of the consolidated financial statements dated 31 December 2012. Application requires that they are endorsed by the EU within the scope of the IFRAS endorsement process.

- IFRS 9 Financial Instruments (as of 1 January 2015)
- Amendments to IFRS 1 First-time Adoption of the International Financial Reporting Standards – Government Assistance
- Annual Improvements to IFRS – 2009 – 2011 Cycle (as of 1 January 2013)
- Amendments to IFRS 10, IFRS 11, IFRS 12: Transitional guidelines (as of 1 January 2013)
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment companies (as of 1 January 2014)

The official announcements that did not yet have to be applied in 2012 will be implemented in the year in which their application becomes compulsory for the first time. The effects of these individual amendments are being examined by the Group.

Significant accounting policies

REVENUE AND EXPENSE RECOGNITION

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

INTANGIBLE ASSETS

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

PROPERTY, PLANT AND EQUIPMENT

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

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

INVESTMENT PROPERTIES

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

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

As in previous years, the fair values of the properties in the period under review were determined by the Feri EuroRating Services AG and GfK GeoMarketing GmbH appraisal team using the discounted cash flow (DCF) method. In accordance with the DCF method, future cash flows from the property in question are discounted back to the measurement date. In addition, the net income from the property is determined over a detailed planning period of ten years. A resale value is forecast for the end of the ten-year detailed planning phase. The net income is then capitalised over the remaining life. In a second step, the resale value is discounted back to the measurement date.

Averaged across all properties, 11.0 % (2011: 11.8 %) of rental income is deducted for management and administrative costs, with the result that net income equates to 89.0 % (2011: 88.2 %) of rental income. Actual management and administrative costs amounted to 10.3 % of rental income in the year under review (2011: 9.7 %).

The capitalisation rate applied comprises a forecast yield on a ten-year German federal government bond and a premium that takes account of the individual risk profile of the property. Around 150 individual indicators are used to determine the risk profile. These include a forecast of population trends over the long term, the rate of employment and the resulting effects on retail demand, trends in the competitive environment and construction activity.

The discount rate averaged 6.67 %, compared with 6.65 % in the previous year. It is composed of an average yield of 4.30 % on a ten-year German federal government bond (2011: 4.34 %) and an average risk premium of 2.37 % (2011: 2.34 %).

On the basis of the expert appraisals, the property portfolio has a net initial yield of 5.98 % for financial year 2013, compared with 5.92 % in the previous year.

There is no differentiation between the domestic and international operations, as the differences are not material.

Borrowing and initial rental costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset until the time at which the asset is largely ready for its intended use.

Income realised from the temporary investment of specifically borrowed funds up to the point when these are used to obtain qualifying assets is deducted from the capitalisable costs of these assets.

All other borrowing costs are recognised in income in the period in which they occur. Maintenance measures relating to property, plant and equipment are recognised as an expense in the financial year in which they occur.

No appraisal report was produced for the properties owned by CASPIA Investments Sp. z o.o., Warsaw, due to their lesser importance. The properties were also recognised at market value in accordance with IAS 40.

LEASE AGREEMENTS

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

Financial instruments

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

Financial instruments are generally recognised at fair value. When determining fair value, three assessment categories are differentiated between:

Level 1: At the first level of the "fair value hierarchy", fair values are determined using publicly quoted market prices, as the best-possible objective indication of the fair value of a financial asset or liability can be observed on an active market.

Level 2: If there is no active market for an instrument, a company determines the fair value using measurement models. These models include use of the most recent arm's-length transactions between knowledgeable and willing parties, comparison with the current fair value of another, essentially identical financial instrument, use of the discounted cash flow method and option pricing models. The fair value is estimated on the basis of the results of a method of measurement that uses data from the market to the greatest possible extent and is based as little as possible on company-specific data.

Level 3: The measurement models used for this level are also based on parameters that are not observable on the market.

A. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives that qualify for hedge accounting in accordance with IAS 39 are used to hedge interest rate risks. These are fixed-rate swaps to limit the interest rate risk of variable interest rate loans, which have terms extending to 2026. The interest rate hedges are recognised at fair value under "Other assets" or "Other liabilities". Changes are recognised directly in equity, provided that the conditions of the underlying and hedge transaction are identical. Hedge effectiveness tests are regularly conducted. Present value is calculated based on discounted cash flows using current market interest rates. The final maturities of the interest rate hedges and loan agreements are identical.

B. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are classified as available for sale and include an investment in a Polish corporation that is a joint venture controlled by Deutsche EuroShop jointly with partner companies. As Deutsche EuroShop, under the provisions of the shareholders' agreement, exercises neither significant influence nor control over this company, the investment is measured at fair value in line with the provisions of IAS 39. Measurement gains and losses are recognised directly in equity. Fair values of financial instruments for which there are no quoted market prices are estimated on the basis of the market values of the properties determined by appraisals, less net debt. The determination of fair value assumes the existence of a going concern.

C. RECEIVABLES AND OTHER CURRENT ASSETS

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

D. RIGHT TO REDEEM OF LIMITED PARTNERS

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

E. FINANCIAL LIABILITIES

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

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

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

F. TRADE PAYABLES

Trade payables are recognised at their repayment amount.

G. SONSTIGE VERBINDLICHKEITEN

Other liabilities are recognised at amortised cost.

H. OTHER LIABILITIES

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

INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

Companies with a narrow scope of business in which Deutsche EuroShop generally has an interest of between 20 % and 50 % and over which it exercises significant influence but not control are measured as equity-accounted associates. Here, the changes in the equity of such companies corresponding to the equity interest of Deutsche EuroShop are recognised in income.

DEFERRED TAXES

In accordance with IAS 12, deferred taxes are recognised for all differences between the tax accounts and the IFRS balance sheet, using the currently enacted tax rate. Currently, deferred taxes are primarily formed on the differences between the IFRS carrying amounts of the properties and their carrying amounts for tax purposes. A uniform corporation tax rate of 15 % plus the solidarity surcharge of 5.5 % was used for German companies, and in some cases a rate of 16.45 % for trade tax. The respective local tax rates were applied for foreign companies. In accordance with IAS 12.74, deferred tax assets on existing loss carryforwards are offset against deferred tax liabilities.

OTHER PROVISIONS

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

Notes to the Consolidated financial statements – Assets

1. INTANGIBLE ASSETS

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

€ thousand	2012	2011
Costs as at 1 January	**64**	**62**
Additions	9	2
Disposals	-9	0
as at 31 December	**64**	**64**
Depreciation as at 1 January	**-44**	**-33**
Additions	-12	-11
Disposals	8	0
as at 31 December	**-48**	**-44**
Carrying amount at 1 January	20	29
Carrying amount at 31 December	**16**	**20**

This item consists mainly of software licences.

2. PROPERTY, PLANT AND EQUIPMENT

OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT

€ thousand	2012	2011
Costs as at 1 January	**204**	**77**
Additions	2	132
Disposals	-1	-5
as at 31 December	**205**	**204**
Depreciation as at 1 January	**-67**	**-47**
Additions	-28	-24
Disposals	2	4
as at 31 December	**-93**	**-67**
Carrying amount at 1 January	137	30
Carrying amount at 31 December	**112**	**137**

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

PROPERTY, ADVANCE PAYMENTS AND ASSETS UNDER CONSTRUCTION

€ thousand	2012	2011
Costs as at 1 January	**230**	**230**
Additions	0	0
Disposals	-230	0
as at 31 December	**0**	**230**
Depreciation as at 1 January	**-230**	**-230**
Additions	0	0
Disposals	230	0
as at 31 December	**0**	**-230**
Carrying amount at 1 January	0	0
Carrying amount at 31 December	**0**	**0**

3. INVESTMENT PROPERTIES

€ thousand	2012	2011
Carrying amount at 1 January	**3,106,832**	**2,700,697**
Additions	12,618	77,067
Additions to basis of consolidation	179,760	274,767
Unrealised changes in fair value	31,079	54,301
Carrying amount at 31 December	**3,330,289**	**3,106,832**

The properties are secured by mortgages. There are land charges in the amount of €1,565,291 thousand (previous year: €1,472,149 thousand). The rental income of the properties valued in accordance with IAS 40 was €211,231 thousand (previous year: €189,975 thousand). Directly associated operating expenses were €21,803 thousand (previous year: €18,333 thousand).

The additions include construction costs incurred for our expansion measures in Dresden, Wildau and Sulzbach as well as ongoing investments in portfolio properties.

The Herold-Center Norderstedt was acquired on 31 December 2012. The fair value at the balance sheet date was included in the basis of consolidation.

Unrealised changes in market value relate to appreciation and depreciation in accordance with IAS 40 on shopping center properties.

4. NON-CURRENT FINANCIAL ASSETS

€ thousand	2012	2011
Costs as at 1 January	15,381	15,381
as at 31 December	15,381	15,381
Amortisation / impairment losses and reversals as at 1 January	12,434	8,504
Reversals of impairment losses	2,478	3,930
as at 31 December	14,912	12,434
Carrying amount at 1 January	27,815	23,885
Carrying amount at 31 December	**30,293**	**27,815**

During the reporting year, a reversal of impairment losses, recognised directly in equity, on the stake in Ilwro Joint Venture Sp. z o.o., Warsaw, was made in the amount of €2,478 thousand, taking the carrying amount of the participation to €30,293 thousand on the reporting date.

5. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

€ thousand	2012	2011
Carrying amount at 1 January	4,514	4,094
Deposits / withdrawals	184	150
Share of profit / loss	-590	177
Value increases	1	93
Carrying amount at 31 December	**4,109**	**4,514**

The changes in the fair value of equity-accounted associates are due to deposits made and shares in the profits/losses of smaller property companies that are not of material significance from a Group perspective.

6. OTHER NON-CURRENT ASSETS

€ thousand	31.12.2012	31.12.2011
Other non-current assets	316	459
Total	**316**	**459**

This item consists mainly of the present value of a non-current receivable of €282 thousand (previous year: €422 thousand) for our Polish property company. The company will have annual cash inflows of €207 thousand until 2016.

7. TRADE RECEIVABLES

€ thousand	31.12.2012	31.12.2011
Trade receivables	6,031	6,617
Allowances for doubtful accounts	-1,293	-1,011
Total	**4,738**	**5,606**

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

8. OTHER CURRENT ASSETS

€ thousand	31.12.2012	31.12.2011
Prepayments of purchase prices	0	9,101
Value added tax receivables	43	3
Deductible withholding tax on dividends / solidarity surcharge	136	133
Interest rate swaps	207	207
Other current assets:	6,729	5,890
Total	**7,115**	**15,334**

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

RECEIVABLES

€ thousand	TOTAL	UP TO 1 YEAR	OVER 1 YEAR
Trade receivables	4,738	4,738	0
	(5,606)	(5,606)	(0)
Other assets	7,431	7,115	316
	(15,793)	(15,334)	(459)
	12,169	**11,853**	**316**
Previous year's figure in brackets	**(21,399)**	**(20,940)**	**(459)**

MATURITY OF TRADE RECEIVABLES AND OTHER ASSETS

€ thousand	CARRYING AMOUNT	NOT OVERDUE
Trade receivables	4,738	4,738
	(5,606)	(5,606)
Other assets	7,431	7,431
	(15,793)	(15,793)
	12,169	**12,169**
Previous year's figure in brackets	**(21,399)**	**(21,399)**

9. OTHER FINANCIAL INVESTMENTS

€ thousand	31.12.2012	31.12.2011
Time deposits with a term of over 3 months	**4,355**	**0**

10. CASH AND CASH EQUIVALENTS

€ thousand	31.12.2012	31.12.2011
Short-term deposits / time deposits	33,527	45,783
Current accounts	133,969	18,611
Cash	15	14
Total	**167,511**	**64,408**

Notes to the Consolidated financial statements – Liabilities

11. EQUITY AND RESERVES

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

The share capital is €53,945,536 and is composed of 53,945,536 no-par-value registered shares.

The notional value of each share is €1.00.

On 14 November 2012, Deutsche EuroShop AG placed 2,314,136 new shares with dividend rights against cash contributions as of 1 January 2012. The placement price was €29.25 per new share. The capital increase enabled Deutsche EuroShop AG to increase its share capital by €2,314,136 from €51,631,400 to €53,945,536. The proceeds from the issue amounted to €67.7 million. The capital increase was entered into the commercial registry on 14 November 2012.

According to Article 5 of the Articles of Association, the Executive Board is still authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to a total of €12,226,331 on one or multiple occasions until 16 June 2015 by issuing no-par-value registered shares against cash and/or non-cash contributions (approved capital 2010).

Bitte in diesem Absatz Übersetzung prüfen!

The Executive Board is authorised, subject to the approval of the Supervisory Board and until 15 June 2016, to issue convertible bonds with a total nominal value of up to €200,000,000 and maturities of up to ten years and to grant the holders of the respective, equally privileged, bonds conversion rights to new no-par-value shares in the Company up to a total of 10,000,000 shares (€10.0 million) in accordance with the detailed provisions of the terms and conditions for convertible bonds ("bond conditions"). (conditional capital 2011). The convertible bonds may also pay a variable rate of interest, in which case, as with a participating bond, the interest may be dependent in full or in part on the level of the Company's dividend.

The parent company of the Group, Deutsche EuroShop AG, is reporting an unappropriated surplus of € 80,643 thousand.

The Executive Board and the Supervisory Board will propose to distribute €64,735 of the surplus as a dividend of €1.20 per share at the Annual General Meeting on 20 June 2013 and to carry forward the remaining €15,908 thousand to next year's accounts. The previous year's unappropriated surplus was distributed in full to the shareholders. The dividend paid was €1.10 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).

Retained earnings consists primarily of the remeasurement reserves and currency items recognised at the time of transition to IFRS.

Other total income is divided into the following components:

2012 in € million	BEFORE TAXES	TAXES	NET
Measurement of investments (AfS) IAS 39	2,478	0	2,478
Cash flow hedge	-14,468	1,344	-13,124
Total	**-11,990**	**1,344**	**-10,646**

2011 in € million	BEFORE TAXES	TAXES	NET
Measurement of investments (AfS) IAS 39	3,930	0	3,930
Cash flow hedge	-16,405	5,613	-10,792
Currency conversion foreign companies	-373	71	-302
Total	**-12,848**	**5,684**	**-7,164**

12. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

€ thousand	**31.12.2012**	31.12.2011
Non-current bank loans and overdrafts	1,371,154	1,335,986
Current bank loans and overdrafts	194,137	136,163
Bonds	91,943	0
Total	**1,657,234**	**1,472,149**

Bank loans and overdrafts are recognised at amortised cost on the balance sheet date. The present value of loans is redetermined at the reporting date. To do so, the annuities due up to this date, together with any residual amount according to the redemption schedule are discounted at the reporting date at market rates of interest plus a margin. The fair value of the bank loans and overdrafts at the reporting date is €1,667,307 thousand (previous year: €1,539,641 thousand).

Bank loans and overdrafts relate to loans raised to finance property acquisitions and investment projects. Land charges on Company properties totalling €1,565,291 thousand (previous year: €1,472,149 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the year under review, €3,149 thousand (previous year: €4,954 thousand) was recognised in income.

Fourteen of the 34 loan agreements currently contain arrangements regarding covenants. There are a total of 18 different conditions on different debt service cover ratios (DSCR), interest cover ratios (ICR), changes in rental income, the equity ratio and loan-to-value ratios (LTV). The credit conditions have not to date been breached, and according to the current planning will not be breached in 2013–2015 either.

Deutsche EuroShop issued a convertible bond on 14 November 2012. Convertible bonds with a five-year maturity and total value of €100 million were placed. The initial conversion price is €35.10; the coupon is 1.75 % per year and is payable semi-annually in arrears. The convertible bonds were issued at 100 % of their nominal value of €100,000.00 each and can initially be converted to 2,849,003 shares in Deutsche EuroShop AG in accordance with the conversion ratio and the terms and conditions of the convertible bonds. The proceeds from the issue amounted to €100 million. No conversion rights were exercised by 31 December 2012.

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

13. DEFERRED TAX LIABILITIES

€ thousand	AS AT 01.01.2012	UTILISATION	REVERSAL	ADDITION	AS AT 31.12.2012
Deferred taxes on properties	223,985		-51,376	21,707	194,316
Deferred taxes recognised directly in equity	-13,398	0	3,001	-3,394	-13,791
Total	**210,587**	**0**	**-48,375**	**18,313**	**180,525**

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the balance sheet date, they totalled €206,012 thousand (previous year: €238,376 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €11,696 thousand (previous year: €14,391 thousand). The deferred taxes recognised directly in equity are primarily formed for the interest rate swaps which are offset against equity.

After the merger of six domestic shopping center companies to form the newly-founded DES Shoppingcenter GmbH & Co. KG, the requirements for the utilisation of the extended reduction of trade tax will be met from 2013 onward. Consequently, it was possible to release a portion of the deferred trade tax liabilities, namely €49.3 million, which had been formed in previous years.

€ thousand	AS AT 01.01.2012	UTILISATION	REVERSAL	ADDITION	AS AT 31.12.2012
Deferred taxes on domestic companies	182,223		-46,322	17,526	153,427
Deferred taxes on foreign companies	28,364	0	-2,053	787	27,098
Total	**210,587**	**0**	**-48,375**	**18,313**	**180,525**

14. TRADE PAYABLES

€ thousand	31.12.2012	31.12.2011
Construction services	451	1,027
Other	1,880	1,808
Total	**2,331**	**2,835**

15. TAX LIABILITIES

€ thousand	AS AT 01.01.2012	UTILISATION	REVERSAL	ADDITION	AS AT 31.12.2012
Income taxes	5,263	69	75	7,612	12,731
Real estate transfer tax	635		635	11,753	11,753
Real property tax	37		22	73	88
Total	**5,935**	**69**	**732**	**19,438**	**24,572**

Income taxes consist of corporation taxes and a solidarity surcharge totalling €2,272 thousand and trade taxes of €10,459 thousand. Real estate transfer tax relates mainly to the acquisition of the Herold-Center.

16. OTHER PROVISIONS

€ thousand	AS AT 01.01.2012	UTILISATION	REVERSAL	ADDITION	AS AT 31.12.2012
Maintenance and construction services already performed but not yet invoiced	5,399	4,781	434	3,081	3,265
Fees	86	83	3	151	151
Other	3,373	2,607	325	8,892	9,333
Total	**8,858**	**7,471**	**762**	**12,124**	**12,749**

Other provisions include the early repayment penalty for the early repayment of a loan in the amount of €5.8 million. This item also includes the present value (€650 thousand) of a long-term incentive plan which was contractually agreed between the Executive Board and employees of Deutsche EuroShop AG with effect from 1 July 2010. The term is five years, and the plan is based on the performance of the Company's market capitalisation within this period. Please also refer to the details in the remuneration report, which is part of the management report.

All other provisions have a term of up to one year.

17. OTHER CURRENT LIABILITIES

€ thousand	31.12.2012	31.12.2011
Value added tax	4,447	3,472
Rental deposits	896	829
Service contract liabilities	431	819
Debtors with credit balances	269	636
Other	8,068	7,434
Total	**14,111**	**13,190**

Other mainly comprises liabilities for heating and ancillary costs together with prepaid rent for the following year.

18. OTHER NON-CURRENT LIABILITIES

€ thousand	31.12.2012	31.12.2011
Zinsswaps	50,897	38,075
Übrige	345	376
Total	**51,242**	**38,451**

In connection with borrowing, interest rate hedges were concluded to hedge against higher capital market interest rates (interest rate swaps). Their present value totalled €50,897 thousand as at the reporting date.

LIABILITIES

€ thousand	TOTAL	CURRENT	NON-CURRENT
Financial liabilities	1,657,234	194,137	1,463,097
	(1,472,149)	(136,163)	(1,335,986)
Trade payables	2,331	2,331	0
	(2,835)	(2,835)	(0)
Other liabilities	65,353	14,111	51,242
	(51,641)	(13,190)	(38,451)
of which taxes	4,561	4,561	0
	(3,502)	(3,502)	(0)
	1,724,918	**210,579**	**1,514,339**
Previous year's figure in brackets	(1,526,625)	(152,188)	(1,374,437)

Notes to the Consolidated income statement

19. REVENUE

€ thousand	2012	2011
Minimum rental income	206,914	185,405
Turnover rental income	2,906	3,313
Other	1,411	1,257
	211,231	**189,975**
of which directly attributable operating expenditure		
in accordance with IAS 40 Investment Properties	211,231	189,975

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

The amounts reported here as operating leases relate to rental income from investment property with long-term rental periods. The future minimum leasing payments from non-terminable rental agreements have the following maturities:

€ thousand	2012	2011
Maturity within 1 year	219,463	202,950
Maturity from 1 to 5 years	744,107	712,207
Maturity after 5 years	433,325	479,696
Total	**1,396,895**	**1,394,853**

20. PROPERTY OPERATING COSTS

€ thousand	2012	2011
Center marketing	-3,010	-2,860
Maintenance and repairs	-4,169	-1,619
Real property tax	-754	-979
Insurance	-354	-406
Write-downs of rent receivables	-797	-441
Other	-2,172	-2,214
	-11,256	**-8,519**
of which directly attributable operating expenditure		
in accordance with IAS 40 Investment Properties	-11,256	-8,519

21. PROPERTY MANAGEMENT COSTS

€ thousand	2012	2011
Center management / agency agreement costs	**-10,547**	**-9,814**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-10,547	-9,814

22. OTHER OPERATING INCOME

€ thousand	2012	2011
Income from the reversal of provisions	762	202
Exchange rate gains	995	83
Other	1,148	725
Total	**2,905**	**1,010**

23. OTHER OPERATING EXPENSES

€ thousand	2012	2011
Real estate transfer tax	-2,937	0
Personnel expenses	-2,135	-1,733
Legal, consulting and audit expenses	-1,888	-1,521
Ancillary financing costs	-1,567	-1,285
Exchange rate losses	-473	-323
Marketing costs	-399	-442
Appraisal costs	-330	-287
Supervisory Board compensation	-265	-223
Write-downs	-40	-35
Other	-1,282	-1,142
Total	**-11,316**	**-6,991**

Legal and consulting costs, tax consultant fees and audit expenses include €344 thousand in fees for the audit of Group companies.

24. INCOME FROM INVESTMENTS

€ thousand	2012	2011
Income from investments	**1,400**	**1,261**

In the year under review, this item included the dividends paid by Ilwro Joint Venture Sp. z.o.o. and City-Point Beteiligungs GmbH.

25. INCOME FROM EQUITY-ACCOUNTED ASSOCIATES

€ thousand	2012	2011
Profit / loss from equity-accounted associates	**-589**	**270**

This includes the share in the profits / losses of smaller property companies that are included in the consolidated financial statements in accordance with the equity method.

26. PROFIT / LOSS ATTRIBUTABLE TO LIMITED PARTNERS

€ thousand	2012	2011
Profit / loss attributable to limited partners	**-15,271**	**-15,730**

27. MEASUREMENT GAIN / LOSS

€ thousand	2012	2011
Unrealised changes in fair value	31,079	54,302
Profit / loss attributable to limited partners	-18,675	-11,866
Ancillary acquisitions costs	-9,198	-176
Excess of identified net assets acquired over cost of acquisition in accordance with IFRS 3 and increased shareholdings	5,289	7,888
Total	**8,495**	**50,148**

Ancillary acquisition costs relate to the acquisition of the Herold-Center Norderstedt.

The excess of net assets acquired over cost of acquisition in accordance with IFRS 3 primarily results from the approach used for the Herold-Center which was recognised at market value in accordance with IAS 40 and the increase in the shareholding in our properties in Dessau, Hamm and Viernheim.

28. INCOME TAX EXPENSE

€ thousand	2012	2011
Current tax expense	-8,589	-3,372
Deferred tax liabilities – domestic companies	28,791	-33,329
Deferred tax liabilities – foreign companies	-1,246	-972
Total	**18,956**	**-37,673**

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 2012, a corporate tax rate of 15 % was used for the companies in Germany. In addition, a solidarity surcharge of 5.5 % on the calculated corporation tax and, in part, 16.45 % in trade tax were recognised.

The respective local tax rates were applied for foreign companies.

Taxes on income and earnings include the reversal of latent trade tax liabilities in the amount of €49.3 million in deferred trade tax liabilities which had been formed in previous years.

NAX RECONCILIATION

Income taxes in the amount of €18,956 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 corporation tax rate of 15 % plus the 5.5 % solidarity surcharge and a trade tax rate of 16.45 %.

€ thousand	2012	2011
Consolidated profit before income tax	**103,528**	**136,711**
Theoretical income tax 32.28 %	**-33,414**	**-44,123**
Tax rate differences for foreign Group companies	2,190	2,161
Tax rate differences for domestic Group companies	2,057	967
Tax-free income / non-deductible expenses	460	3,126
Aperiodic tax income	49,357	-107
Other	-1,694	303
Current income tax	**18,956**	**-37,673**

After the merger of six domestic shopping center companies to form the newly-founded DES Shoppingcenter GmbH & Co. KG, the requirements for the utilisation of the extended reduction of trade tax will be met from 2013 onward. Consequently, it was possible to release a portion of the deferred trade tax liabilities, namely €49,323 thousand, which had been formed in previous years and is contained in aperiodic tax income. This items also includes €34 thousand in trade tax back payments for previous years.

In financial year 2012, the effective income tax rate was 28.5 %. This figure does not include aperiodic tax income in the amount of €49.3 million (release of trade tax).

29. Notes to the consolidated cash flow statement

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

COMPOSITION OF CASH AND CASH EQUIVALENTS

€ thousand	31.12.2012	31.12.2011
Cash and cash equivalents	**167,511**	**64,408**

OPERATING CASH FLOW

After adjustment of the annual profit for non-cash income and expenses, operating cash flow was €102,828 thousand. All changes to cash flows from net finance costs are allocated to operating activities.

CASH FLOW FROM OPERATING ACTIVITIES

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

Cash outflows from operating activities includes, among others:

- interest income of €0.5 million (previous year: €0.9 million)
- interest expense of €67.7 million (previous year: €60.8 million)
- income taxes paid of €1.1 million (previous year: €3.3 million)
- net allocations to provisions of €11.4 million (previous year: €8.2 million)

CASH FLOW FROM INVESTING ACTIVITIES

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

During the year under review, expansion investments and investments in portfolio properties totalling €12.6 million were made.

The purchase price for the Herold-Center Norderstedt of €185.4 million (including ancillary acquisition costs) was paid at the end of December 2012.

CASH FLOW FROM FINANCING ACTIVITIES

Inflows from financial liabilities include inflows from the issue of a convertible bond in the amount of €100 million less transaction costs in the amount of €1.4 million. Moreover, loans taken out resulted in a cash inflow in the amount of €93.1 million.

A capital increase against cash contribution was carried out during the year under review. It raised €67.7 million for Deutsche Euroshop AG less transaction costs in the amount of €1.5 million.

In financial year 2012, a dividend of €56.8 million was paid to the shareholders.

Payments to third-party shareholders include the distributions paid of €15.3 million and the purchase price payments for the increased shareholding in the Rathaus-Center Dessau KG totalling € 5.9 million.

Segment reporting

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

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

As the Group's main decision-making body, the Deutsche EuroShop AG Executive Board largely assesses the performance of the segments based on the EBIT of the individual property companies. The valuation principles for the segment reporting correspond to those of the Group. Intra-Group activities between the segments are eliminated in the reconciliation statement.

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

€ thousand	DOMESTIC	INTER-NATIONAL	RECON-CILIATION	TOTAL
Revenue	**187,661**	**23,570**	**0**	**211,231**
(previous year's figures)	(166,832)	(23,143)	(0)	(189,975)

€ thousand	DOMESTIC	INTER-NATIONAL	RECON-CILIATION	TOTAL
EBIT	**163,221**	**21,781**	**-3,985**	**181,017**
(previous year's figures)	(148,652)	(20,698)	-(3,689)	(165,661)

€ thousand	DOMESTIC	INTER-NATIONAL	RECON-CILIATION	TOTAL
Net interest income	**-62,086**	**-7,679**	**-1,759**	**-71,524**
(previous year's figures)	-(55,972)	-(7,516)	-(1,411)	-(64,899)

€ thousand	DOMESTIC	INTER-NATIONAL	RECON-CILIATION	TOTAL
Earnings before tax (EBT)	**106,318**	**5,561**	**-8,351**	**103,528**
(previous year's figures)	(127,734)	(17,754)	-(8,777)	(136,711)

€ thousand	DOMESTIC	INTER-NATIONAL	TOTAL
Segment assets	**3,203,587**	**345,267**	**3,548,854**
(previous year's figures)	(2,874,224)	(350,901)	(3,225,125)
of which investment properties	**2,991,616**	**338,673**	**3,330,289**
(previous year's figures)	(2,763,626)	(343,206)	(3,106,832)

Other disclosures

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

CARRYING AMOUNTS, VALUATIONS AND FAIR VALUES ACCORDING TO MEASUREMENT CATEGORY

			BALANCE SHEET AMOUNT IN LINE WITH IAS 39		
€ thousand	MEASUREMENT CATEGORY PURSUANT TO IAS 39	CARRYING AMOUNT 31.12.2012	AMORTISED COST	COSTS	FAIR VALUE RECOGNISED IN EQUITY
Financial assets*					
Non-current financial assets	AfS	30,293		15,381	14,912
Trade receivables	LaR	4,738	4,738		
Other assets	LAR	2,188	1,698		490
Other financial investments	HtM	4,335	4,335		
Cash and cash equivalents	LaR	167,511	167,511		
Financial liabilities*					
Financial liabilities	FLAC	1,657,234	1,657,234		
Right to redeem of limited partners	FLAC	284,176	284,176		
Trade payables	FLAC	2,331	2,331		
Other liabilities	FLAC	58,558	7,661		50,897
Aggregated according to measurement category pursuant to IAS 39:					
Loans and receivables (LaR)		174,437	173,947		490
Held to maturity (HtM)		4,335	4,335		
Available for sale (AfS)		30,293	0	15,381	14,912
Financial liabilities measured at amortised cost (FLAC)		2,002,299	1,951,402		50,897

*Corresponds to level 2 of the IFRS 7 fair value hierarchy

Investments measured using the equity method are reported at fair value. Any write-ups in the year under review are recognised in net profit or loss for the period.

Trade receivables, other assets as well as cash and cash equivalents and other financial investments with the exception of interest rate swaps – which are recognised at present value – predominantly have short residual terms. The carrying amounts thus correspond to the fair value. The change in the present value of the long-term interest rate swap recognised was €130 thousand (previous year: €162 thousand)

The long-term financial liabilities include obligations from convertible bonds that are measured at amortised cost using the effective interest rate method. Interest expense incurred amounted to €483 thousand and is recognised in net finance costs.

Bank loans and overdrafts have short- and long-term durations and are recognised at amortised cost. The fair value for Group loans is given in the notes under item 12 “Financial liabilities”. In total, interest expense of €71,230 thousand (previous year: €65,761 thousand) i s included in net finance costs.

			BALANCE SHEET AMOUNT IN LINE WITH IAS 39					
	FAIR VALUE RECOGNISED IN INCOME	**FAIR VALUE 31.12.2012**	CARRYING AMOUNT 31.12.2011	AMORTISED COST	COSTS	FAIR VALUE RECOGNISED IN EQUITY	FAIR VALUE RECOGNISED IN INCOME	FAIR VALUE 31.12.2011
	30,293	27,815	0	15,381	12,434			27,815
	4,738	5,606	5,606					5,606
	2,188	1,783	1,153		630			1,783
	4,335	0						0
	167,511	64,408	64,408					64,408
	1,759,250	1,472,149	1,472,149					1,539,651
	284,176	280,078	280,078					280,078
	2,331	2,835	2,835					2,835
	58,558	45,999	7,924		38,075			45,999
	174,437	71,797	71,167		630			71,797
	4,335	0	0					0
	30,293	27,815	0	15,381	12,434			27,815
	2,104,315	1,801,061	1,762,986		38,075			1,868,563

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

When measuring interest rate swaps, the interest and market price parameters applicable on the reporting date are applied.

Interest from financial instruments is reported in net finance costs. The profit/loss share of third-party shareholders of €15,271 thousand (previous year: €15,730 thousand) is also included in net finance costs.

Impairment charges on receivables are recognised in property operating costs.

RISK MANAGEMENT

In risk management, the emphasis is on ensuring compliance with the strategy and, building on this, on identifying and assessing risks and opportunities, as well as on the fundamental decision to manage these risks. Risk management ensures that risks are identified at an early stage and can then be evaluated, communicated promptly and mitigated. Risk analysis involves the identification and analysis of factors that may jeopardise the achievement of goals.

MARKET RISKS

LIQUIDITY RISK

The liquidity of Deutsche EuroShop Group is continuously monitored and planned. The subsidiaries regularly have sufficient cash to be able to pay for their current commitments. Furthermore, credit lines and bank overdrafts can be utilised at short notice.

The contractually agreed future interest and principle repayments of the original financial liabilities and derivative financial instruments are as follows as at 31 December 2012:

€ thousand	CARRYING AMOUNT 31.12.2012	CASH FLOWS 2013	CASH FLOWS 2014 TO 2017	CASH FLOWS FROM 2018
Convertible bonds	91,943	1,750	106,803	0
Bank loans and overdrafts	1,565,291	404,269	541,433	1,016,316

The amounts relate to all contractual commitments existing on the balance sheet date. The majority of the trade payables and other financial liabilities reported at the end of the financial year will fall due in 2013.

CREDIT AND DEFAULT RISK

There are no significant credit risks in the Group. The trade receivables reported on the reporting date were predominantly paid up to the date of preparation of the financial statements. During the reporting year, write-downs of rent receivables of €797 thousand (previous year: €441 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totalled €12,169 thousand (previous year: €12,298 thousand) as at the reporting date.

CURRENCY AND MEASUREMENT RISK

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

A 25 bp change in a material parameter of real estate appraisals would have the following pre-tax impact on measurement gains / losses:

€ thousand	BASIS	-0,25 %	+0,25 %
Rate of rent increases	1,70 %	-110,2	+113
Discount rate	6,67 %	+101,9	-97
Cost ratio	11,00 %	+9,5	-9,5

INTEREST RATE RISK

A sensitivity analysis was implemented to determine the effect of potential interest rate changes. Based on the financial assets and liabilities subject to interest rate risk on the balance sheet date, this shows the effect of a change on the Group's equity. Interest rate risks arose on the balance sheet date only for credit borrowed and the associated interest rate hedges, which are recognised in equity as cash flow hedges at present value. An increase in the market interest rate of 100 basis points would lead to an increase in equity of €19,112 thousand (previous year: €18,320 thousand). The majority of the loan liabilities have fixed interest terms. On the reporting date, loans totalling €194,651 thousand (previous year: €198,651 thousand) were hedged using derivative financial instruments.

CAPITAL MANAGEMENT

The Group's capital management is designed to maintain a strong equity base with the aim of ensuring that its ability to repay its debts and financial well-being are maintained in the future. The Group's financial policies are also based on the annual payment of a dividend.

€ thousand	31.12.2012	31.12.2011
Equity	1,606,090	1,473,119
Equity ratio (%)	45.3	45.7
Net financial debt	**1,489,723**	**1,407,741**

Equity is reported here including the share of the third-party shareholders.

Net financial debt is determined from the financial liabilities on the balance sheet date less cash and cash equivalents.

31. JOINT VENTURES AND EQUITY-ACCOUNTED ASSOCIATES

JOINT VENTURES

Joint ventures in which Deutsche EuroShop AG together with third parties has a majority of the voting rights are proportionately included as joint ventures in the consolidated financial statements. For the purposes of proportionate consolidation, the share of the assets which are jointly controlled and the share of liabilities for which Deutsche EuroShop AG is jointly responsible are recognised in the consolidated balance sheet. The income statement includes the share of income and expenses of the jointly controlled companies.

During the financial year, assets and liability items and income of the subsidiaries defined as joint ventures in line with IAS 31.56 were recognised in the consolidated financial statements as follows:

€ thousand	31.12.2012	31.12.2011
Non-current assets	506,584	510,701
Current assets	12,565	9,065
Non-current liabilities	195,353	149,874
Current liabilities	5,942	46,479
Income	35,529	30,024
Expenses	-20,588	-16,315

EQUITY-ACCOUNTED ASSOCIATES

Small property companies in which Deutsche EuroShop indirectly or directly has an interest are part of the Group. Deutsche EuroShop exercises a controlling influence over these companies together with other shareholders. Overall, these companies are not important to the Group.

The share in these companies' equity is compared to the net carrying amount and any differences are recognised in income. The share in the profits / losses of these companies is assigned to the domestic segment.

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

€ thousand	31.12.2012	31.12.2011
Non-current assets	8,551	9,811
Current assets	1,577	1,167
Non-current liabilities	5,940	0
Current liabilities	93	6,476
Income	826	730
Expenses	-1,416	-554

32. EARNINGS PER SHARE

€ thousand	31.12.2012	31.12.2011
Group shareholders' portion of profits / losses (€ thousand)	122,484	99,038
Weighted number of no-par value shares issued	51,934,893	51,631,400
Basic earnings per share (€)	**2.36**	**1.92**
Group shareholders' portion of profits/losses (€ thousand)	122,484	99,038
Adjustment of interest expense for the convertible bond (€ thousand)	327	0
Profits / losses used to calculate the diluted earnings per share (€ thousand)	122,811	99,038
Weighted number of no-par value shares issued	51,934,893	51,631,400
Weighted adjustment of potentially convertible no-par value shares	326,935	0
Average weighted number of shares used to determine the diluted earnings per share	52,261,828	51,631,400
Diluted earnings per share (€)	**2.35**	**1.92**

BASIC EARNINGS PER SHARE:

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

DILUTED EARNINGS PER SHARE:

The diluted earnings are calculated by taking the average number of shares outstanding and adding the number of warrants granted in connection with the convertible bond. 2.8 million warrants existed during the year under review. Due to the fact that the convertible bond was issued mid-year, the warrants issued in connection with the convertible bond were recognised on a pro rata basis. It is anticipated that the convertible bonds will be exchanged for shares in full. The profits / losses will be adjusted accordingly for interest expense and tax effects.

Other financial obligations

There are other financial obligations of €108.8 million arising from service contracts.

There are financial obligations of €19.7 million which will arise during the following year in connection with investment measures in our shopping centers.

Other disclosures

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

Events after the Balance sheet date

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

The Supervisory Board and Executive Board

SUPERVISORY BOARD

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

Manfred Zaß, Königstein im Taunus, Chairman
Banker

Dr. Michael Gellen, Köln, Deputy Chairman
Independent lawyer

Thomas Armbrust, Reinbek
Member of Management of KG CURA Vermögensverwaltung G.m.b.H. & Co., Hamburg
a) C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman)
Platinum AG, Hamburg (Chairman)
TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman)
Verwaltungsgesellschaft Otto mbH, Hamburg
b) ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Deputy Chairman)

Karin Dohm, Kronberg im Taunus (since 13 July 2012)
Head of Group External Reporting der Deutsche Bank AG, Frankfurt am Main

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

Reiner Strecker, Wuppertal (since 13 July 2012)
Geschäftsführender Gesellschafter der Vorwerk & Co. KG, Wuppertal
b) akf Bank GmbH & Co. KG, Wuppertal

Klaus Striebich, Besigheim (since 13 July 2012)
Managing Director Leasing der ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg
a) Unternehmensgruppe Dr. Eckert GmbH, Berlin
MEC Metro-ECE Centermanagement GmbH & Co. KG, Düsseldorf (Chairman since 7 August 2012)

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

Dr. Bernd Thiemann, Kronberg im Taunus
Management consultant
a) Deutsche Pfandbriefbank AG, Unterschleißheim (Chairman)
EQC AG, Osnabrück (Deputy Chairman)
Hypo Real Estate Holding AG, Unterschleißheim (Chairman)
VHV Vereinigte Hannoversche Versicherung a.G., Hanover
Wave Management AG, Hamburg (Deputy Chairman)
IVG Immobilien AG, Bonn
M.M. Warburg & Co. KG aA, Hamburg (Deputy Chairman)
Hannover Direkt Versicherung AG, Hanover
b) Würth Gruppe, Künzelsau (Deputy Chairman)
Würth Finance International B.V., Amsterdam

The remuneration of the members of the Supervisory Board totalled €265 thousand in the period under review (previous year: €223 thousand).

VORSTAND

Claus-Matthias Böge, Hamburg, Executive Board Spokesman
a) Douglas Holding AG, Hagen

Olaf Borkers, Hamburg

The remuneration of the Executive Board totalled €1,193 thousand (previous year: €1,066 thousand), which includes performance-related compensation in the amount of €650 thousand (previous year: €523 thousand).

€305 thousand (previous year: €96 thousand) was allocated to the provision for the Executive Board's long-term incentive plan (LTI). Accrued interest was €10 thousand.

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

CORPORATE GOVERNANCE

The Declaration of Conformity with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Public Companies Act) has been issued jointly by the Supervisory Board and the Executive Board, and was made available to shareholders via publication on the Internet in November 2012.

Related parties for the purposes of IAS 24

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

Fees for service contracts with the ECE Group totalled €19,566 thousand (previous year: €23,454 thousand). This amount was partially offset by income from lease agreements with the ECE Group in the amount of €6,835 thousand (previous year: €5,983 thousand). Receivables from ECE were €4,305 thousand, while liabilities were €1,255 thousand.

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

Hamburg, 12 April 2013

Deutsche EuroShop AG
The Executive Board

Claus-Matthias Böge

Olaf Borkers

Other disclosures

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

SHAREHOLDER	SHARE-HOLDING REPORT AS AT	EVENT (SHARE THRESHOLD IN %)	NEW VOTING RIGHTS SHARE IN %	OF WHICH OWN HOLDINGS IN %	OF WHICH INDIRECTLY ATTRIBUT-ABLE IN %
Benjamin Otto, Hamburg	02.04.2002	Exceeds threshold (5)	7.74	0.00	7.74
„Bravo-Alpha“ Beteiligungs G.m.b.H., Hamburg	02.04.2002	Exceeds threshold (5)	7.74	3.71	4.03
Gemeinnützige Hertie-Stifung, Frankurt	15.08.2011	Exceeds threshold (3)	3.02	3.02	0.00
BlackRock Inc., New York, U.S.A.	23.01.2012	Falls below threshold (3)	2.97	0.00	2.97
BlackRock Holdco 2, Inc., Wilmington, Delaware, U.S.A.	23.01.2012	Falls below threshold (3)	2.97	0.00	2.97
BlackRock Financial Management, Inc., New York, U.S.A.	23.01.2012	Falls below threshold (3)	2.97	0.00	2.97
BlackRock Inc., New York, U.S.A.	22.03.2012	Exceeds threshold (3)	3.02	0.00	3.02
BlackRock Holdco 2, Inc., Wilmington, Delaware, U.S.A.	22.03.2012	Exceeds threshold (3)	3.02	0.00	3.02
BlackRock Financial Management, Inc., New York, U.S.A.	22.03.2012	Exceeds threshold (3)	3.02	0.00	3.02
Alexander Otto, Hamburg	14.11.2012	Falls below threshold (10)	9.57	0.65	8.92

The total fees for the consolidated financial statements for the 2012 financial year amounted to €344 thousand (previous year: €321 thousand). The Group auditor performed no other services.

Shareholdings

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 (2) NOS. 1 AND 4 OF THE HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE) AS AT 31 DECEMBER 2012:

COMPANY NAME AND DOMICILE	INTEREST IN EQUITY	OF WHICH INDIRECT	OF WHICH DIRECT	EQUITY AS AT 31.12. 2012	HGB PROFIT / LOSS 2012
Fully consolidated companies:				**in €**	**in €**
DES Verwaltung GmbH, Hamburg (vormals Deutsche EuroShop Verwaltungs GmbH)	100.00 %	-	100.00 %	30,940,407.30	1,127,568.93
DES Management GmbH, Hamburg (vormals Deutsche EuroShop Management GmbH)	100.00 %	-	100.00 %	67,614.67	42,614.67
DES Shoppingcenter GmbH & Co. KG	100.00 %	-	100.00 %	437,109,917.63	-331,300.41
A10 Center Wildau GmbH	100.00 %		100.00 %	91,167,005.25	3,796,874.73
Objekt City-Point Kassel GmbH & Co. KG, Pullach	100.00 %	100.00 %	-	-22,747,883.73	732,343.73
Stadt-Galerie Hameln KG, Hamburg	100.00 %	-	100.00 %	62,364,731.43	3,992,284.74
Stadt-Galerie Passau KG, Hamburg	75.00 %	-	75.00 %	116,569,429.89	4,646,620.32
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co.KG, Hamburg	74.00 %	-	74.00 %	40,517,713.82	6,729,707.68
Forum Wetzlar KG, Hamburg	65.00 %	-	65.00 %	11,162,819.04	2,588,474.27
Main-Taunus-Zentrum KG, Hamburg	97.43 %	91.69 %	5.74 %	-89,415,949.97	10,127,259.44
DB Immobilienfonds 12 Main-Taunus-Zentrum KG, Hamburg	50.47 %	-	50.47 %	86,009,968.21	7,705,184.30
Immobilien Kommanditgesellschaft FEZ Harburg, Hamburg	50.00 %	-	50.00 %	18,007,523.19	2,223,635.07
				in PLN	**in PLN**
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	99.99 %	99.99 %	-	539,519,874.61	-797,892.59
CASPIA Investments Sp. z o.o., Warsaw, Poland	100.00 %	100.00 %	-	15,593,388.85	524,531.42
Proportionately consolidated companies:				**in €**	**in €**
Altmarkt-Galerie Dresden KG, Hamburg	67.00 %	-	67.00 %	50,799,394.45	7,064,440.98
Allee-Center Magdeburg KG, Hamburg	50.00 %	-	50.00 %	76,102,744.07	9,940,106.00
CAK City Arkaden Klagenfurt KG, Hamburg	50.00 %	-	50.00 %	8,971,918.42	914,762.72
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna	50.00 %	50.00 %	-	-440,801.23	951,235.49
Einkaufs-Center Arkaden Pécs KG, Hamburg	50.00 %	-	50.00 %	22,725,689.10	1,541,590.13

COMPANY NAME AND DOMICILE	INTEREST IN EQUITY	OF WHICH INDIRECT	OF WHICH DIRECT	EQUITY AS AT 31.12. 2012	HGB PROFIT / LOSS 2012
Equity-accounted companies / associates:				**in €**	**in €**
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	50.00 %	50.00 %		1,884,780.55	-37,621.57
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna	50.00 %	50.00 %		804,080.10	30,673.29
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00 %	50.00 %		2,186,295.91	-1,445,846.38
Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00 %	50.00 %		2,443,931.31	270,561.95
Kommanditgesellschaft PANTA Achtundvierzigste Grundstücks gesellschaft m.b.H. & Co., Hamburg	50.00 %	50.00 %		886,501.50	29,008.76
City-Point Beteiligungs GmbH, Pullach	40.00 %	-	40.00 %	27,642.15	2,077.55
Investees:				**in PLN**	**in PLN**
Ilwro Joint Venture Sp. z o.o., Warsaw, Poland	33.33 %	-	33.33%	371,531,496.72	21,157,631.99

Auditor's report

We have audited the consolidated financial statements, comprising the balance sheet, statement of comprehensive income, income statement, statement of changes in equity, cash flow statement and the notes, as well as the group management report prepared by Deutsche EuroShop AG, Hamburg, for the financial year from 1 January 2012 to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB and German generally accepted standards for the auditing of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on the basis of spot checks within the framework of the audit. The audit includes assessing the accounting information of the areas of the company included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used, and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, provides a true overall view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 12 April 2013

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Dyckerhoff
Auditor

signed Dr. Probst
Auditor

Responsibility statement by the Executive board

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

Hamburg, 12 April 2013

Claus-Matthias Böge   Olaf Borkers

Multi-year overview

€ million	2003	2004	2005	2006	2007	2008	2009	2010	2011	**2012**
Revenue	57.9	61.4	72.1	92.9	95.8	115.3	127.6	144.2	190.0	211.2
EBIT	39.5	49.8	57.5	86.3	78.5	98.1	110.7	124.0	165.7	**181.0**
Net finance costs	-17.8	-19.2	-39.3	-41.0	-39.6	-49.4	-55.9	-60.2	-79.1	**-86.0**
Measurement gains/losses	5.6	8.0	40.0	68.8	39.0	38.3	-14.8	33.1	50.1	**8.5**
EBT	27.3	38.6	68.1	117.7	77.8	87.0	40.1	97.0	136.7	**103.5**
Consolidated profit	19.0	27.7	48.7	100.3	94.2	68.9	34.4	-7.8	99.0	**122.5**
FFO per share (€)	0.82	0.86	0.97	1.08	1.12	1.38	1.40	1.35	1.61	**1.66**
Earnings per share (€)*	0.61	0.89	1.55	2.92	2.74	1.96	0.88	-0.17	1.92	**2.36**
Equity**	695.3	684.4	787.4	897.9	974.0	977.8	1,044.4	1,441.5	1,473.1	**1,606.1**
Liabilities	545.2	685.8	756.1	898.3	1,002.3	1,029.1	1,067.8	1,522.1	1,752.0	**1,942.8**
Total assets	1,240.5	1,370.2	1,543.6	1,796.2	1,976.3	2,006.8	2,112.1	2,963.6	3,225.1	**3,548.9**
Equity ratio (%)**	56.1	49.9	51.0	50.0	49.3	48.7	49.5	48.6	45.7	**45.3**
Gearing (%)**	78	100	96	100	103	105	102	106	119	**121**
Cash and cash equivalents	102.0	150.3	197.2	94.2	109.0	41.7	81.9	65.8	64.4	**167.5**
Net asset value (EPRA)	682.5	686.8	794.5	877.4	925.1	942.8	1,006.9	1,361.1***	1,427.3***	**1,538.9*** **
Net asset value per share (€, EPRA)	21.84	21.98	23.11	25.53	26.91	27.43	26.63	26.36***	27.64***	**28.53*** **
Dividend per share (€)	0.96	0.96	1.00	1.05	1.05	1.05	1.05	1.10	1.10	**1.20**** **

* undiluted
** incl. non controlling interest
*** EPRA
**** proposal

€ million	Q1 / 2012	Q2 / 2012	Q3 / 2012	Q4 / 2012
Revenue	51.9	52.5	52.6	54.2
EBIT	45.9	45.3	46.1	43.7
Net finance costs	-21.4	-20.7	-21.3	-22.6
Measurement gains / losts	-0.9	-1.0	-1.0	11.4
EBT	23.6	23.6	23.8	32.5
Consolidated profit	16.5	16.0	17.4	72.6
EPS in €	0.32	0.31	0.34	1.39

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Deutsche EuroShop