Deutsche EuroShop

DES

ANNUAL REPORT

17

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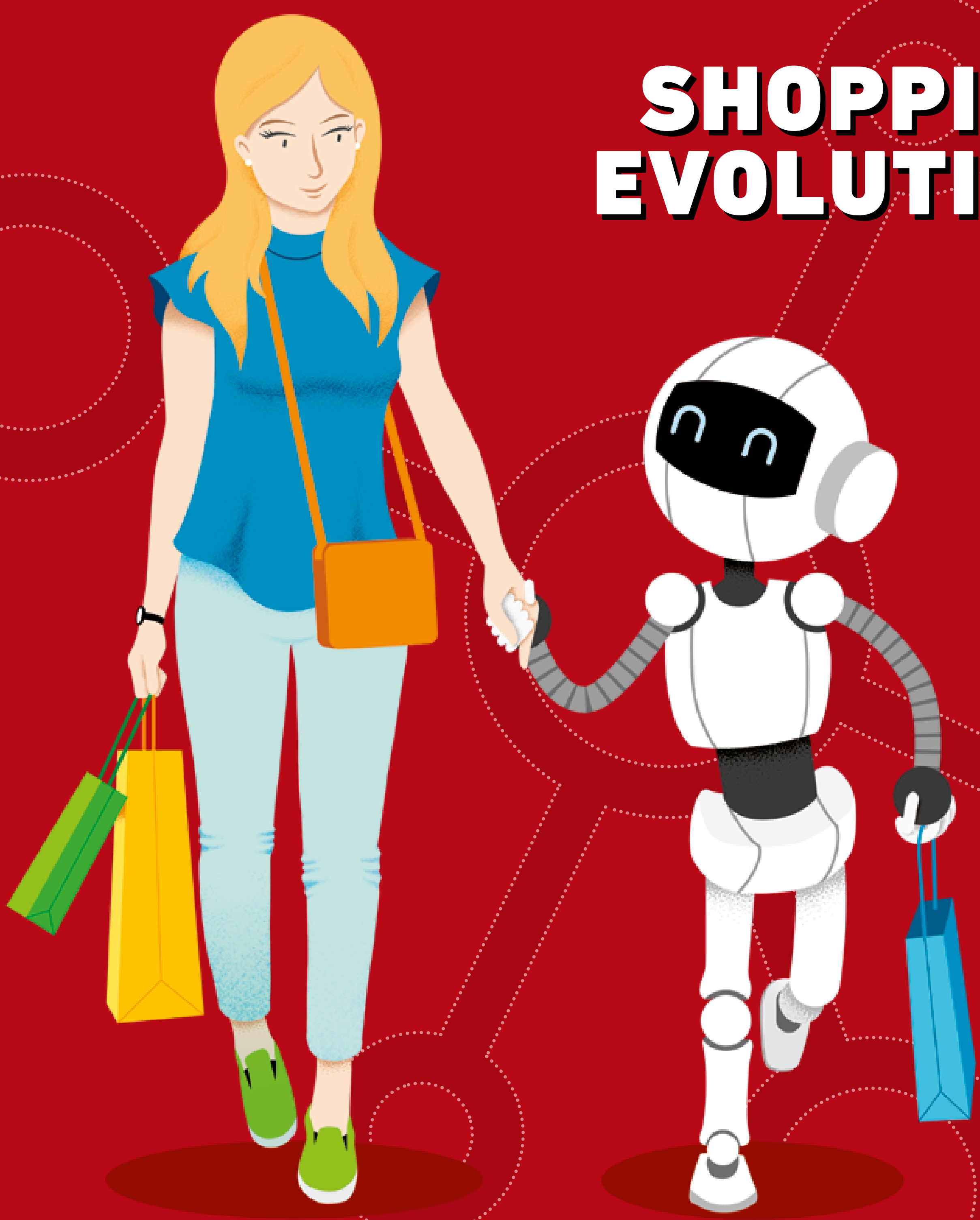
SHOPPING EVOLUTION

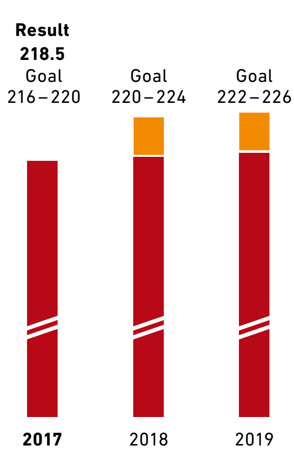


DEUTSCHE EUROSHOP OVERVIEW

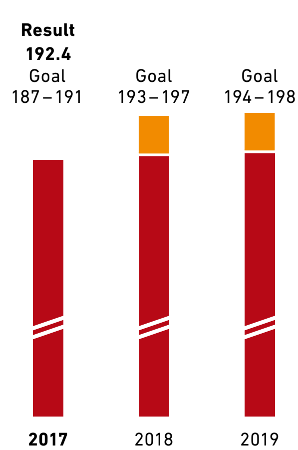
in € millions	2017	2016	Difference
Revenue	**218.5**	205.1	7%
EBIT	**192.4**	178.6	8%
Net finance costs	**-35.1**	-13.9	-153%
Measurement gains / losses	**8.6**	116.8	-93%
EBT	**165.8**	281.5	-41%
Consolidated profit	**134.3**	221.8	-39%
FFO per share in €	**2.54**	2.41	5%
Earnings per share in € *	**2.31**	4.11	-44%
EPRA Earnings per share in € *	**2.42**	2.29	6%
Equity **	**2,574.9**	2,240.7	15%
Liabilities	**2,052.1**	1,873.8	10%
Total assets	**4,627.0**	4,114.5	12%
Equity ratio in % **	**55.6**	54.5	
LTV-ratio in %	**32.4**	34.2	
Gearing in % **	**80**	84	
Cash and cash equivalents	**106.6**	64.0	66%
Net asset value (EPRA)	**2,668.4**	2,332.6	14%
Net asset value per share in € (EPRA)	**43.19**	43.24	0%
Dividend per share in €	**1.45*** **	1.40	4%

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

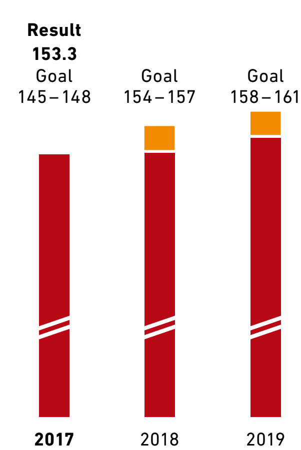
REVENUE
in € million



EBIT
in € million

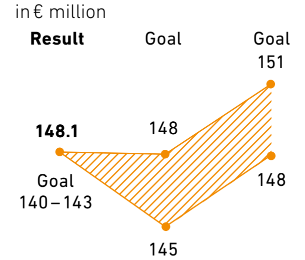


EBT *
in € million

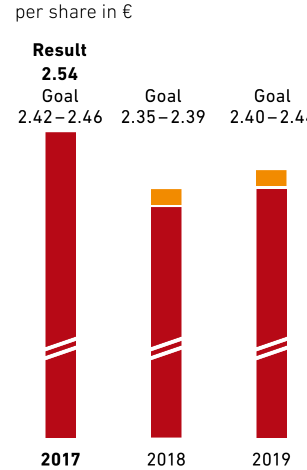


* excluding measurement gains / losses

FFO
in € million



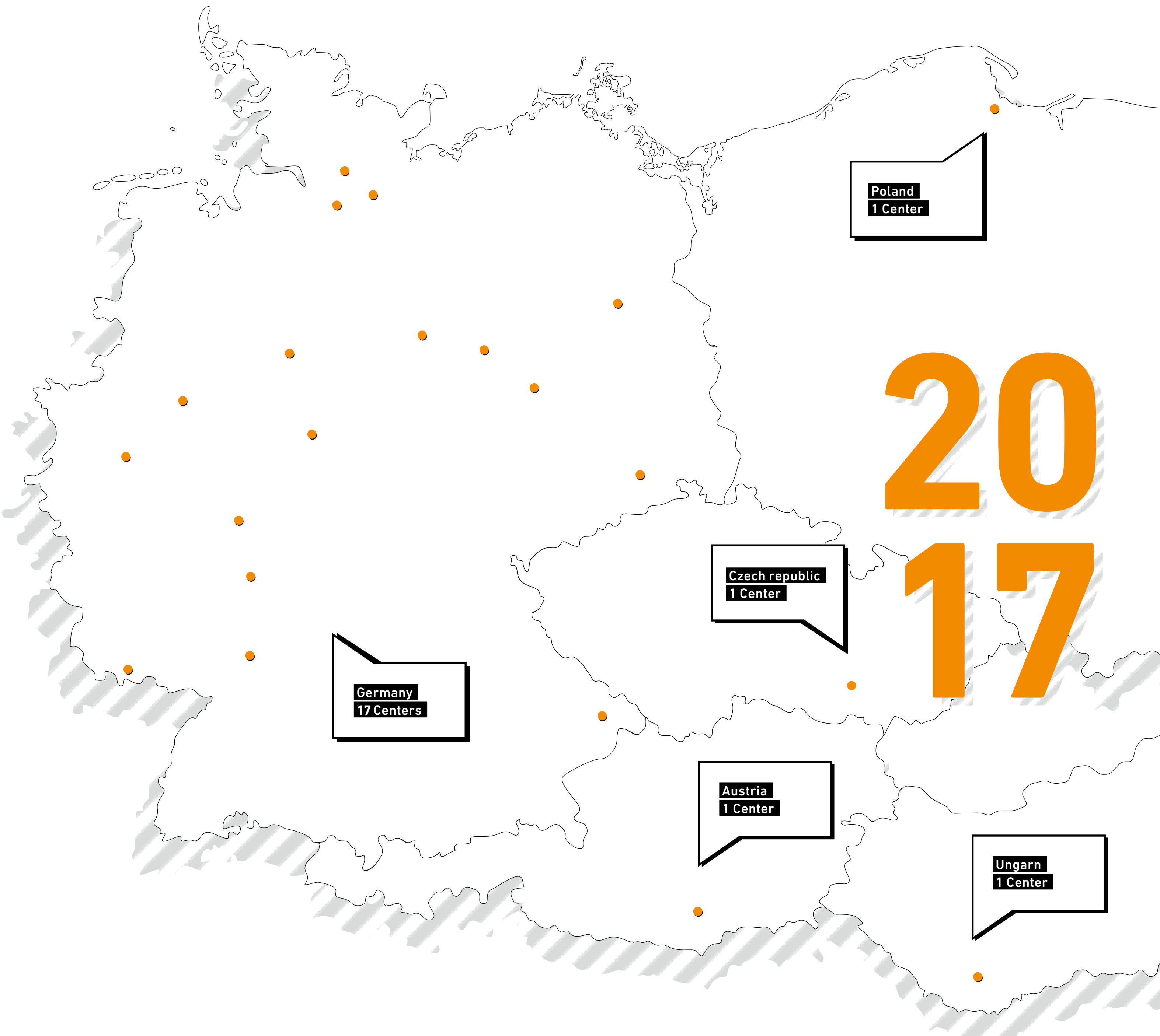
per share in €



Number of shares in million

2017	2018	2019
58.25	61.78	61.78

21 SHOPPING CENTERS IN 5 COUNTRIES



179.3
VISITORS IN 2017 (IN MILLION)

2,703
RETAIL SHOPS

5.5
WEIGHTED MATURITY OF RENTAL CONTRACTS

99%
OCCUPANCY RATE

OUR VALUES

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

OUR GOALS

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

EDITO-RIAL

DEAR READERS,

The theme of our annual report this year is "Shopping Evolution". Over the past few years the retail sector has seen many new developments and this trend will continue in the future. The momentum emerging from this trend will be in part perceived as disruptive, but also as an opportunity to promote new and existing business models and reposition ourselves in a competitive market environment.

The focus of the changes will still be online trading and its interconnection with bricks-and-mortar trading. It is worth noting here that over the past few years, over 200 pure online concepts have started gaining traction in bricks-and-mortar trading. They have recognised the large sales potential in the real shopping world and understand the importance of personal contact with the customer. Conversely, a number of bricks-and-mortar retailers are working on their multi-channel capabilities, so that the integration of the online and offline shopping worlds has picked up further speed, as expected. Good retail trading areas with high customer traffic continue to be important for retail trading.

Increasing digitalisation of the sector is just as important for the current evolutionary process. At the same time, the spectrum of technical innovation is very wide. In fashion retailers, for example, life-size screens can become magic mirrors and offer a digitalised customer a realistic fashion show at the touch of a button – without the cumbersome need to change clothes and with a much wider selection. The idea is thrilling and saves time and stress – just like cashierless pay, which is yet another innovation currently being developed. Shopping centres have an enormous opportunity to make their enormous selection of readily available products visible and available online in a "digital mall" just a few clicks away. Even if a lot is still in the testing stage, it is clear our customers will ultimately enjoy many appealing enhancements which will make real shopping even more interesting and more convenient.

Digitalisation is therefore a key driver of the unstoppable process of evolution in retail trading. As living market places shopping centres will become important networked platforms of the media and real communities, with their locations and ambience for visitors, and digital connections and social media.

We do not believe this change will suddenly occur. There will be no "either-or" concept here. On the contrary, we are certain shopping will continue to develop in a steady and versatile manner – more so as an evolutionary process in which proven and novel approaches complement each other, and our shopping centres will continue to play an important role.

Along with our tenants and service providers, we will actively support this evolution, while investing further in the appeal and ambience of our shopping centres for visitors. In this annual report we present a variety of examples showing how this continued development will be promoted in our shopping centre portfolio.

I hope you enjoy reading our report, and thank you for the trust you place in us.

Best regards

Wilhelm Wellner
Speaker of the Board

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INTERVIEW WITH THE EXECUTIVE BOARD

The issues of growth, online retail and interest rate trends dominated discussions with Deutsche EuroShop investors in 2017. In this interview with the Executive Board, Wilhelm Wellner and Olaf Borkers speak about these and other issues.

OLAF BORKERS AND
WILHELM WELLNER

MR WELLNER, COULD YOU SUMMARISE THE PAST FINANCIAL YEAR FOR US?

Wilhelm Wellner: We are pleased with the operating profit. We achieved our targets and even exceeded them in some cases. EBIT increased by almost eight percent on a growth in sales of 6.5 percent, with EBT excluding measurement gains increasing by 14 percent. Funds from operations per share also increased by 5.4 percent, with support from special effects – they have never been higher.

As far as the valuations for our centers are concerned, the situation is stable. Following two particularly good years with significant valuation gains, last year showed only modest growth on average. Prices for shopping centers overall have been at new record high levels for some time and they only increased slightly last year. With a reasonable increase in operating profit, the consolidated profit of €134.3 million is therefore considerably lower than the previous year, due to the drop in measurement gains.

At €43.19 per share, EPRA net asset value was more or less in line with the previous year. The impact of the almost full conversion of our convertible bond was also felt here in November 2017, under which the number of shares increased by almost 3.4 million shares. EPRA earnings also performed well and rose by 5.7 percent to €2.42 per share.

THE OLYMPIA CENTER IN BRNO IN THE CZECH REPUBLIC WAS PURCHASED IN 2017. HOW HAS THIS CENTER PERFORMED?

Wilhelm Wellner: Very positively. The financials are all well in line with expectations. If you also look at the increase in sales of around eight percent for Olympia's tenants in 2017, this confirms the strength and attractiveness of the center for customers and tenants. A year on from the acquisition, we definitely feel assured that we made a good investment and we are convinced that Olympia will continue to bring us a great deal of satisfaction in the long term.

WHAT ABOUT FURTHER ACQUISITIONS?

Wilhelm Wellner: In my opinion, inflation in the price of shopping centers indicates that the market has peaked. The period of overheating appears to be behind us. Against a background of growth in online retail, a shopping center's success factors have to be sounded out even more thoroughly for their future potential. We are doing that and we expect that this will prolong the transaction processes in the future.

THE PERIOD OF OVERHEATING APPEARS TO BE BEHIND US.

Wilhelm Wellner

IS DEUTSCHE EUROSHOP CURRENTLY INVOLVED IN SUCH A PROCESS?

Wilhelm Wellner: No, we are not at the in-depth appraisal stage for any property at the moment. We are currently monitoring the general trend in prices very closely.

Olaf Borkers: As far as the financing of any potential acquisition might be concerned, we can definitely envisage fully financing the next center through borrowing – if the other factors are right. Our very good current loan-to-value ratio of 32.4 percent for the Group gives us sufficient scope. If we stay within a range of 35 to 45 percent, we would consider ourselves well placed long-term, but still remaining conservative.

WHICH BRINGS US TO THE SUBJECT OF INTEREST RATES: HOW DO YOU SEE DEUTSCHE EUROSHOP TO BE POSITIONED?

Olaf Borkers: Rising interest rates have been negatively affecting the performance of real estate shares worldwide since autumn 2016. I find it difficult to understand this veritable panic about interest amongst some investors, as rates ultimately still remain at a very low level.

For now, and for the foreseeable future, we continue to benefit from low interest rates in our refinancing and new financing agreements. We remain in a position where we can significantly reduce our interest expense. Although the average interest rate in the consolidated loan portfolio still amounted to 3.7 percent at the end of 2016, we have managed to reduce this considerably to 2.9 percent in 2017. From the present perspective, there is further potential for improvement in upcoming refinancing agreements.

YOU REFERRED TO THE PERFORMANCE OF REAL ESTATE SHARES. WHAT CAN YOU SAY ABOUT THE PERFORMANCE OF DES SHARES?

Olaf Borkers: Since the middle of last year, a few things have coincided in this respect. Alongside the impact of interest rate levels, many investors in the shopping center sector are unsettled at the moment. The reason for this is the strong growth in online retail and the accompanying challenges this brings for bricks-and-mortar retailers. This is particularly the case in the fashion retailing segment, which is extremely important for us. In addition, there was negative news about the future viability of some large US department store chains. Even though department stores no longer play an important role in our shopping centers, in comparison to the USA, it put an additional strain on the market. Unfortunately, this also impacted our shares, with similar performances being observed in comparable shares worldwide, sometimes even more significantly than for us.

FOR NOW, AND FOR THE FORESEEABLE FUTURE, WE CONTINUE TO BENEFIT FROM LOW INTEREST RATES IN OUR REFINANCING AND NEW FINANCING AGREEMENTS.

Olaf Borkers

WE ARE CONCENTRATING ON TWO ISSUES WHICH ARE VERY IMPORTANT FOR OUR CUSTOMERS.

Wilhelm Wellner

Wilhelm Wellner: A well-known quote says: the stock market is about holding your nerve where others are losing theirs. To help with this, let's look at the facts. Even though the environment is competitive for shopping centers with their high proportion of fashion retailers, our occupancy rate remains unchanged at 99 percent. Our tenants are rising to the challenge of developing concepts which interconnect both the online and offline worlds. Some promising solutions are emerging, but each retailer needs to find them for itself. To a large extent, of course, digitalisation is the key. Click & Collect continues to play an important role, but also merchandise availability and fast delivery. And this is where shopping centers hold another trump card for the future, as they are not just vibrant marketplaces, but also logistics hubs located in the inner-city and close to customers. An ideal starting point for the last mile, the final delivery of orders, which has remained very cost-intensive and largely unsustainable up to now. This potential needs to be unlocked in the medium-term. For example, ECE is working on the Digital Mall, which aims to make it possible for all the merchandise that is available in a shopping center to be seen, reserved and delivered with just a click. Why plough through the vastness of the internet, when the object of your desire is often already immediately available in the close vicinity.

Whilst the brick-and-mortar retailer is becoming increasingly digitalised, more and more purely online businesses are opening physical shops. Last year, more than 200 concepts globally expanded into bricks-and-mortar retailing. This transformation process will definitely take a few more years and will gain in momentum and result in processes of adjustment. However, with the quality of our centers and high footfall of more than 175 million customers per year, we remain well placed, even if more investment in the centers is required during such a phase in the market. We are proactively doing this.

Olaf Borkers: Another saying is that the stock market is always right. However it is also prone to exaggerations on occasion – in one direction or the other. A reduction in the net asset value of over 30 percent is excessive in my view. I do not see the degree of uncertainty which is causing the market to give our shares an FFO yield of around eight percent at the moment. Instead, with their balanced diversity of tenants, more than 2,700 rental partners in excellent locations, professional center management and a conservative financing structure, I am convinced that our shopping centers continue to be well-positioned. We speak to investors and shareholders about this at length. We regularly provide information about the performance of the operational business, which has been running, and currently continues to run, according to plan.

COULD YOU GIVE US ANY DETAILS ABOUT THE INVESTMENT PROGRAMME THAT YOU ANNOUNCED IN 2017?

Wilhelm Wellner: We didn't just announce it, we have already started to implement it, in our centers in Billstedt, Dresden, Magdeburg, Norderstedt and Viernheim, for example. We are concentrating on two issues which are very important for our customers. The first is to be able to enjoy even greater convenience when visiting our centers: for this, we have started an "At Your Service" programme. Under the label of "Mall Beautification", we are also modernising to improve the quality of the amenities. We are convinced that these are precisely the areas where a center can gain an advantageous position against online retail.

To be more specific, in the coming years, for example, we are planning beautify the malls with fresh colour schemes and new interior designs, improvements in the shopping environment with modern lighting concepts, additional modern furniture in the malls with charging points for smartphones, more food outlets and communal seating areas for the food providers. Added to that are improvements to the service and sanitary areas as well as the parking zones with modern and simple signage. There are also more entertainment opportunities, such as electronic play areas for children and selfie boxes, for example.

For us, it's all about better amenities, greater convenience and a feel-good atmosphere. Together with normal maintenance, investments in new rental areas and in infrastructure, we are currently investing an average of €25 million to €30 million per year in order to establish our centers as attractive places and to future-proof them as leading, vibrant marketplaces. It is important to mention that we are able to finance these investments out of current cash flow.

THE STOCK MARKET IS OCCASIONALLY PRONE TO EXAGGERATION.

Olaf Borkers

ON THE ISSUE OF SUSTAINABILITY: THE DES CENTERS HAVE RECENTLY BEEN CERTIFIED?

Olaf Borkers: That's correct. We have been making sure that our centers are operated economically and sustainably for some time already. What is new is that this has now been independently assessed by a qualified organisation. The German Sustainable Building Council awarded sustainability certificates to our centers in October: seven centers received Platinum certificates while 13 received Gold certificates.

WHAT CAN WE EXPECT IN THE FINANCIAL YEAR 2018?

Wilhelm Wellner: In the current environment, we are expecting stable to slightly increased profits overall. In 2018, we are planning for sales of between €220 million and €224 million. EBIT should increase to between €193 million and €197 million and EBT excluding measurement gains/losses should lie within a range of €154 million to €157 million. We expect funds from operations of between €145 million and €148 million.

Olaf Borkers: We would like to raise dividends for 2018 by a further five cents to €1.50. At the moment, that would represent a dividend yield of over five percent. But first, our shareholders can look forward to dividends of €1.45 per share for 2017.

THANK YOU FOR TALKING TO US AND FOR GIVING SUCH OPEN AND HONEST RESPONSES.

The interview was conducted by Patrick Kiss.

THE EXECUTIVE BOARD

OLAF BORKERS
Mitglied des Vorstands

WILHELM WELLNER
Spokesman 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, **Olaf 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.

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

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

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

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

During financial year 2017, the Supervisory Board performed the duties incumbent on it according to the law and the Articles of Association and closely oversaw the performance of Deutsche EuroShop AG. The strategic orientation of the Company was coordinated with the Supervisory Board, and the status of strategy implementation was discussed at regular intervals. The Supervisory Board monitored and advised the Executive Board on its management of the business, and the Executive Board informed us regularly, promptly and in detail of business developments.

REINER STRECKER
Chairman of the Supervisory Board

FOCUS OF ADVISORY ACTIVITIES

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

We were informed on an ongoing basis of all significant factors affecting the business. We considered the development of the portfolio properties, specifically their sales and frequency trends, the accounts receivable and occupancy rates, and the Company's liquidity position. At meetings held over the course of the year, in-depth discussions took place regularly regarding the Company's strategy as well as the question of how the Company should operate in an environment of continuing low interest rates, high demand for retail property and growing online retailing. We explored at length an extensive investment programme for the years 2018 to 2022 to enhance the competitiveness of our shopping centers. Regular discussions were conducted with the Executive Board regarding trends on the capital, credit, real estate and retail markets and the effects of these on the Company's strategy. The Executive Board and Supervisory Board examined various investment and refinancing options. We received regular reports detailing the turnover trends and payment patterns of our tenants and banks' lending policies. The Executive Board and Supervisory Board also held regular discussions on how the Company was valued by the stock market and its participants and made peer group comparisons.

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

MEETINGS

Four scheduled Supervisory Board meetings took place during financial year 2017. In instances in which members of the Supervisory Board did not attend individual meetings, they had excused themselves in good time and provided good reason. The meeting on 28 September 2017 was not attended by Ms Better.

At the first scheduled meeting, on **26 April 2017**, the Supervisory Board's annual review of efficiency was completed and the agenda for the Annual General Meeting was approved. The main focus of the meeting was the Executive Board's presentation of the financial, accounting and tax aspects of the 2016 annual financial statements. The auditor also provided an explanation of the results of the audit of the 2016 annual financial statements. During the subsequent discussion of the 2016 annual financial statements, we once again this year attached great importance to the explanations of the Executive Board and those of the auditor concerning the real estate appraisals. We unanimously adopted a diversity concept for the Supervisory Board and Executive Board. The Executive Board informed us about the completed acquisition of the Olympia Center in Brno in the Czech Republic and gave us the details of the capital increase carried out to finance the investment. In addition, the Executive Board presented current acquisition opportunities to us, as well as restructuring and modernisation concepts for individual centers.

At the meeting on **28 June 2017**, the Supervisory Board was reorganised following the re-election of Ms Dohm, Mr Striebich and myself at the preceding Annual General Meeting. The distribution of responsibilities remained unchanged after the corresponding elections. The Executive Board explained the current status of the project to extend the Galeria Baltycka in Gdansk as well as the status of the financing negotiations. In addition, we gave the Executive Board a report on the ongoing refinancing for the shopping centers in Wuppertal and Viernheim. We also discussed expectations regarding the final maturity of the convertible bond in November 2017.

At the third meeting on **28 September 2017**, we carried out an in-depth examination of the Company's strategy and the measures to be derived from it in view of the increasing competition for bricks-and-mortar retailing from online retailing. The Executive Board presented us with an extensive investment programme for the years 2018 to 2022 to further increase the appeal of our shopping center portfolio.

At the last meeting on **29 November 2017**, the Executive Board reported to us on the planned implementation of the investment measures, especially the "At Your Service" and "Beautification" programmes in various centers. The Executive Board presented us with acquisition opportunities and also reported on the outcome of the conversion of the convertible bond upon maturity. The Executive Committee informed us that the extension of the employment contract with Mr Wellner, as stipulated by the Supervisory Board, from July 2018 to December 2021 had been agreed.

COMMITTEES

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

During the reporting period, the Executive Committee and the Audit Committee met on 12 April 2017 for a regular meeting. The Executive Committee also met on 29 November 2017 for a meeting in connection with the extension of the contract with Mr Wellner.

The Audit Committee also discussed the quarterly financial reports with the Executive Board in conference calls on 10 May, 9 August and 13 November 2017. The Executive Committee held a teleconference meeting with the Executive Board on 6 March 2017 to discuss investment approval and the planned finance for the Olympia Center in Brno in accordance with the stipulations of the Supervisory Board.

The Capital Market Committee held telephone conversations on 7 and 8 March 2017 to discuss the implementation of the capital increase and adopted resolutions concerning this matter.

CORPORATE GOVERNANCE

In November 2017, 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 Executive Board declared in writing at the beginning of 2018 that no conflicts of interest had arisen during financial year 2017.

FINANCIAL STATEMENTS OF DEUTSCHE EUROSHOP AG AND HE GROUP FOR THE PERIOD ENDING 31 DECEMBER 2017

At the Audit Committee meeting on 11 April 2018 and the Supervisory Board meeting on 25 April 2018, 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 2017, as well as the management report and group management report for financial year 2017.

The documents relating to the financial statements, the auditor's reports and the Executive Board's proposal for the utilisation of the unappropriated surplus were presented to us in good time. The auditor appointed by the Annual General Meeting on 28 June 2017 – 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 11 April 2018 and the Supervisory Board meeting on 25 April 2018 and explained the main findings.

Following its own examination of the annual financial statements of Deutsche EuroShop AG, the consolidated financial statements and the corresponding management reports, the Supervisory Board did not raise any objections. It agreed with the findings of the auditor's examination and approved the annual financial statements of Deutsche EuroShop AG and the consolidated financial statements. The annual financial statements have thus been adopted. The Supervisory Board endorses the Executive Board's proposal for the utilisation of the unappropriated surplus and distribution of a dividend of €1.45 per share.

The Supervisory Board would like to thank the Executive Board and the Company's employees for their dedication. Alongside the Company's sustainable, long-term strategy, this commitment was one of the main reasons for the Company's success in financial year 2017.

Hamburg, 25 April 2018

Reiner Strecker,
Chairman of the Supervisory Board

THE SUPERVISORY BOARD

MEMBERS OF THE SUPERVISORY BOARD

	Reiner Strecker (Chairman)	**Karin Dohm** (Deputy Chairwoman)	**Thomas Armbrust**
Born	1961	1972	1952
Place of residence	Wuppertal	Kronberg im Taunus	Reinbek
Nationality	German	German	German
Appointed since	2012	2012	2001
End of appointment	2022 Annual General Meeting	2022 Annual General Meeting	2019 Annual General Meeting
Committee activities	Chairman of the Executive Committee, Deputy Chairman of the Capital Market Committee, Member of the Audit Committee	Member of the Executive Committee, Chair of the Audit Committee, Financial Expert	Member of the Executive Committee, Deputy Chairman of the Capital Market Committee, Member of the Audit Committee
Membership of other legally required supervisory boards and memberships in comparable domestic and foreign supervisory bodies for business enterprises	akf Bank GmbH & Co. KG, Wuppertal	• Ceconomy AG (previously Metro AG), Düsseldorf • Deutsche Bank Europe GmbH, Frankfurt (Chair) • Deutsche Bank Luxembourg S.A., Luxembourg (Luxembourg) • Deutsche Holdings (Luxembourg) S.a.r.l., Luxembourg (Luxembourg) (until 24.02.2017)	• ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chair) • TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chair) • Platinum AG, Hamburg (Chair) • Paramount Group Inc., New York (USA) • Verwaltungsgesellschaft Otto mbH, Hamburg
Position	Personally liable partner, Vorwerk & Co. KG, Wuppertal	Global Head of Government & Regulatory Affairs, Deutsche Bank AG, Frankfurt	Member of Management, CURA Vermögensverwaltung G.m.b.H. & Co., Hamburg
Key positions held	• 1981 – 1985: Degree in business administration, Eberhard Karls University, Tübingen • 1986 – 1990: Commerzbank AG, Frankfurt • 1991 – 1997: STG-Coopers & Lybrand Consulting AG, Zurich (Switzerland) • 1998 – 2002: British-American Tobacco Group, Hamburg, London (UK), Auckland (New Zealand) • 2002 – 2009: British-American Tobacco (Industrie) GmbH, Hamburg, Member of the Executive Board for Finance and IT • 2009 to present day: Vorwerk & Co. KG, Wuppertal - since 2010: Personally liable partner	• 1991 – 1997: Studied business and economics in Münster, Zaragoza (Spain) and Berlin • 2002: Steuerberaterexamen (German tax advisor exam) • 2005: Wirtschaftsprüferexamen (German auditor exam) • 1997 – 2010: Deloitte & Touche GmbH, Berlin, London (UK), Paris (France) • 2010 – 2011: Deloitte & Touche GmbH, Berlin, Partner Financial Services • 2011 to present day: Deutsche Bank AG, Frankfurt of which - 2011 – 2014: Head of Group External Reporting - 2015: Chief Financial Officer, Global Transaction Banking - 2016: Global Head of Group Structuring - since 2017: Global Head of Government & Regulatory Affairs	• until 1985: Auditor and Tax Advisor • 1985 – 1992: Gruner + Jahr AG & Co KG, Hamburg, Director of Finance • since 1992: Member of Management, CURA Vermögensverwaltung G.m.b.H., Hamburg (Family Office of the Otto family)
Relationship to majority/major shareholders	none	none	Aktionärsvertreter der Familie Otto
Deutsche EuroShop securities portfolio as at 31 December 2017:	9,975	0	

MEMBERS OF THE SUPERVISORY BOARD

	Beate Bell	Manuela Better
Born	1967	1960
Place of residence	Köln	München
Nationality	German, Polish	German
Appointed since	2014	2014
End of appointment	2019 Annual General Meeting	2019 Annual General Meeting
Committee activities	—	—
Membership of other legally required supervisory boards and memberships in comparable domestic and foreign supervisory bodies for business enterprises	Hochtief AG, Essen	• Deka Investment GmbH, Frankfurt (Deputy Chair) • Deka Immobilien GmbH, Frankfurt (Deputy Chair) • Deka Immobilien GmbH, Frankfurt (Deputy Chair) • Landesbank Berlin Investment GmbH, Berlin (Deputy Chair) • S Broker AG & Co. KG, Wiesbaden (Deputy Chair) • S Broker Management AG, Wiesbaden (Deputy Chair) • WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf (Deputy Chair) • DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg (Luxembourg) • RSU Rating Service Unit GmbH & Co. KG, Munich (Speaker for the General Meeting)
Position	Managing Director, immoADVICE GmbH, Cologne	Member of the Board of Management, DekaBank Deutsche Girozentrale, Frankfurt and Berlin
Key positions held	• 1993 – 1997: Studied supply engineering at Cologne University of Applied Sciences, certified engineer • 2000 – 2003: Studied industrial engineering at Cologne University of Applied Sciences, certified industrial engineer • 1997 – 2002: Anton Ludwig GmbH, Cologne, Project Manager • 2002 – 2004: Recticel Automobilsysteme GmbH, Rheinbreitbach, Project Controller • 2004 – 2015: METRO GROUP, Dusseldorf, various management functions; most recently METRO AG, Dusseldorf, Head of Group Compliance • since 2015: immoADVICE GmbH, Dusseldorf, Managing Director	• Studied business at Ludwig Maximilian University of Munich, certified business economist • 1998 – 2003: HVB Group, Munich, various positions • 2004 – 2007: Hypo Real Estate Bank AG, Munich, Member of the Board of Management, Chief Risk Officer • 2007 – 2008: Hypo Real Estate Bank International AG, Stuttgart/Hong Kong, Member of the Board of Management, Head of Commercial Real Estate, Origination Asia • 2009 – 2010: Deutsche Pfandbriefbank AG, Munich, Member of the Board of Management (previously Hypo Real Estate Bank AG) • 2011 – 2013: DEPFA Bank plc, Dublin (Ireland), Chairwoman of the Board of Directors, Chief Risk Officer • 2010 – 2014: Hypo Real Estate AG Holding AG, Munich, Chair of the Board of Management, and Deutsche Pfandbriefbank AG, Munich, Chair of the Board of Management • since 2009: Dr. Ingrid Better Vermögensverwaltung GmbH & Co KG, Managing Director and Better GmbH, Munich, Managing Director • since June 2015: DekaBank Deutsche Girozentrale, Frankfurt, Member of the Board of Management
Relationship to majority/major shareholders	none	none
Deutsche EuroShop securities portfolio as at 31 December 2017:	0	0

   

Dr Henning Kreke	Alexander Otto	Klaus Striebich	Roland Werner
1965	1967	1967	1969
Hagen / Westfalen	Hamburg	Besigheim	Hamburg
German	German	German	German
2013	2002	2012	2015
2018 Annual General Meeting	2018 Annual General Meeting	2022 Annual General Meeting	2020 Annual General Meeting
Member of the Capital Market Committee	—	—	—
• Douglas GmbH, Düsseldorf (Chair) • Douglas Holding AG, Hagen/Westphalia (Chair until 15.03.2017) • Thalia Bücher GmbH, Hagen/Westphalia (since 26.01.2017) • Encavis AG, Hamburg (since 18.05.2017) • Axxum Holding GmbH, Wuppertal (since 30.05.2017) • Püschmann GmbH & Co. KG, Wuppertal (since 30.05.2017) • Con-Pro Industrie-Service GmbH & Co. KG, Peine (since 30.05.2017) • Noventic GmbH, Hamburg (since 06.09.2017) • Perma-tec GmbH & Co. Euerdorf (since 30.05.2017) • Ferdinand Bilstein GmbH & Co. KG, Ennepetal (since 01.01.2018)	• DDR Corp., Beachwood (USA) • Peek & Cloppenburg KG, Düsseldorf • Sonae Sierra Brasil S.A., São Paulo (Brazil) • Verwaltungsgesellschaft Otto mbH, Hamburg	• MEC Metro-ECE Centermanagement GmbH & Co. KG, Düsseldorf (Chair) • Unternehmensgruppe Dr. Eckert GmbH, Berlin	—
Managing Partner, Jörn Kreke Holding KG and Kreke Immobilien KG, Hagen/Westphalia	CEO, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg	Managing Director Leasing, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg (until 31.12.2017) Managing Director, RaRE Advise Klaus Striebich (since 01.01.2018)	Chairman of the Board of Management, Bijou Brigitte modische Accessoires AG, Hamburg
• Studied business (BBA and MBA) at the University of Texas at Austin, Austin (USA) • Doctorate (Political Science) from the University of Kiel, Kiel • 1993 – 2017: DOUGLAS Holding AG, Hagen / Westphalia - of which 1993 – 1997: Assistant to the Executive Board - 1997 – 2001: Member of the Board of Management - 2001 – 2016: Chairman of the Board of Management - 2016 – 2017: Chairman of the Supervisory Board • since 2016: Jörn Kreke Holding KG and Kreke Immobilien KG, Hagen/Westphalia, Managing Partner	• Studied at Harvard University and Harvard Business School, Cambridge, USA • 1994 to present day: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg - since 2000: Chief Executive Officer	• Studied business in Mosbach • 1990: Kriegbaum Gruppe, Böblingen, Assistant to the Management Board • 1992 – 2017: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg - of which 2003 – 2017: Managing Director Leasing • since 2018: Independent Consultant, RaRE Advise Klaus Striebich	• Studied business at EBC University, Hamburg • 2001 to present day: Bijou Brigitte modische Accessoires AG, Hamburg - of which 2004 – 2009: Member of the Board of Management - since 2009: Chairman of the Board of Management"
Partner and Advisory Board Member at Douglas GmbH as well as at Thalia Bücher GmbH (both companies are tenancy agreement partners of Deutsche EuroShop AG)	Großaktionär	Until 31.12.2017 Member of the Board of Management of ECE Projektmanagement G.m.b.H., Hamburg (Alexander Otto (major shareholder) is the CEO here) Since 01.01.2018 Independent Consultant for ECE Projektmanagement G.m.b.H. & Co. KG	none
0	10,554,125	24,000	525


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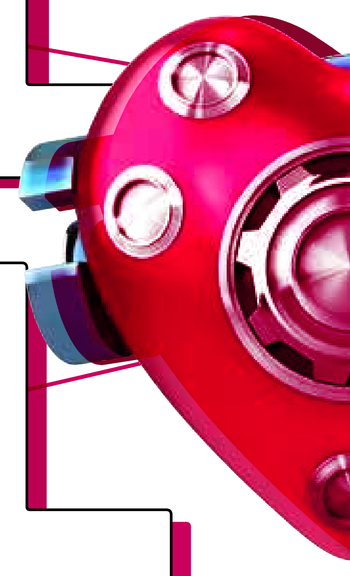
EN

DIGI-TAL MALL



FIND INFORMATION ONLINE, RESERVE AND BUY FROM THE RETAILER IN THE SHOPPING CENTER

BECOMING AN OMNI-CHANNEL SHOPPING EXPERIENCE

by **Dr Philipp Sepehr**, Director Marketing, Research & Innovation, ECE

With its latest innovation project, ECE is taking a major step towards a seamless omni-channel shopping experience: For the very first time, the online product search engine, Digital Mall, launched in the Alstertal-Einkaufszentrum – one of the three ECE Future Labs – gives customers anytime, anyplace access to information on the center website concerning the product ranges available in the center. Digital Mall combines the boundless search possibilities of the Internet with the immediate availability found in bricks-and-mortar retail.

Digital Mall Alstertal Shopping Center

23 RETAILERS ARE CURRENTLY INVOVED IN THE FIRST PHASE OF THE PILOT PROJECT FROM THE ECE FUTURE LABS

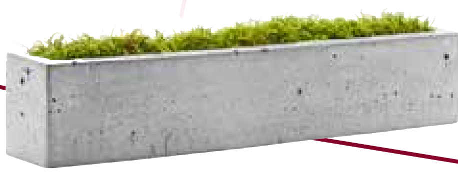
THE CUSTOMER CAN NOW CHECK WHETHER A PRODUCT IS AVAILAIBLE, FROM HOME OR WHEN OUT AND ABOUT

Customers can now go to the center website to discover the wide range of products offered by several of the center's shops on the center website, find information online about the product offering, reserve items and then buy them from the respective retailer in the shopping center. This effectively counteracts one competitive disadvantage of bricks-and-mortar retailers: Customers can now find out at home or on the road, before going shopping, whether a product of a certain brand is available in his or her favourite colour and size in the shopping center and which shop stocks it – and then take it home right away.

During this first phase of the pilot project from the ECE Future Labs, 23 retailers in the Alstertal-Einkaufszentrum, including Saturn, AppelrathCüpper, Christ and Marc O'Polo, are currently linked into the Digital Mall service, where they present over 200,000 products. Further shops and products are set to be added to Digital Mall gradually. To date, customers have already accessed products in Digital Mall over 70,000 times.

OLAF BORKERS,
Member of the Executive Board,
Deutsche EuroShop

We renovated the garden terrace. So new lamps and flower pots were also necessary. Summer wasn't that good in Hamburg in 2017, but the new purchases made it more bearable.



WILHELM WELLNER,
Member of the Executive Board,
Deutsche EuroShop

As a technology freak, I'm delighted with my new wireless noise-cancelling headphones: they're great for helping me to relax. They were researched and found online – experienced and purchased offline.

NICOLAS LISSNER,
Manager Investor & Public Relations,
Deutsche EuroShop

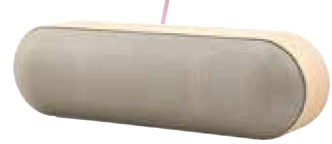
Unfortunately, our kitchen radio finally gave up the ghost last year. By replacing it with the Tivoli PAL+, digital radio has now been introduced into our home. And it has almost the same classic design as its predecessor.

BIRGIT SCHÄFER,
Secretary to the Executive Board,
Deutsche EuroShop

A Panasonic Lumix compact camera with 30 x optical zoom. It takes fantastic photos and is the perfect handy travel companion. I'm now having great fun looking for subjects to photograph.

PATRICK KISS,
Head of Investor & Public Relations,
Deutsche EuroShop

Actually, it wasn't just a purchase, it was more of an investment: along with my wife's cello, a Schimmel piano now provides harmonious music in our house too. Both our children are having piano lessons and they are improving all the time. But to quash any expectations straight away: I have no plans to learn an instrument.



OLAF PETERSEN,
Managing Director,
COMFORT Research & Consulting

I bought myself a wireless sound system, a portable Bluetooth/WLAN loudspeaker. Since getting it, by using it via a smartphone, it's enabled us to have good music and a great atmosphere at home and everywhere on the go too.

2017

"WHAT I BOUGHT MYSELF"

RALPH BORGHAUS,
Head of Accounting, Deutsche EuroShop

As wanna-be mountain men, after a few beers with two friends, we came up with the idea of cycling across the Alps. The plan became a reality in July 2017. My purchase of the year was therefore a bike backpack (Deuter Trans Alpine 30), which I'll certainly get to use again.

IRIS SCHÖBERL,
Managing Director,
BMO Real Estate Partners Germany

I bought myself some Salomon running shoes over-the-counter in a lovely sports shop in South Tirol. Regular running helps me to combat stress and keeps me in shape.

BRITTA BEHRMANN,
Senior Finance Manager,
Deutsche EuroShop

In 2017, I bought myself a new 24 – 200 mm zoom lens for my camera. Now my holiday photos will be even better.

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

I bought myself a Napoleon brand gas barbecue. It's a proper boys' toy, with every conceivable extra feature, some of which I've never used before, but which make the barbecue so big, it takes up almost the whole of my small balcony.

ROLF BÜRKL,
Senior Manager Consumer Insights, GfK

I bought myself a fitness tracker with GPS to help me monitor better how much activity there is in my day-to-day life and encourage me to take the stairs, rather than the lift. If necessary, it gives you a prompt to be even more active.

“At-your-Service”

ON THE OFFENSIVE – WITH SERVICE!

Attractive and individualised service offerings are crucial to the success of a shopping center

And the clear focus must be on the wishes and needs of customers. With “At-your-Service”, our center management partner ECE has therefore launched a large-scale initiative to examine all the aspects of a center’s service, to highlight the existing services even more clearly and, where meaningful and necessary, to optimise and supplement them.

Visualisation of the new lounge area in the Rhein-Neckar-Zentrum

Visualisation of the planned renovation measures in the Herold-Center

77%
CUSTOMERS WANT QUIET REST AREAS

ALTERNATIVE SERVICE OFFERINGS IN SHOPPING CENTERS

"At-your-Service" begins with an individual analysis of the relevant services provided by a center. Suitable measures can be identified to improve service presentation and additional service offerings can be defined – for all customer touchpoints: from online research at home to arrival in the car park, information in the center and relaxation services such as seating and toilets, right through to leaving to go home. Classic optimisations within "At-your-Service" include signage, lighting, the colour scheme or the design of the car park lobby, signs and service counters in the center, the seating and lounge areas, customer toilets and children's play areas.

"At-your-Service" was implemented for the first time as part of a pilot project at the Alstertal-Einkaufszentrum in Hamburg. ECE scrutinised the service offerings there along the entire customer journey. Since September 2017, a package of measures has been implemented to optimise and supplement the services offered in the center at the relevant points. The findings from the pilot project have been analysed, evaluated and incorporated into the further rollout of "At-your-Service". From 2018 to 2020, "At-your-Service" measures are set to be implemented in around 60 centers, including the following in the DES portfolio: Herold-Center Norderstedt, Rhein-Neckar-Zentrum Viernheim, Billstedt-Center Hamburg, Altmarkt-Galerie Dresden, Allee-Center Magdeburg, Rathaus-Center Dessau, City-Arkaden Wuppertal and Allee-Center Hamm.

Visualisation of the planned renovation measures Rhein-Neckar-Zentrum

Service in German DES centers

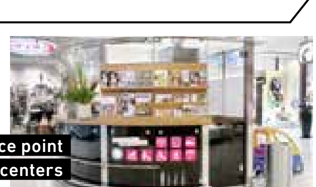
"HEAVENLY SERVICES"

Numerous offerings for a relaxing and atmospheric shopping experience in the centers

All Deutsche EuroShop centers in Germany and Austria were already part of ECE's Christmas service offensive "Heavenly Services" in 2017. This is all about providing even more service and generating a special atmosphere in the centers in the run-up to Christmas.

There were numerous additional offerings in the centers devised to ensure that customers could do their Christmas shopping as easily, as pleasantly and as conveniently as possible. These ranged from the wrapping service for gifts to mobile seating and through to the several thousand additional service employees in total who, as "Christmas Pages", provided information, carried purchases to cars, handed out small gifts and directed shoppers to the nearest empty space in the car park.

Customers at the DES centers involved could expect even greater convenience, an even more enjoyable visit and a personal shopping and service experience – factors which bricks-and-mortar shops can use effectively and positively to differentiate themselves from online retailers.



Service point in the centers

WHAT CUSTOMERS REALLY WANT:

Shopping center operator ECE has closely examined the customer journey in its German shopping malls and analysed customer habits and needs in a representative study.

68%

CUSTOMERS WANT FREE WIFI

GREATEST RELEVANCE

The visitors generally attached the greatest relevance to three services: arrival services (84%) – in other words the journey to and arrival at the center, information services (86%) and relax services (86%).

HEAVENLY SERVICES – MOBILE CUSTOMER INFORMATION

74%

OF THE VISITORS EXPECT GOOD SIGNPOSTING

LIMITED PRODUCT RANGE – COMPETITIVE DISADVANTAGE FOR BRICKS-AND-MORTAR RETAILERS

The limited range of products offered by bricks-and-mortar retailers is one of the biggest competitive disadvantages they face when compared to online traders.

by **Iris Schöberl**, Chair of the Commercial and Municipal Committee of the ZIA

Nonetheless, bricks-and-mortar shops are a driving force behind towns and cities and play a vital role as local suppliers of day-to-day items. That's why the German Property Federation (Zentraler Immobilien Auschuss, ZIA) is campaigning at municipal, state and national level for an increase in municipal planning powers to make it possible for towns and cities to find their own individual solutions.

IMPETUS
Bricks-and-mortar retailing remains a driving force in towns and municipalities

Bricks-and-mortar retailers have faced constant competition from online retailers for many years, but there are still many reasons for consumers to visit their local shops, even in an age of quick deliveries. These reasons include instant availability, personalised advice and being able to examine the merchandise. But another aspect is of the utmost importance to consumers: the shopping experience. Shopping is also a leisure activity. Many people find strolling around commercial areas, shopping centres and shopping streets relaxing and diverting.

FLEXIBLE
What matters more is that there is a flexible environment for landlords and tenants

THE RIGID RESTRICTIONS ON PRODUCT RANGE IS ONE OF THE AREAS THAT URGENTLY NEEDS TO BE LOOKED AT MORE CLOSELY

This is one of the many reasons why bricks-and-mortar retailing remains a driving force behind towns and municipalities. It is only the flow of people, many of them attracted by the shopping opportunities, that brings a town centre to life. Town centres without retailers would be dull and dreary, so it is fortunate that there are few town centres without dedicated retail spaces.

But given the background of the expansion of online retailers, it's no longer just about dedicated spaces – what matters more is that there is a flexible environment for lessees and lessors. This requires that existing regulations be urgently examined to ensure that they are appropriate to requirements.

The limited product ranges are one of the things that need to be looked at closely. Municipalities can control the location of retailers in their catchment areas on a case-by-case basis using product range lists that can be developed from retail and centre concepts. By determining which ranges may only be sold in the town centre or to what extent they can also be permitted outside the central supply areas as "peripheral ranges", each municipality decides for itself what it considers to be of importance for the town centre and worth preserving. Furthermore, it determines which goods may be offered to customers outside the central retail areas, in shopping centres or retail agglomerations.

One problem is that product range specifications need to be updated and adapted to the individual local situation, but municipalities are very slow to do so. If the retail landscape in a town undergoes a fundamental change, for instance as a result of a department store closing down, it is often very difficult to adapt the restrictions on product ranges to respond to this change of circumstances. A time-consuming urban development planning process is currently required to amend previously determined restrictions on product ranges. Authorising new tenants for such properties – even if it makes economic sense and is desirable for the location – is also challenging, as their product ranges are generally structured differently.

There is a similar problem when it comes to reviving or expanding sites. This is sometimes still based on product range specifications from old urban development plans that have been superseded over the course of time by further developments in customer demand and online retailing.

AS IT ULTIMATELY RESULTS IN EMPTY SHOPS AND SHORTCOMINGS IN URBAN DEVELOPMENT

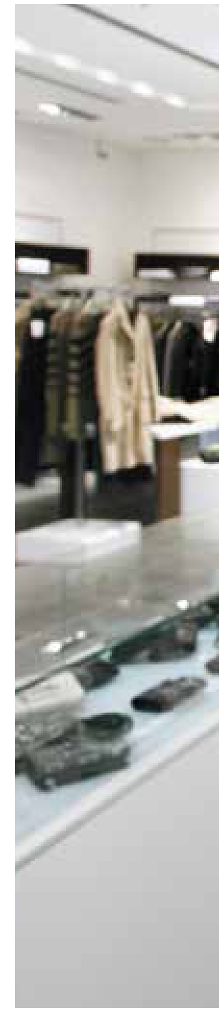
These examples show that the often very rigid restrictions on product ranges are unable to cope with the ever-faster pace of change in the world of retailing. The possible consequences are drawn-out coordination processes, outright refusal of permission or prohibiting the expansion of an existing site. This is not only detrimental to trade, but also to the municipalities and their residents, as it ultimately results in empty shops and shortcomings in urban development.

RETAIL
Examples show that the often very rigid restrictions on product ranges are unable to cope with the ever-faster pace of change in the world of retailing.

From an investor's perspective, this means having to cope with differing product range specifications in each individual municipality. A few conurbations, such as the Mid Ruhr region, have begun elaborating joint product range lists and have thus created some legal and investment safeguards. For other municipalities that have particular situations or retailers that they specifically wish to protect, such a joint approach may, however, be counter-productive.

Restrictions on product ranges are, in principle, no longer suitable for protecting town centres from competing sales activities, as the greatest degree of competition faced by town centre retailers today comes not from sales in suburban areas, but rather from e-commerce. Online retailers and logistics facilities are not subject to the restrictions on product ranges faced by bricks-and-mortar retailers. On the contrary, logistics facilities can be set up in locations where physical retailers or certain product ranges are expressly prohibited. This means that online retailing actually has an advantage over bricks-and-mortar retailers in some locations. This unequal treatment results in significant competitive disadvantages for offline stores. The intended protective effect of the product range restrictions is transformed into its direct opposite.

The European Commission has acknowledged this competitive disadvantage and repeatedly criticised certain district planning regulations affecting the retail trade in Germany, including the product range restrictions. To date, those responsible for drafting legislation in Germany have barely reacted to this criticism, if at all, which puts them at risk of legal action.



First and foremost, the ZIA is calling for a time limitation on product range restrictions, which will facilitate flexible planning for towns and municipalities. The town centre product range lists and the associated retail concepts should therefore be updating on an ongoing basis, in coordination with trade associations and others, and be reviewed on an individual basis, ideally every two years. These lists must be compiled on the basis of the situation in each individual area and must not just address the status quo. Instead, the desired range of products should be framed as a vision of the future town centre and peripheral commercial areas. Furthermore, the ZIA is advocating needs-based zoning and therefore the more flexible implementation of Section 11.3 of the Land Use Ordinance (BauNVO).

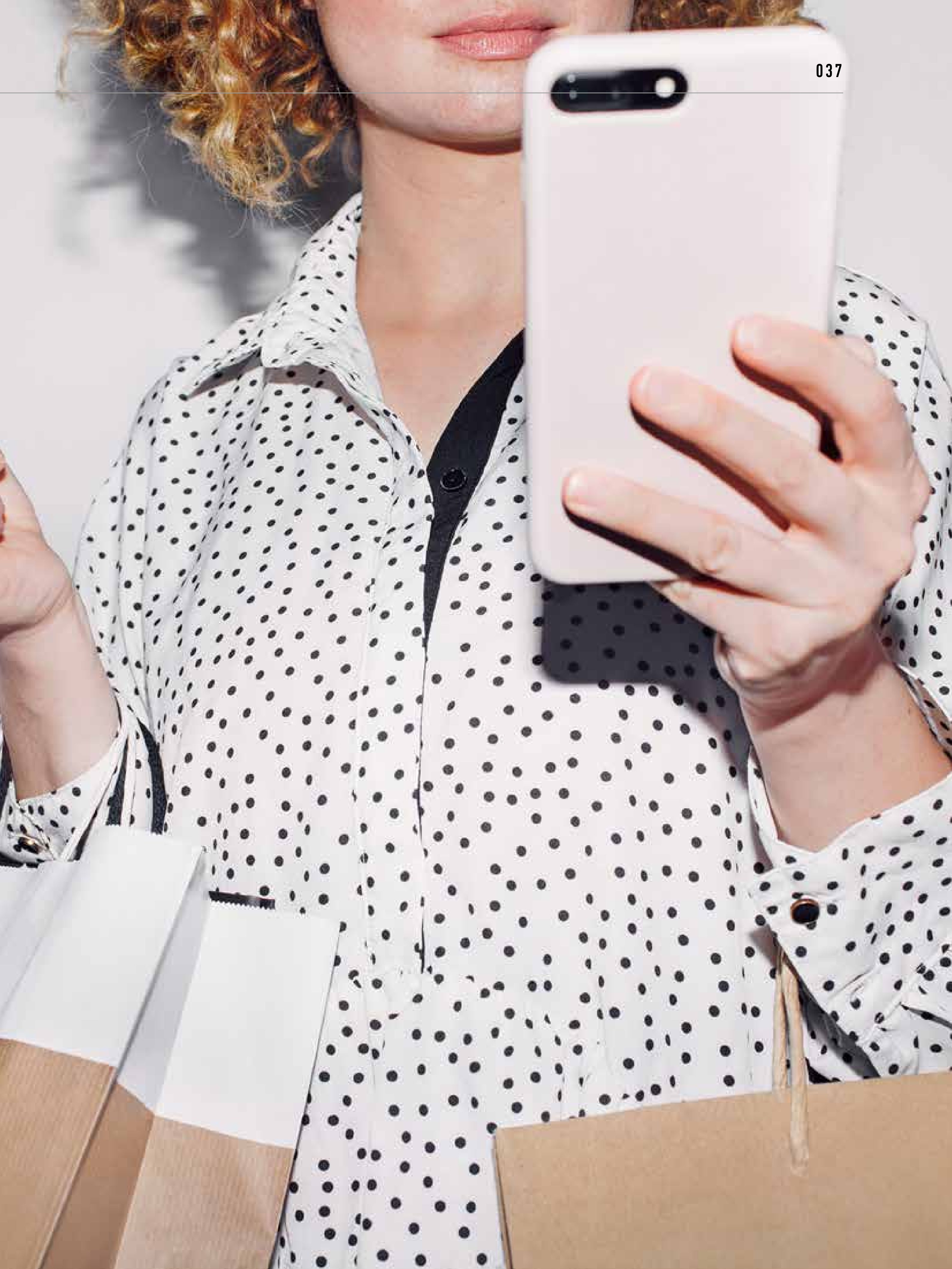
This would eliminate this aspect of the competitive disadvantage faced by bricks-and-mortar retailers and would be an essential element in ensuring that bricks-and-mortar retailing can continue to be the guarantor of vibrant town centres.

Printed with the kind permission of the German Council of Shopping Centers.

ZIA
is advocating needs-based zoning and therefore the more flexible implementation of Section 11.3 of the Land Use Ordinance (BauNVO).(BauNVO)

CONSUMPTION FORECAST FOR 2018

by **Rolf Bürkl**, Senior Manager
Consumer Insights, GfK



GERMANS SPEND 2% MORE ON PRIVATE CONSUMPTION

3%

According to the GfK forecast, sales are up by 1% and by 3% in food retail

The economy in Germany and Europe continues to grow. Private consumption remains an important source of support for both economies as they make sustained upward progress. The further declining unemployment figures are giving consumers the planning security they need to make purchases. According to the GfK forecast, private household spending in Germany will increase by 2% in real terms in 2018 – half of a percentage point more than was forecast for 2017. The GfK forecasts sales growth of 1% in the German non-food retail segment and 3% in food retail.

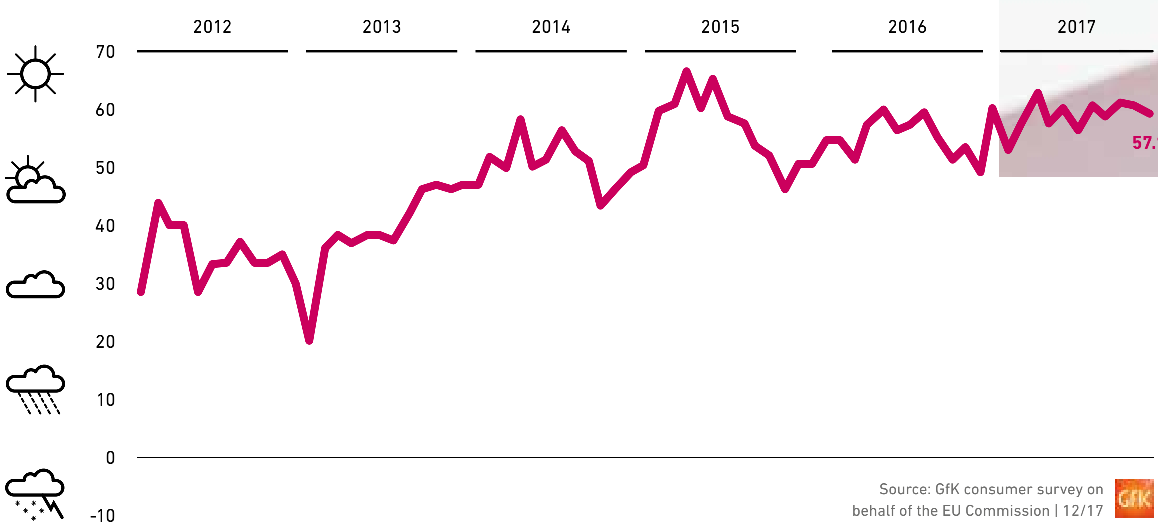
The European Commission is also optimistic about economic development. After the average GDP in the EU increased by 2.3% in 2017, the Commission is also anticipating positive results this year. GDP is forecast to grow by 2.1% on average. As in 2017, the economy of every European country will enjoy growth.

This is supported by private consumption. The GfK forecast suggests that average private household spending in Europe is set to increase by 1.5 – 2% in real terms. This is a half of a percentage point more than was forecast for the previous year.

GfK consumer sentiment in Europe

WILLINGNESS TO SPEND IN GERMANY

in points



Source: GfK consumer survey on behalf of the EU Commission | 12/17

MORE MONEY WAS SPENT IN 2017

GERMANY: MARKED INCREASE IN TRAVEL AND RESTAURANT VISITS

Consumers are spending two-thirds of their disposable income on major purchases, such as cars, houses and property renovations, as well as on holidays, wellness, telecommunications and other services.

In 2017, there was a marked increase in the amount of money spent by the German population on travel and restaurant visits. People enjoy a treat, and travel experiences are a growing trend. According to GfK data, spending on holidays and private travel increased appreciably by 8% in 2017 and "home consumption" was also extremely positive.

In addition to this, the retail sector also recorded an increase in income last year and the GfK forecasts for 2018 also anticipate further growth here.

8%

GfK data shows that spending on holidays and private travel increased by 8% in 2017

WEAKER GROWTH IN E-COMERCE

POSITIVE OUTLOOK FOR GERMAN RETAIL

With sales of € 170.1 billion, the German non-food retail segment enjoyed moderate growth of 0.7% in 2017. In total, € 38.8 billion was generated via online business, which represents an increase of 6.5%. Nevertheless, the growth rate in e-commerce continues to be slightly down on previous years.

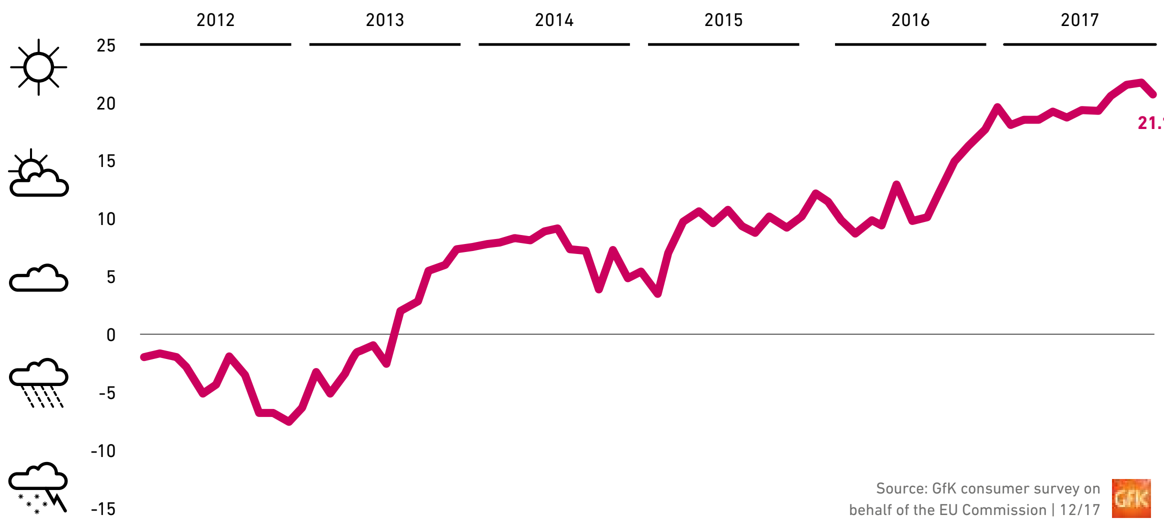
In food retail, the GfK data show 3.6% growth in sales in 2017, with this figure rising to € 183.5 billion. Discounters posted the largest increase with 5.2%, while full-range retailers also recorded growth of 3.4%. This growth was mainly achieved by means of higher prices, as sales volumes stagnated. One pleasing aspect for retail is that consumers are more frequently opting for more-expensive products. The share of online revenues in the food segment continues to stand at a low level of around 1%, albeit with growth rates of just under 5%.

In 2018, GfK expects sales growth of 1% in the German non-food segment. According to the GfK forecast, food retail will post a 3% increase in sales and thus build on the healthy growth rates of previous years.

GfK consumer sentiment in Europe

CONSUMER SENTIMENT AMONG THE EU 28

in points



PRIVATE CONSUMER SPENDING ALSO EXPECTED TO RISE IN EUROPE

GfK forecasts private consumer spending in the European Union will increase by 1.5 – 2% in real terms in 2018. European consumers feel that the economy is on the up. Averaged across all EU countries, economic expectations enjoyed a clear five-point increase from September to December 2017, totalling 17 points, with France, Germany and Austria all posting considerable gains.

Positive consumer sentiment conformed to the data compiled by the European Commission, which anticipated a 2.3% increase in the GDP of European countries for 2017.

Willingness to spend was up by one point on September, standing at 21 points in December. Poland and Austria recorded the largest gains with respect to this indicator.

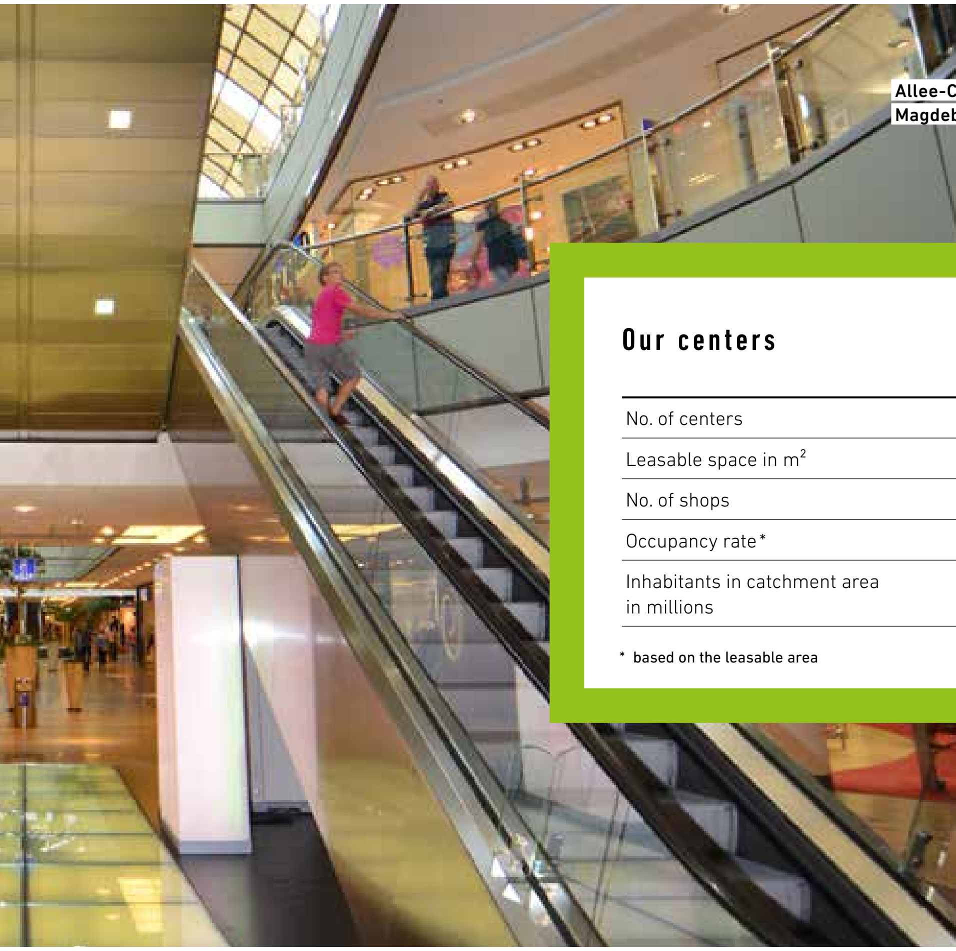
In full-year 2017, there was a considerable improvement in confidence as regards economic growth in Europe. People are hoping that the improvement will also bring about an increase in salaries. Income expectations in large parts of Europe are positive, although they only rose slightly in comparison with 2016. The same can also be said for willingness to spend. Based on all of the factors, GfK forecasts that private household spending in the European Union will increase by 1.5 – 2% in real terms in 2018. Private consumption will thus continue to support the European economy.

2%

Household consumption expenditure is predicted to rise in 2018

OUR PORTFOLIO

THE SUCCESS OF OUR COMPANY LIES IN OUR PORTFOLIO. WE HAVE 21 CENTERS, EACH OF WHICH IS UNIQUE.



Allee-Center, Magdeburg

Our centers

	Domestic	Abroad	Total
No. of centers	17	4	21
Leasable space in m^2	880,600	206,000	1,086,600
No. of shops	2,060	643	2,703
Occupancy rate*	99%	99%	99%
Inhabitants in catchment area in millions	17.5	3.4	20.9

* based on the leasable area

Of these, 17 are located in Germany, with one each in Austria, Poland, the Czech Republic and Hungary. Together, they contain 2,703 shops on an area covering 1,086,600 m^2. A particular highlight is our average retail occupancy rate of 99%. This figure provides a simple and concise insight into the quality of our portfolio. We are particularly proud of having been able to maintain this figure at this outstandingly high level ever since our company came into being. Our investments are squarely focused on Germany, where 82% of our centers are located.

LOCATION IS A KEY FACTOR IN OUR SUCCESS

The concepts of property and location have always been inextricably entwined. And when you add retail into the equation, location is more than an attribute; it is quite simply the basis for success. Our tenants naturally want to be where their customers expect them to be. They and their shoppers can be sure that each of our 21 shopping centers is a prime location for them.

Most of our properties are situated in city centers: places where people have been coming together for hundreds of years to meet and sell their wares. In many cases, our centers are immediately adjacent to local pedestrian zones.

Our portfolio also includes shopping centers in established out-of-town locations. These centers, with their excellent transport links, have offered visitors and customers a welcome change for many years, in some cases they even replace city shopping expeditions altogether and frequently have a strong pull beyond the immediate region.

OPTIMUM ACCESSIBILITY

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

All our centers also have their own parking facilities that offer visitors and customers convenient and affordable parking, even in city centers, so this ensures optimum accessibility by car, too. Many of our properties outside inner cities offer free parking. These particular locations are alongside motorways, making them very easy to reach; examples include the A10 Center in Wildau on the A10 (Berlin ring road) and the Main-Taunus-Zentrum in Sulzbach on the A66. Parking spaces reserved for women and people with disabilities are offered as part of our service at all our shopping centers.

Saarpark-Center, Neunkirchen

SUCCESSFUL MIX

Each of our 21 shopping centers has a unique tenant structure resulting from a long, intensive and ongoing process. Especially given the current increase in the amount of shopping being done online, this process focuses on meeting the needs of customers and supplementing the range of shops in each city center. Our goal is always to work with retailers in the neighbourhood to make the entire location more attractive so that everyone can benefit from the increased appeal of the city center as a whole.

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

ARCHITECTURE WITH SOMETHING SPECIAL

When designing our locations, special attention is always given to the architecture, with specific plot requirements being seen as no less important than the functional specifications of our tenants. We also always have a responsibility towards the city and its residents, and it is important to us that we fulfil this. This includes the best-possible integration into the urban landscape, combined with an exterior that meets modern architectural standards. In seeking to achieve this, we work very closely with the local authorities.

The results are clear: the outcome is often an architectural gem, where even unique historical buildings can be lovingly integrated into the center when possible, as is the case, for example, with the listed former Intecta department store, which is now structurally part of the Altmarkt-Galerie Dresden.

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

Everything is designed to make each visitor enjoy being in the center and want to keep coming back. Ongoing modernisation and optimisation ensure that our centers retain their value and remain competitive. In 2017, we and our center management partner ECE launched "At Your Service", a large-scale initiative to examine all the aspects of a center's service, to highlight the existing services even more clearly and to optimise and supplement them where this is sensible and necessary. We have put together further information on investments in the future of our centers, and you can find it on page 28 onwards.

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

SUSTAINABILITY GOES WITHOUT SAYING

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

In October 2017, at Expo Real (a major trade fair for the real estate business) in Munich, the Deutsche Gesellschaft für Nachhaltiges Bauen (German Sustainable Building Council, DGNB) awarded sustainability certificates to 20 shopping centers in our portfolio. You can find out more about these awards on pages 60 onwards in this report.

City-Arkaden, Wuppertal

EACH OF OUR 21 SHOPPING CENTERS HAS A UNIQUE TENANT STRUCTURE.

A SECURE FUTURE THROUGH COMPLETE FLEXIBILITY

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

Some tenants significantly expand their retail spaces so they can convert the shop from purely a retail area into a true experience arena. The idea is to give customers more opportunities to take the time to try out and experience the product on site. Ever more intensive consultation is also part of this. All these factors play an increasingly important role, particularly at a time when more and more people are shopping online.

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

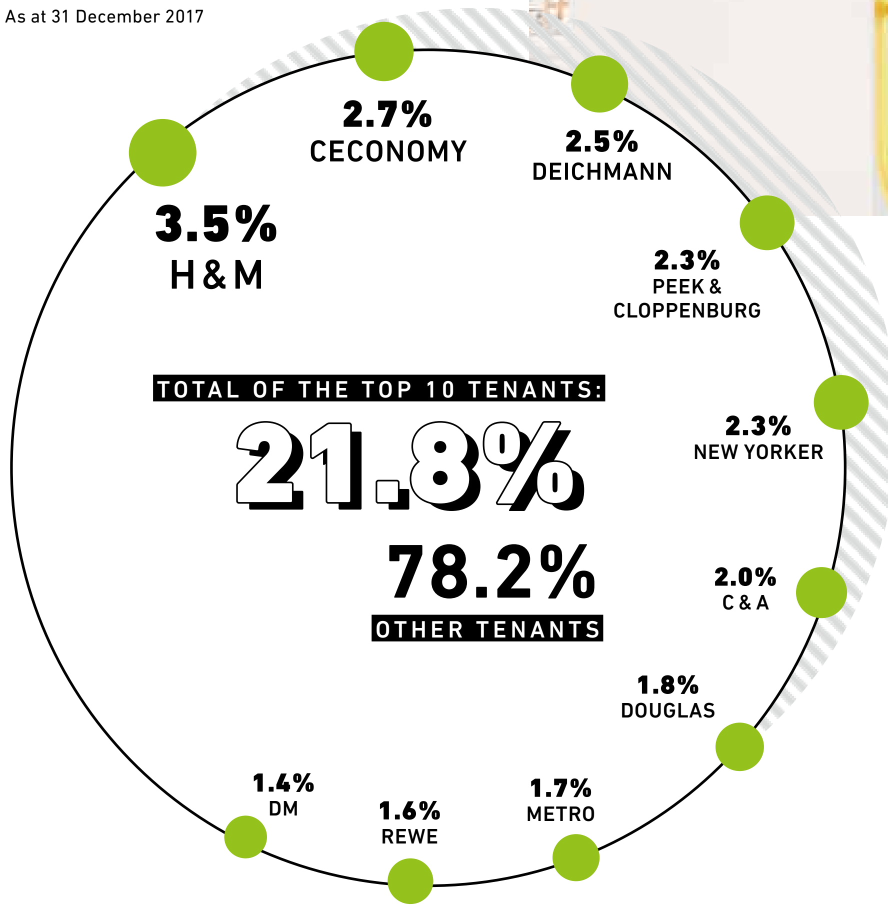
It is precisely this factor that distinguishes our shopping centers from the traditional shopping street which, even today, generally offers only rigid floor plans that have to be accepted the way they are. In some cases, certain retailers wait to enter the market in a city until they are offered the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

179 MILLION VISITORS

Almost 21 million people live in the catchment areas of our shopping centers, over 17 million of them in Germany. Theoretically, this gives us access to more than 20% of the German population. A location's catchment area is a major factor for us when it comes to selecting an investment: this is ascertained at regular intervals according to standardised rules for all shopping centers and represents the total number of potential customers for the location in question. In 2017 we were able to welcome a total of around 179 million visitors to our 21 properties.

THE TEN LARGEST TENANTS

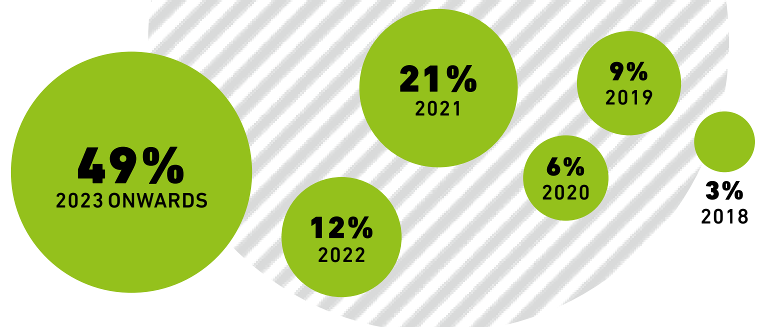
(share of rental income in %)
As at 31 December 2017




Billstedt-Center, Hamburg-Billstedt

RESIDUAL TERM OF RENTAL AGREEMENTS IN PLACE

(Long-term rental agreements, share in %)
As at 31 December 2017



LONG-TERM RENTAL CONTRACTS

Most of the rental contracts that we sign with our tenants run for ten years. As at 31 December 2017 the weighted residual term of the rental agreements in our portfolio was 5.5 years, with 49% of our rental agreements being secured until at least 2023.

OUR PARTNER FOR CENTER MANAGEMENT

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

ECE has been designing, planning, building, letting and managing shopping centers since 1965. With 200 centers in 12 countries currently under its management and more than 3,500 employees, the company is Europe's leader in the area of shopping malls.

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

www.ece.com

OUR TOP 10 TENANTS

H & M, one of the world's major textile retailers is our top tenant, accounting for 3.5% of our rental income. Ceconomy, at 2.7% with its two retail brands Media Markt and Saturn, comes second.

Our rental contract portfolio is highly diversified: our top 10 tenants account for no more than just under 22% of our rental income, so there is no major dependency on individual tenants.

Phoenix-Center,
Hamburg-Harburg

RENT OPTIMISATION RATHER THAN MAXIMISATION

One of the core tasks of center management is putting together the right combination of shops to suit the property and the local area. This mix of tenants and sectors is tailored exactly to each location and is constantly refined. It is the result of a careful analysis of each local retail market.

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

We set ourselves apart from the majority of building owners in the pedestrian zone in a key respect here: as long-term investors, it is our goal to achieve permanent optimisation rather than short-term maximisation of rents.

Main-Taunus-Zentrum,
Sulzbach

We want to offer our customers and visitors an attractive mix. Rather than focus on each shop space in isolation, we look at the property as a whole. The rent in each case is calculated primarily on the basis of the sales potential of the sector to which the tenant belongs as well as of its location within the shopping center. This also enables us to give new businesses and niche concepts an opportunity.

All sides benefit from this system: as the landlord, we are able to build a relationship of trust with our tenants for the long term; our tenants benefit from high visitor numbers achieved due to the varied mix; and our customers appreciate the very wide choice of shops. These range from various fashion concepts to accessories and drugstores, right through to professional services such as bank and post office branches.

CULINARY DELIGHTS

Surveys show that the food and drink offering is an increasingly important consideration for customers when choosing whether to visit a center. And it's not just for this reason that we want to offer our visitors something special on the gastronomic front: cafés, fast-food restaurants, ice-cream parlours, etc. offer a chance for refreshment and revitalisation while shopping. The Phoenix-Center in Hamburg-Harburg, the City-Point in Kassel and the Galeria Baltycka in Gdansk have their own food courts, with space for lots of diners to enjoy a wide variety of cuisines in a single seating area, so that friends or families can choose to eat from different outlets while still sitting together.

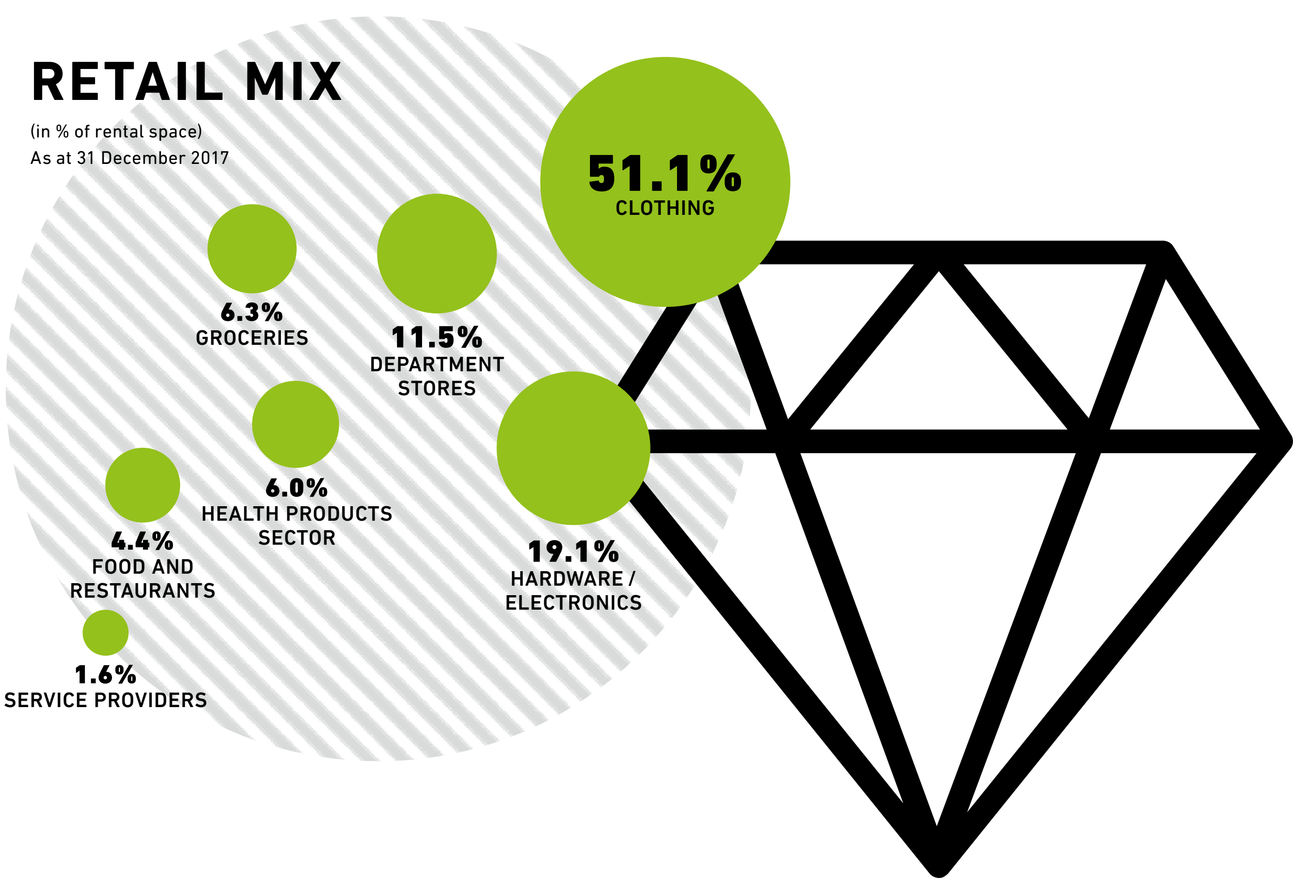
FOCUS ON FASHION

The fashion industry dominates our retail mix with over 50%. The strength in fashion of our centers is confirmed time and again in customer surveys. It is one reason why customers are willing to travel sometimes long distances from the surrounding area to enjoy the wide selection and quality of the service.

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

RETAIL MIX

(in % of rental space)
As at 31 December 2017



BENEFITING OFFLINE FROM THE INTERNET

The Internet has, without a doubt, accelerated the pace of change in the retail sector over recent years. We want to bring together the best of both worlds in our centers, offline and online, and showcase the strengths of our tenants: atmosphere, services, fitting rooms, immediate availability of merchandise. It is not for nothing that more and more online-only retailers are learning that pure branding mostly takes place offline and that direct and personal contact with customers is often a prerequisite for subsequent online purchases.

Multichannel marketing also has a part to play here, by enabling our tenants to combine various means of communication and distribution. For example, products that are out of stock in a store in the required size or colour can be delivered directly to customers at home. Alternatively, customers can order their goods online from home and collect them from our tenant's store in the center.

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

SUCCESSFUL TENANT PARTNERS

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

UNIFORM BUSINESS HOURS

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

TOGETHERNESS IS OUR STRENGTH

In the center itself, the focus is always on service. There are Service Points manned by friendly staff who can answer any questions about the center. Gift vouchers and other items can also be bought at them. Many of them hire out children's buggies. Customers can feel safe at all times thanks to the deployment of discreet security personnel. Baby changing rooms, customer toilets and cash machines complete the services. It goes without saying that the centers are always clean.

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

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

BY INTEGRATING VARIOUS DIGITAL SERVICES INTO OUR CENTERS, WE ARE RESPONDING TO THE CHALLENGES OF ONLINE SHOPPING.

A10 Center,
Wildau

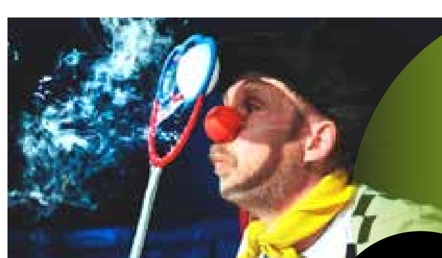
ACTIVITIES IN THE CENTRES

BRNO: WHERE CHILDREN ARE CELEBRATED!

For more than 10 years, the Children's Day at the Olympia Center in Brno has been one of the busiest days for this newest addition to our portfolio in the Czech Republic. A diverse programme is offered for families with children, lasting from the morning until the evening. Not only are there lots of opportunities to win "sweet" and valuable prizes, there's a whole day packed with exciting activities. It also includes appearances by well-known child stars, clowns and magicians. The activities are not just inside the mall, there's also plenty of fun to be had in the outside areas, where numerous carousels and fairground rides add excitement. There is also the chance to make a souvenir of the day to take home in the creative workshops offering all kinds of arts and crafts. Plans are already in hand for the Children's Day 2018.

www.olympia-centrum.cz

Children's Day at the Olympia Center in Brno



NEUNKIRCHEN: FAIRYTALES COME TRUE!

The Ice Queen in her sparkling dress, the jolly Gingerbread Man and the wandering decorated Christmas tree – these were all part of the big Christmas parade that was held for the first time at the Saarpark Center Neunkirchen in December 2017. A variety of characters in imaginative costumes paraded through the shopping malls in the premiere of this event and provided a magical experience for the visitors. In order to be ready to stage this pre-Christmas surprise for the customers, the background preparations had been in full swing since the summer. The costumes were almost entirely designed and produced by a local sewing group. Selfies with the characters were particularly popular, with one or two undoubtedly being sent out across the world as a Christmas greeting from Saarland.

www.saarpark-center.de

Characters in imaginatively-decorated costumes parade through the shopping streets in the Saarpark Center, Neunkirchen.

In October, City Point was transformed into a giant cupcake under the motto of “Sweet Fifteen”.

KASSEL: SWEET 15!

City Point’s 15-year anniversary was a “sweet time” for the center and its visitors. And there were plenty of reasons to celebrate. Having 135 million visitors in the first 15 years is just one example of how well the center has established itself with Kassel’s residents. In October, City Point was transformed into a giant cupcake under the motto of “Sweet Fifteen”. The multi-week celebrations would have been incomplete without cupcake fishing, where visitors could “fish” for center vouchers in a particularly amusing way. 15 main prizes worth €5,000 were also raffled. There was also plenty in the way of music on offer: On 6 October, the current winner of the German talent show Deutschland sucht den Superstar (DSDS), Alphonso Williams, featured as a guest performer and there were further daily music shows.

www.city-point-kassel.de


PHOENIX CENTER

Phoenix-Center
Hamburg-Harburg

ENVIRONMENT

Climate protection
is a top priority for
Deutsche EuroShop.

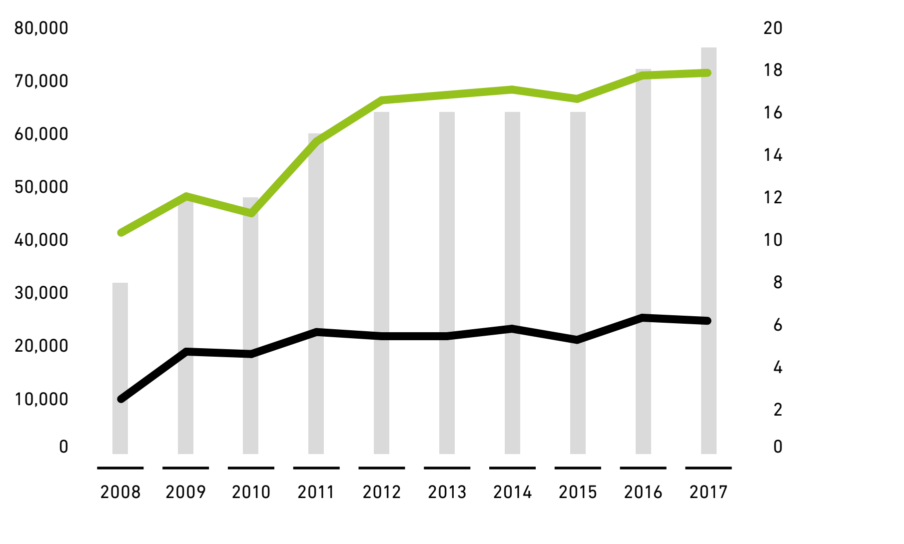
We firmly believe that sustainability and profitability are not mutually exclusive. Neither are shopping experience and environmental awareness. Long-term thinking is part of our strategy, and that includes a commitment to environmental protection.

In 2017, 19 of our 21 shopping centers had contracts with suppliers that use renewable energy sources, such as hydroelectric power, for their electricity needs. The "Energie-Vision" organisation certified the green electricity for our centers in Germany with the renowned "ok-power" accreditation in 2015. We also plan to switch the remaining centers over to green electricity wherever possible within the next few years.

The 19 centers used a total of around 71.6 million kWh of green electricity in 2017. This represented 100% of the electricity requirements in these shopping centers, Based on conservative calculations, this meant a reduction of around 25,175 tonnes in carbon dioxide emissions, which equates to the annual CO_2 emissions of more than 1,100 two-person households. The use of heat exchangers and energy-saving light bulbs allows us to further reduce energy consumption in our shopping centers.

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

REDUCTION OF CO_2 EMISSIONS AND ELECTRICITY CONSUMPTION



ENVIRON-MENTAL PERFORMANCE

INTRODUCTION

We report on our energy, GHG emissions, water and waste impacts in accordance with the 3rd edition of the EPRA Sustainability Best Practice Recommendations (sBPR). Our reporting response has been split into 2 sections:

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

1. OVERARCHING RECOMMENDATIONS

1.1. ORGANISATIONAL BOUNDARIES

We use the operational control approach for our data boundary, which includes 14 assets. There were no changes to our portfolio between 2016 and 2017, meaning the scope of assets included in our Absolute and Like-for-Like performance measures is the same.

1.2. COVERAGE

We report on all properties within the organisational boundary defined above, and for which we are responsible for utilities consumption (see Boundaries – reporting on landlord and tenant consumption).

1.3. ESTIMATION OF LANDLORD-OBTAINED UTILITY CONSUMPTION

None of our data is estimated.

1.4. BOUNDARIES – REPORTING ON LANDLORD AND TENANT CONSUMPTION

The electricity consumption reported includes electricity which we purchase as landlords and refers to common areas only. Consumption data for fuels, district heating and cooling and water include tenant data as it is not possible to separate common area and tenant area consumption. Waste data also includes tenant waste.

1.5. ANALYSIS – NORMALISATION

Intensity indicators are calculated using floor area (m2) for whole buildings. We are aware of the mismatch between nominator and denominator, as our consumption for electricity relates to common areas only, whereas fuels, district heating and cooling and water data covers the entire building as we cannot separate common area from tenant area consumption. For our own offices we report intensity performance measures using the floor area we occupy within the building.

1.6. ANALYSIS – SEGMENTAL ANALYSIS (BY PROPERTY TYPE, GEOGRAPHY)

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

1.7. THIRD PARTY ASSURANCE

We do not have third party assurance.

1.8. DISCLOSURE ON OWN OFFICES

Our own occupied offices are reported separately to our portfolio. Please see Table 2.2. on page 59.

1.9. NARRATIVE ON PERFORMANCE

In 2017 we reduced the environmental impact of our portfolio across all performance measures. The most significant reductions were in waste (-9%), electricity consumption (-7%) and fuels consumption (-3%). The reductions in electricity consumption can be attributed to a number of energy efficiency improvements introduced during the year. The most significant of these include:

- **The installation of LED lighting at 15 assets that resulted in ongoing electricity savings of more than 1,727,958 kWh in 2017, and at seven car parks that resulted in similar annual savings of 1,172,477 kWh.**
- **Optimisation of ventilation equipment at seven assets that identified savings of up to 2,369,411 kWh per year from electricity consumption.**

Coupled with a 3% reduction in fuels consumption and a 2% reduction in district heath & cooling consumption due to a partly milder winter, we recorded a 5% reduction in the energy intensity (measured as kWh/m^2) of our portfolio.

The reduction in fuels consumption meant we saw an identical 3% reduction in direct (Scope 1) GHG emissions, while our indirect (Scope 2) GHG emissions fell by 6% (calculated using grid-average emissions factors) reflecting the improvements in electricity consumption across our portfolio. This consequently resulted in an 8% reduction in the GHG emissions intensity (measured as tCO_2e / m^2) of our portfolio.

The 10% reduction in waste produced at our assets was however accompanied by an increase in the proportion of waste sent to incineration (up by 18% compared with 2016), which can be attributed in part due to more accurate waste separation data.

Meanwhile, water consumption (which includes water used in tenant areas) across our portfolio decreased by 2%. Alle Objekte sind nach der DGNB-Norm der folgenden Stufen zertifiziert:

- **DGNB Platinum: A10 Center (Wildau), Billstedt-Center Hamburg, City-Galerie Wolfsburg, Phoenix-Center Hamburg, Stadtgalerie Passau, Árkád Pécs and City Arkaden Klagenfurt.**
- **DGNB Gold: City-Point Kassel, Altmarkt-Galerie Dresden, Stadtgalerie Hameln, Allee-Center Hamm, City-Arkaden Wuppertal, Herold-Center Norderstedt, Rathaus-Center Dessau, Rhein-Neckar-Zentrum Viernheim, Main-Taunus-Zentrum Sulzbach, Forum Wetzlar, Allee-Center Magdeburg, Saarpark-Center Neunkirchen and Galeria Baltycka Gdansk.**

1.10. LOCATION OF EPRA SUSTAINABILITY PERFORMANCE MEASURES

EPRA sustainability performance measures for our portfolio and own offices can be found in Tables 2.1. and 2.2. on pages 58 and 59 of this report.

2. SUSTAINABILITY PERFORMANCE MEASURES

2.1. EPRA portfolio table

Indicator	EPRA	Unit of measure	2016	Coverage	2017	Coverage	Change
Total electricity consumption	Elec-Abs	kWh	59,372,937	100%	55,458,582	100%	-7%
		% from renewable sources	69	100%	81	100 %	
Like-for-like electricity consumption	Elec-LFL	kWh	59,372,937	100%	55,458,582	100%	-7%
Total energy consumption from district heating and cooling	DH & C-Abs	kWh	23,505,383	100%	22,969,103	100%	-2%
		% from renewable sources	na	100%	na	100%	
Like-for-like consumption from district heating and cooling	DH & C-LFL	kWh	23,505,383	100%	22,969,103	100%	-2%
Total energy consumption from fuel	Fuels-Abs	kWh	22,751,022	100%	22,000,425	100%	-3%
		% from renewable sources	0	100%	0	100%	
Like-for-like consumption from fuel	Fuels-LFL	kWh	22,751,022	100%	22,000,425	100%	-3%
Building energy intensity	Energy-Int	kWh / m²	99	100%	94	100%	-5%
Direct GHG emissions (total) Scope 1	GHG-Dir-Abs	tCO_2	4,595	100%	4,443	100%	-3%
Indirect GHG emissions (total) Scope 2	GHG-Indir-Abs	tCO_2 (market based)	na	100%	na	100%	–
		tCO_2 (location based)	11,908	100%	11,186	100%	-6%
Building GHG emissions intensity	GHG-Int	tCO_2 / m^2	0.016	100%	0.015	100%	-8%
Total water consumption	Water-Abs	Total m³	367,205	100%	358,610	100%	-2%
Like-for-like water consumption	Water-LFL	m³	367,205	100%	358,610	100%	-2%
Building water consumption intensity	Water-Int	m³ / employees	0.003	100%	0.003	100%	0%
Weight of waste by disposal route (total)	Waste-Abs	tonnes	6,187	100%	5,567	100%	-10%
		% recycled	52	100%	45	100%	-13%
		% composted	4	100%	3	100%	-25%
		% sent to incineration	44	100%	52	100%	18%
Weight of waste by disposal route (Like-for-like)	Waste-LFL	tonnes	6,187	100%	5,567	100%	-10%
		% recycled	52	100%	45	100%	-13%
		%composted	4	100%	3	100%	-25%
		% sent to incineration	44	100%	52	100%	18%
Type and number of assets certifies	Cert-Tot	% of portfolio certified OR number of certified assets	0	100%	100	100%	

na = not applicable

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

2.2. EPRA own office table

Indicator	EPRA	Unit of measure	2016	Coverage	2017	Coverage	Change
		kWh	8,988	100%	8,464	100%	-6%
Total electricity consumption	Elec-Abs	% from renewable sources	100	100 %	100	100 %	
Like-for-like electricity consumption	Elec-LFL	kWh	8,988	100%	8,464	100%	-6%
Total energy consumption from district heating and cooling		kWh	54,565	100%	53,768	100%	-1%
	DH & C-Abs	% from renewable sources	na	100%	na	100%	
Like for like consumption from district heating and cooling	DH & C-LFL	kWh	190	100%	187	100%	-1%
		kWh	na	100%	na	100%	
Total energy consumption from fuel	Fuels-Abs	% from renewable sources	na	100%	na	100%	
Like-for-like consumption from fuel	Fuels-LFL	kWh	na	100%	na	100%	
Building energy intensity	Energy-Int	kWh / m²	196	100%	185	100%	-6%
Direct GHG emissions (total) Scope 1	GHG-Dir-Abs	tCO_2	0	100%	0	100%	
		tCO_2 (location based)	na	100%	na	100%	
Indirect GHG emissions (total) Scope 2	GHG-Indir-Abs	tCO_2 (market based)	11	100%	10	100%	-9%
Building GHG emissions intensity	GHG-Int	tCO_2 / m²	0.04	100%	0.03	100%	-25%
Total water consumption	Water-Abs	m³	564	100%	592	100%	5%
Like-for-like water consumption	Water-LFL	m³	564	100%	592	100%	5%
Building water consumption intensity	Water-Int	m³ / employee	81	100%	77	100%	-5%
		tonnes	2	100%	2	100%	0%
		% recycled	12	100%	12	100%	0%
Weight of waste by disposal route (total)	Waste-Abs	% sent to incineration	88	100%	88	100%	0%
		tonnes	2	100%	2	100%	0%
		% recycled	12	100%	12	100%	0%
Weight of waste by disposal route (Like-for-like)	Waste-LFL	% sent to incineration	88	100%	88	100%	0%
Type and number of assets certifies	Cert-Tot	% of portfolio certified OR number of certified assets	0	100%	0	100%	

na = not applicable

Fuel: No fuels are used at our office building

Water, heating and waste are calculated using actual consumption figures for the whole building, and the m² percentage the DES office occupies (DES has an office of 275m² in a building of 6088m²)

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

Sustainable News

PLATINUM AND GOLD SUSTAINABILITY CERTIFICATES FOR DES CENTERS

In October 2017, the German Sustainable Building Council (DGNB) awarded 20 shopping centers owned by Deutsche Euroshop AG with sustainability certificates at the Expo Real in Munich. Seven centers received Platinum certificates while 13 received Gold certificates.

The successful certifications were based on the DGNB basic certificate for buildings in use, which our center manager ECE was the first company ever to receive for its sustainable work processes in 2016. ECE has optimised its equipment and processes in a way that now enables all of the shopping centers which it manages to be operated according to uniform sustainability principles. These processes include procurement, maintenance and "Green Leases", i.e. leases which comply with sustainability standards.

On this basis, ECE and Deutsche EuroShop AG decided to have 20 centers rated in an individual portfolio certification process by DGNB with the aim of ensuring the continuous development of these properties. The auditors looked especially at property-specific aspects such as energy consumption, sociocultural projects and mobility. This procedure follows a holistic approach in which all pillars of sustainability – economic, environmental and social aspects – are constantly examined and optimised.

The Platinum certificates were awarded to A10 Center Wildau near Berlin, Billstedt-Center Hamburg, City-Galerie Wolfsburg, Phoenix-Center Hamburg,

THREE PILLARS OF SUSTAINABILITY – ECONOMY, ENVIRONMENT AND SOCIETY

Stadtgalerie Passau, Árkád Pécs in Hungary and City Arkaden in Klagenfurt, Austria. These centers received particularly good ratings for many areas audited by DGNB.

Billstedt-Center Hamburg, for example, has exemplary low energy consumption due to its energy monitoring system. Heating and energy consumption information is constantly recorded and analysed to identify opportunities for optimisation. The center especially supports sustainable mobility by providing both car sharing and bike sharing facilities in its immediate vicinity.

Phoenix-Center Hamburg has, among other things, a special dynamically controlled light and energy concept and the latest energy-efficient light sources. With regard to social sustainability, the center offers an impressive range of services for families, people with disabilities and elderly citizens.

Árkád Pécs, which is owned 50% by Deutsche EuroShop AG and 50% by HGA Capital, also stood out: Surveys among tenants which included questions about relevant DGNB aspects showed high user satisfaction. Thanks to online energy controlling, the center – along with Billstedt


City Arkaden, Klagenfurt

Center and Phoenix-Center – is a pioneer when it comes to reducing energy consumption.

The Gold DGNB certificates were awarded to City-Point Kassel, Altmarkt-Galerie Dresden, Stadtgalerie Hameln, Allee-Center Hamm, City-Arkaden Wuppertal, Herold-Center Norderstedt, Rathaus-Center Dessau, Rhein-Neckar-Zentrum Viernheim, Main-Taunus-Zentrum Sulzbach, Forum Wetzlar, Allee-Center Magdeburg, Saarpark-Center Neunkirchen and Galeria Bałtycka in Gdansk, Poland.


From left to right: Maria Hill (Director Sustainability & Internal Services ECE), Dr Christine Lemaitre (Chief Executive Officer DGNB), Markus Lentzler (Managing Director Architecture & Construction ECE), Wilhelm Wellner (Member of the Executive Board of Deutsche EuroShop AG), Prof. Joachim Hirschner (Senior Auditor DGNB) and Johannes Kreißig (Managing Director DGNB GmbH) / Photo source: ECE

„E-ENERGY“

EXPANSION OF THE INFRASTRUCTURE FOR CHARGING VEHICLES

ALL GERMAN DES CENTERS ARE TO BE EQUIPPED BY THE END OF 2018

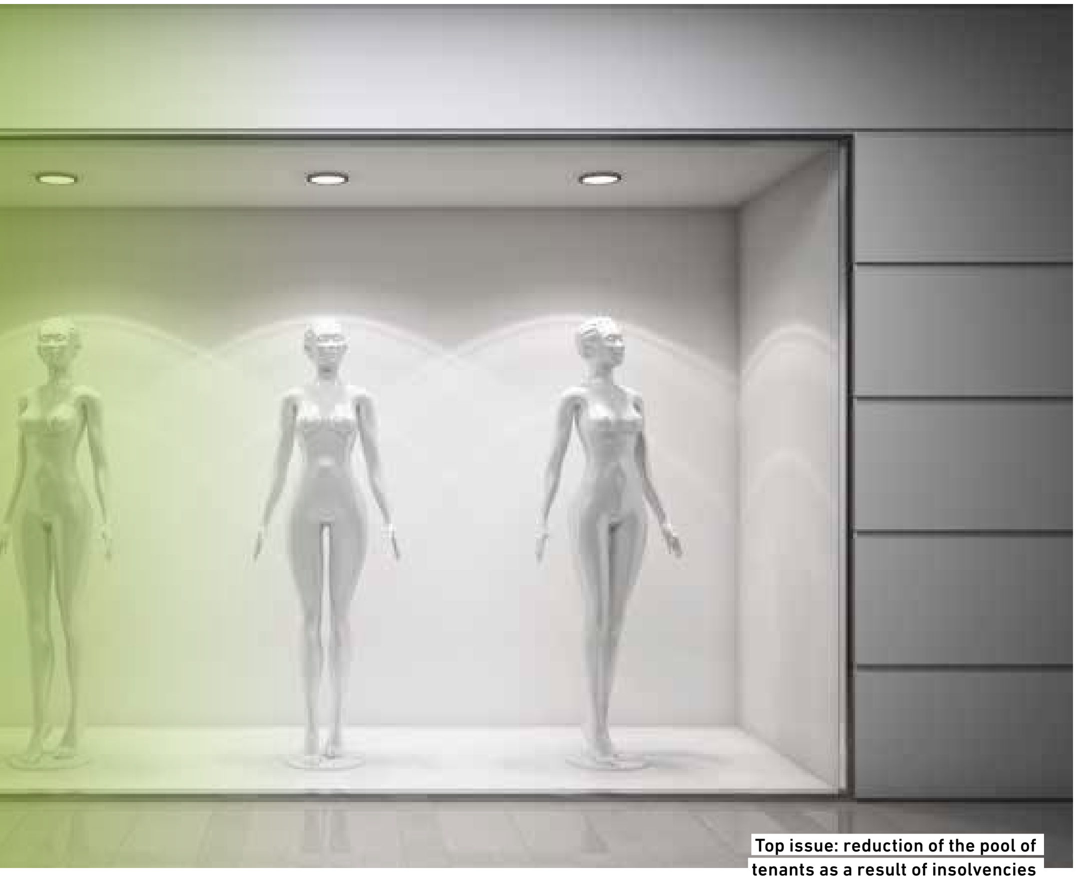
In the interests of the ecological and economic sustainability of shopping centers, factors like mobility and accessibility are very important. ECE, our shopping center management partner, has begun to significantly expand the charging infrastructure at the shopping centers it manages. There are now over 150 charging points available to users of electric vehicles throughout Germany.

To enable electromobility solutions to make an effective contribution to climate protection, they must be widespread and easy to access. Therefore, a goal that is supported by Deutsche EuroShop is to equip all our centers in Germany with infrastructure for charging zero-emission electric cars by the end of 2018. Our German centers and our headquarters already procure green electricity from certified suppliers.

ECE manual on “Electromobility”: download at www.bit.ly/HandbuchElektromobil (PDF, 1.6 MB)

ARE WE LOSING RETAIL TENANTS?

THE GERMAN COUNCIL THINK-TANK ON DEVELOPMENTS IN INSOLVENCIES AND TENANCIES IN RETAIL



Top issue: reduction of the pool of tenants as a result of insolvencies

When the German Council of Shopping Centers (GCSC) conducted an online survey of its members, it revealed a fundamentally positive mood in the retail property sector. When asked about current challenges, members named as one of the top issues the shrinkage of the pool of tenants resulting from insolvencies. This reflects, among other things, mounting concerns about the growth of e-commerce and its negative impact on bricks-and-mortar retailing. This prompted the German Council think-tank to examine this issue in greater depth and to produce a brief overview of its findings.

GROWING IMPACT OF E-COMMERCE ON BRICKS-AND-MORTAR RETAILING

The first thing to do is to investigate the reasons for insolvencies. The reasons can be divided into two large groups – individual and strategic. While the individual reasons have to do with business misjudgements of every conceivable kind, the structural reasons reflect problems affecting many companies and that can rob whole sectors or types of business of their operational basis. This is what it's all about.

THE REASONS FOR INSOLVENCIES

INDIVIDUAL REASONS

- Wrong strategic decisions
- Abortive IPO
- Failure to establish a profile
- Ill-thought out expansion, cannibalisation of branches
- Unprofitable shops in problematic locations
- Indebtedness / liquidity – equity funds, SME bonds
- Collections / ranges no longer contemporary
- Missed opportunity to enhance image
- Business model has outlived its usefulness
- Little or no investment in staff, shop-building, marketing

STRUCTURAL REASONS

- Legal / tax conditions
- Exchange rate fluctuations in purchasing-market countries
- New / more rapidly changing trends in fashions
- Changed consumer behaviour
- New products and innovations (e.g. music and film streaming, e-book readers)
- New competitors, both bricks-and-mortar and online
- New channels, e-commerce
- Low margins
- Price dumping

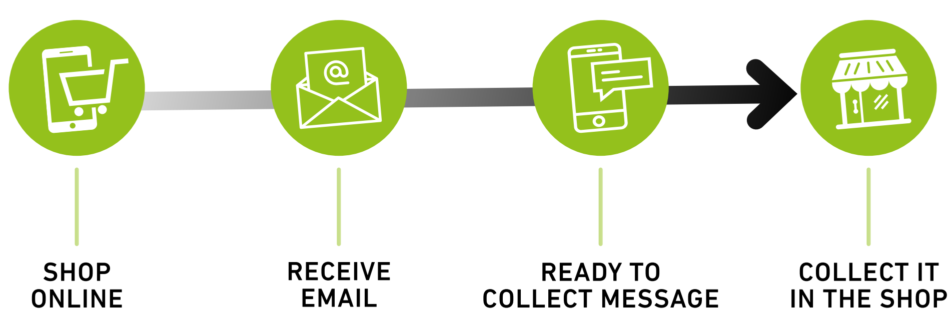
ONE ESSENTIAL CHARACTERISTIC OF RETAILING IS CHANGE

In this context, the increasing digitalisation of every area of our lives and of course of retailing certainly presents a growing challenge for the sector. It is, though, an essential characteristic of retailing (as the rhyme goes in German "Handel ist Wandel" - trade is change!), that in it sweeping changes again and again leave their mark on the market, and market participants have to adapt to them each time. Typically, these changes arrive in great surges, that may well coincide and overlap in time or indeed run in parallel. Among the changes occurring since the end of the 19th century have been the rise of the department stores, the innovation of self-service, and the development of shopping centers, specialist markets and discount stores. And while it was formerly the vertically structured players that could suddenly offer their customers twelve or more collections a year, or mono-brand stores that set themselves apart from the market through their attractive profile and could generate high margins thanks to their low purchasing costs, today's winners are those who stand out through their clear profile, established in any number of ways. Some (e.g. Primark, TK Maxx) manage to do this using pricing, others (e.g. Hollister, Apple) by means of their "story", still others (H & M, Inditex etc.) via diversification, or simply (as in the cases of Calzedonia, Elbenwald, MyMuesli, and others) by specialising. Not all of them find the right path, and so insolvencies are a process of natural selection in our competitive business.

INCREASING DIGITALISATION PRESENTS A GROWING CHALLENGE FOR THE SECTOR

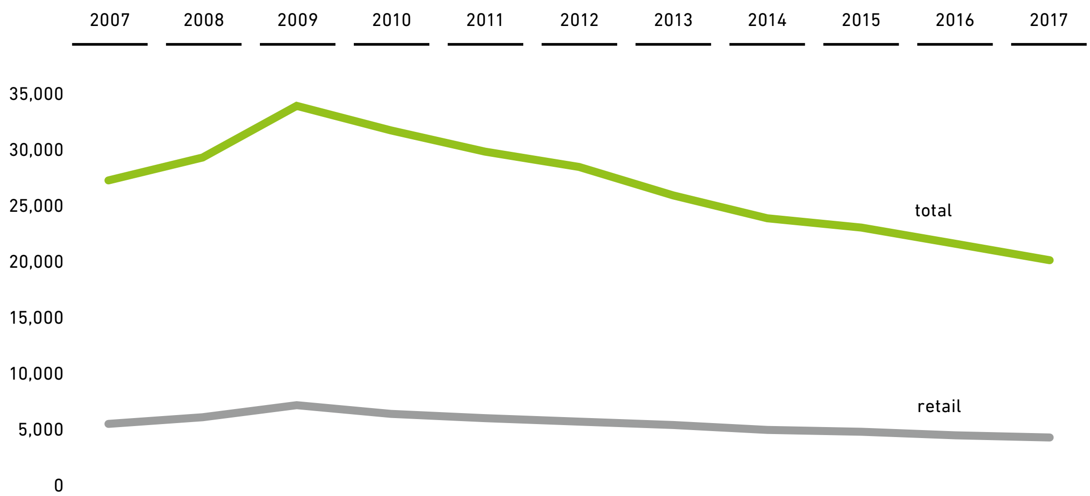
This means that landlords, owners, asset managers and shopping center operators need to keep a prudent eye on these developments. In times of upheaval like the present, which has been unleashed by e-commerce, it must be in the interests of all to support through the crisis those trading partners who have a long track record of success and to work out sustainable solutions for the future. This will call for close and careful monitoring of the market, a pro-active approach and close communication between tenants and owners / managers.

THE CLICK & COLLECT COSTUMER JOURNEY:



INSOLVENCIES IN GERMANY

Total and in retail 2007-2017



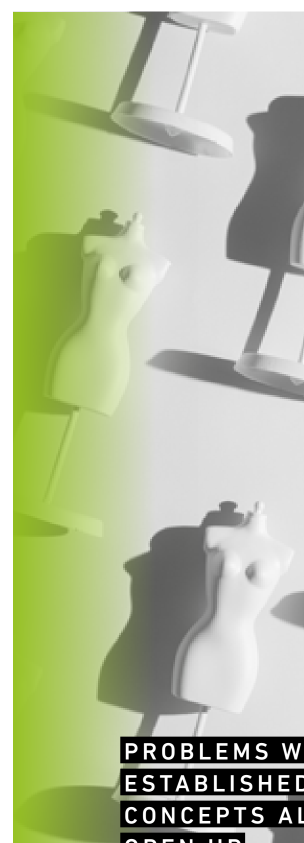
It did, admittedly, happen in the more recent past that insolvencies of big-name retail players tended to pile up somewhat, but it has to be remembered that this did not take anywhere near all the players off the market; on the contrary, some of them – SinnLeffers, Wöhrl or Woolworth and Karstadt, for example – are now still prominent players after having been restructured. It also needs to be observed that, in terms of the absolute totals produced by Creditreform, the number of corporate insolvencies in retail have indeed, when compared over the longer term, gone down significantly (2017: -4.7%). We are not, then, at any rate where the figures for companies are concerned, dealing with some sort of mass phenomenon.

To those who embrace it, too, the online market offers many ways of adding to their own marketing options. Online retail offers the market many quite new ways of meeting customers' needs, and the following list of them is far from exhaustive:

- **24 / 7 shopping and Click & Collect**
- **Price comparisons and product descriptions**
- **Extensive availability through access to networked merchandise management**
- **Advertising on social media**

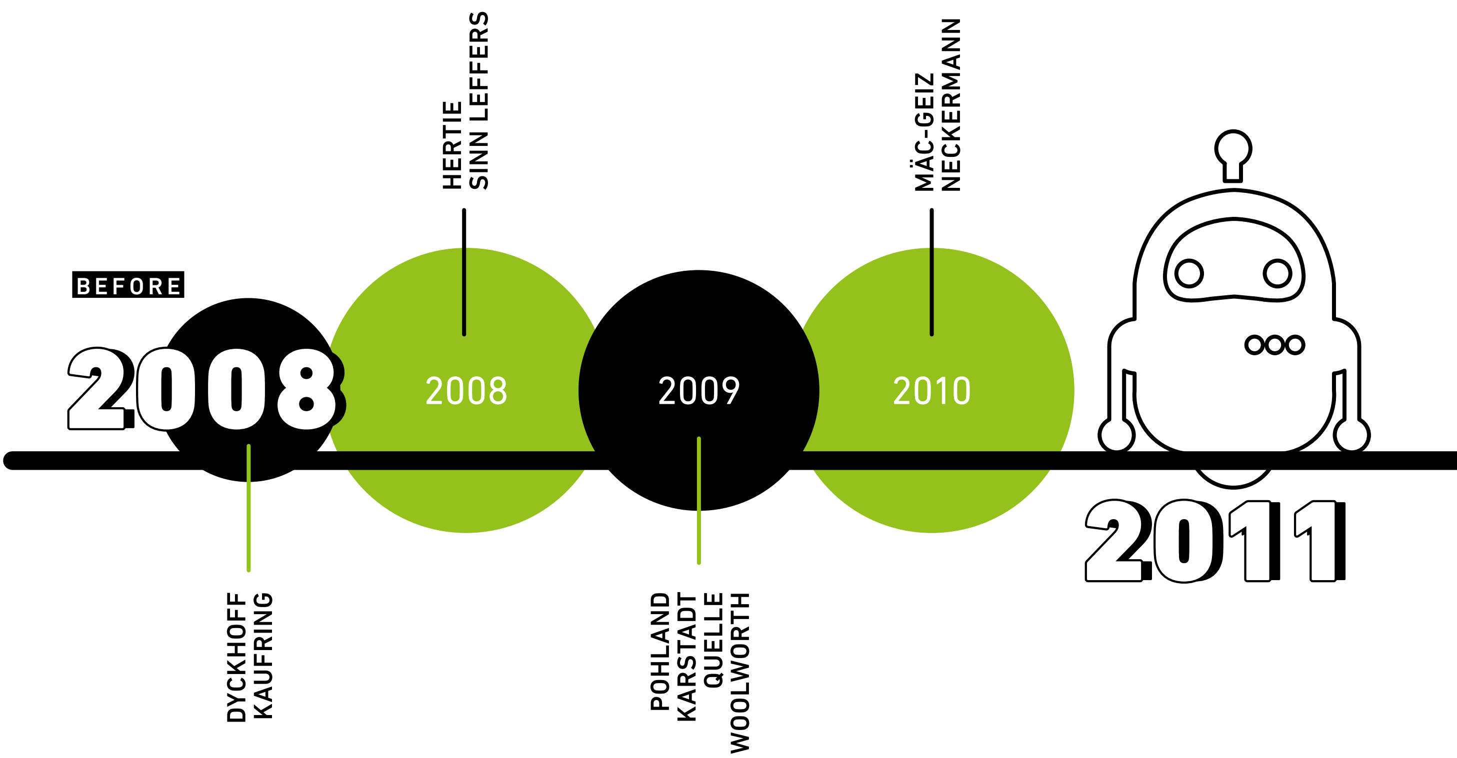
Retailers who expand their distribution networks through a multichannel approach can enable their bricks-and-mortar business premises, too, to benefit from the advantages of the online market.

However, the positive developments on the tenancy front tend to be somewhat overshadowed by the headline-dominating insolvencies. For example, a whole array of newcomers to the retail sector are on the move, mainly from



PROBLEMS WITH ESTABLISHED CONCEPTS ALSO OPEN UP OPPORTUNITIES FOR NEW IDEAS

INSOLVENCIES IN GERMANY

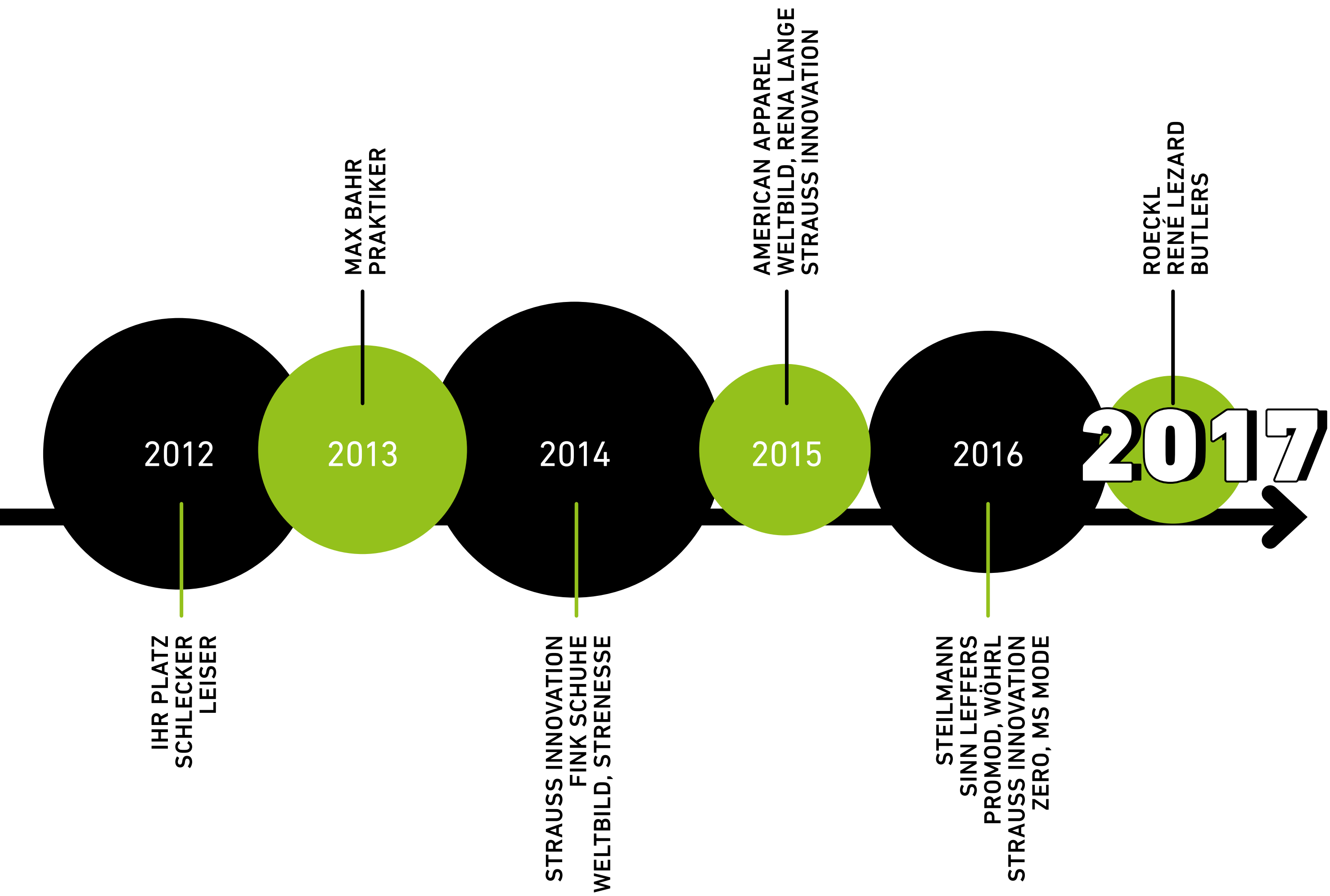


abroad or opening a very large number of outlets very fast. This is characteristic of the segment of anchor tenants such as Reserved, Decathlon, Clas Ohlson, Uniqlo, Primark, TK Maxx, Edeka, Rewe and others, and it is certainly true of the medium-sized and small tenants. In this way, then, of course, problems with established concepts open up opportunities for new and previously unknown ones or even whole sectors (the classic example being gastronomy), since the availability of really good locations and centers is still very definitely finite.

CUSTOMER BEHAVIOUR IS BEOMING LESS PREDICTABLE, AS CUSTOMERS ARE ALWAYS WELL-INFORMED

Customer behaviour is becoming less and less predictable: Customers are always well-informed, act highly spontaneously, and want an experience of real added value by comparison with online shopping when they shop in an outlet. It is in particular those retailers who stand out thanks to their clear brand message, good customer care or additional service, who welcome the customer to a modern and attractive sales venue, who will become household names.

The prospect, in our view, is of shopping centers and town centers becoming much more variegated and less predictable in terms of the array of outlets, with a tendency towards fewer textiles outlets and more gastronomy, with the food on offer becoming generally more important, with pop-up stores and many more international labels. Retail will remain essential, but as a part of a changing and more complex whole. Consumers will increasingly decide where to do their shopping on the basis of their all-round experience, of an interplay of every imaginable aspect of shopping, the sensation, the design of the center and of the public space, and thinking of it as a social meeting point with cultural offerings.



The biggest center management companies also have an opportunity to use their own targeted start-up programmes to promote the concepts of tomorrow and hence also a long-term clientele of tenants for themselves. Helping start-ups with innovative concepts benefits the center operator, the start-up itself, and the consumers alike. The risk to the center operators is limited to the subsidies for building works and the general subsidies, the reduced rent (for three or four months) and help with advertising. The ultimate effect of the mentoring system is to make the sharing of business processes (through business reviews and training days) a lasting part of the relationship between the start-up and the company operating the shopping center. From the consumer's point of view, start-ups add a note of individuality to malls and make them less uniform. The ideal situation would be a symbiosis growing over the years between the start-up and the center operator, not only in the test center, but also at national level, enabling greater diversity in our inner cities, shopping centers and other destinations for shoppers. We see decreasing uniformity and increasing individuality as factors that will surely become even more important, not least as part of the shopping experience, in a digital world.

FROM THE CONSUMER'S POINT OF VIEW, START-UPS ADD A TOUCH OF INDIVIDUALITY TO MALLS AND MAKE THEM MORE VARIED

Compiled by Olaf Petersen (COMFORT Management Services), Sebastian Müller (GfK GeoMarketing) GmbH, Harald Kams (ECE Projektmanagement), Lena Knopf (EHI Retail Institute) and Kersten Peter (Unibail-Rodamco Germany). Printed with the kind permission of the German Council of Shopping Centers.

New tenants

TESLA

AUTOMOTIVE MANUFACTURERS COME TO SHOPPING CENTERS

New Tesla Store in Main-Taunus-Zentrum

Californian automotive manufacturer Tesla opened its third location in the greater Frankfurt area, at the Main-Taunus-Zentrum, at the end of September 2017. The prize-winning, all-electric Model S and Model X are currently on display. The new Tesla Store also includes the interactive Tesla Design Studio.

Potential customers can find out more about the technology behind electric vehicles in a relaxed, informative atmosphere in-store. Interested individuals can take a test drive right away at the center. There are also numerous destination chargers available in the car park for customers to charge their own vehicles while shopping.

In light of advancing digitisation and associated customer needs, the automotive sector is also breaking new ground to bring vehicles to customers – moving away from industrial parks to more centrally located, high-traffic retail locations, including shopping centers. In addition to locational advantages, shopping centers also offer automotive manufacturers a high-class brand environment and the possibility of high-quality promotion and positioning of their own brand. A balanced sector mix, pleasant atmosphere and enticing service and events in DES centers also ensure an attractive ambiance and strong appeal.

Our center management partner ECE is also always on the lookout for new trends, brands and exciting concepts on our behalf.

Ongoing discussions are therefore also held with other well-known automotive manufacturers (such as Opel), to inspire them with the idea that cars can be also be sold in other ways than in suburban dealerships, which are often rather clinical.

Tesla has set itself the goal of accelerating the global transition to sustainable energy.

Tesla//California-based Tesla develops and manufactures electric vehicles and renewable energy storage systems with the aim of accelerating the world's transition to sustainable energy and reducing the cost of electric vehicles with the aid of a comprehensive generation of models. Tesla is continuing to expand in Germany with superchargers for charging on long-distance routes, as a convenient complement to destination chargers for charging Tesla vehicles at home, at work, at hotels or at shopping centers.

New tenants

THE WONDERFUL WORLD OF ANNA AND CLARA

In 1973, the tale of Søstrene Grene began in Aarhus, Denmark.

It is the story of the two elderly Grene sisters, Anna and Clara, who put a lot of love into making the everyday a bit more beautiful. Anna and Clara are able to find beauty and charm in even the tiniest details. They hope to share their excitement with the rest of the world. That's why they've created a chain of retail stores with a really special atmosphere. Walking into one of these stores is meant to feel like entering an oasis where shoppers can, at least for a moment, take a break from the hectic pace of everyday life. In this way, the sisters seek to set the stage for magical experiences and moments of joy. Experiences that encourage people to explore and let their imaginations run free.

With great passion, the sisters develop new designs within their product categories, which include interior design, stationery, gift wrapping, crafts, kitchen goods and toys for children. The stores receive a wealth of new products every week, and many of these items are only sold for short periods of time. "Variety is the spice of life," as Clara says, although some items are included in the permanent product range. Common to all products is an elegant and feminine expression that brings beauty to everyday life. In Danish, this is all expressed through the word "Hygge*". Prices are always kept at a reasonable level. To Anna and Clara, it is important that customers feel that they have found a bargain. That is also why Søstrene Grene impose on themselves, and on all their suppliers, strict requirements as regards quality, working conditions and product safety.

In the Deutsche EuroShop portfolio, the sisters bid you a warm welcome to their shops in the Phoenix-Center in Hamburg-Harburg and in the A10 Center in Wildau / Berlin.

SØST-RENE GRENE

Søstrene Grene // Hygge" is a state of joy, contentment and warmth. A sense of belonging to the moment. "Hygge" occurs when you live in the present and have fun. You frame the great moment and notice all the positive qualities that add to the wonderful feeling of being alive.

THE SHOPPING CENTER OF THE FUTURE

Online and offline, digital and physical – the channels are becoming increasingly intermingled, especially in the retail sector: traditional online suppliers are going offline with shops of their own, while bricks-and-mortar retailers are using digital channels and expanding their online presence. The relevance of retail platforms is increasing. And shopping centers, too, make a suitable omni-channel platform for linking customers and tenants – at all levels, both analogue and digital. With center apps, digital entertainment and pilot projects such as Digital Mall, the transformation began a long time ago in the centers managed by ECE. Where to now? How might the shopping center of the future look?

Ideally, the center will be seen as a platform that can house both classic retail and e-commerce, and will not just be a world of sale and discovery but also a logistics and production facility – a vision along the customer journey:

DEPARTURE

Purchases will be carried directly to the car by service robots – or dispatched to the home in no time at all. The center will therefore become a logistics property capable of taking full advantage of its proximity to the customer on the “last mile” of the supply chain.

RELAX

Multi-sense applications will create the perfect shopping atmosphere with lighting, sounds and fragrances. International brands will be presented in an entirely new manner – marketing and entertainment will merge and create new experiences.

SMART CENTER

Digital facility management will optimise center operation: a digital center twin will pool all the relevant data. The systems of all suppliers in the center will be fully networked. Heatmaps will enable customer flows to be analysed and will help with tenant acquisition. Forecasts of visitor numbers will assist retailers with staffing plans.

MART
ENTER

@HOME
The customer of tomorrow will no longer distinguish between online and offline, and will enjoy both an analogue and a digital connection with the center. All the items in the center will be available to purchase online, to try out and purchase in the center, or to be delivered to the home using the delivery service. The center will develop into a retail and logistics platform.

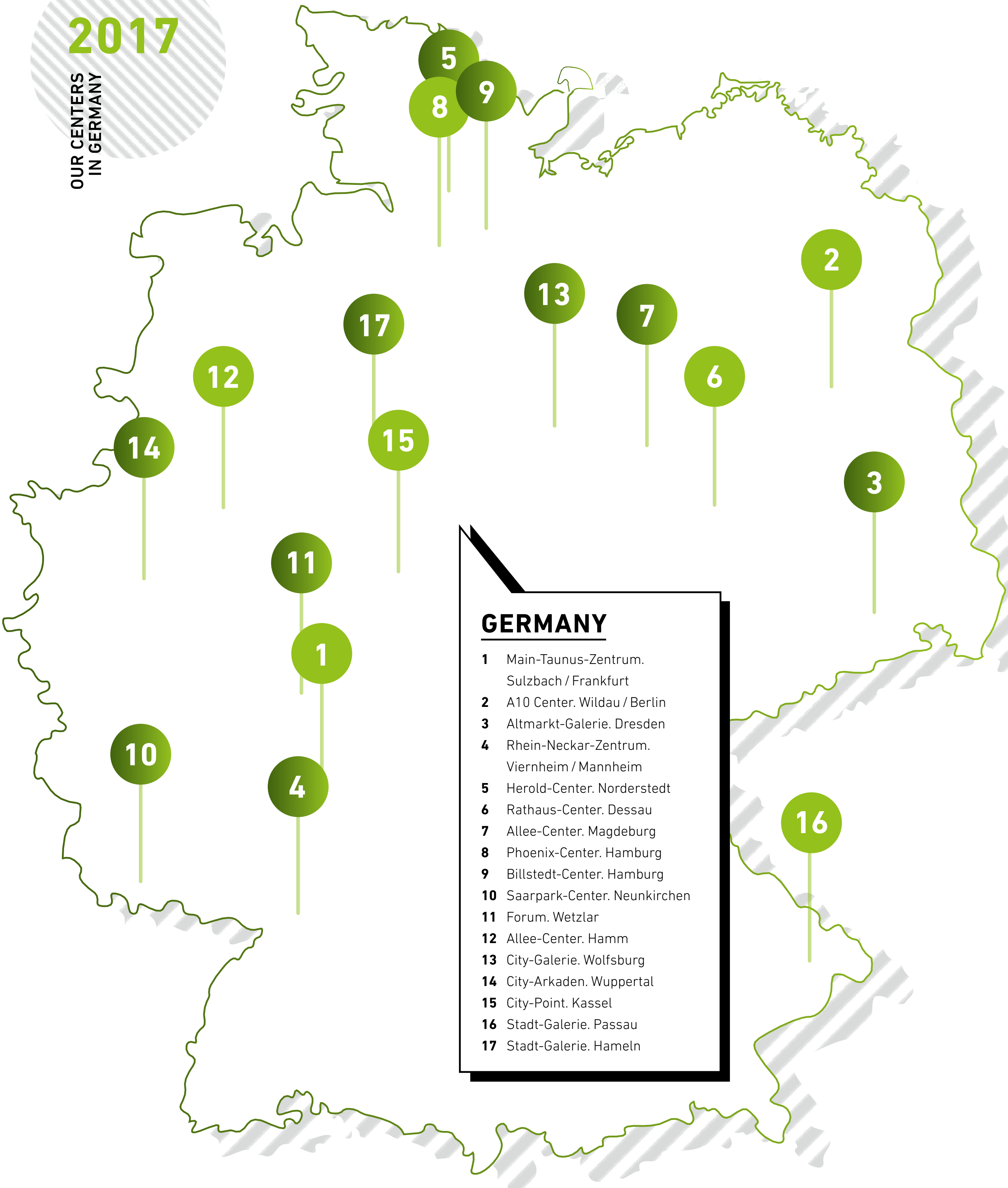
ARRIVAL
Upon arrival by car there will be no more barriers or cash machines. The navigation system will automatically lead customers to the nearest empty parking space. Self-driving cars will head to stop & shop zones. Parking fees will be calculated dynamically and charged automatically.

SHOPPING
The center will also become a production facility: personalised products will be created individually on the spot with the help of body scanners and 3D printers. The customer will pay directly and in a cashless manner in an automated check-out process.

INFORMATION
With a smartphone check-in process, customers will receive individual offers based on their profile. Digital maps will navigate them through the center. A digital concierge with artificial intelligence will provide information and advice.

2017

OUR CENTERS IN GERMANY



GERMANY

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

CENTERS IN GERMANY 2017

8.4

AVERAGE NUMBER OF VISITORS PER CENTER IN GERMANY IN 2017 IN MILLION

880,600

FLOOR SPACE OF ALL CENTERS IN GERMANY IN 2016 IN M²

2,060

NUMBER OF STORES IN SHOPPING CENTERS IN GERMANY

142.5

NUMBER OF VISITORS IN GERMANY IN 2017 IN MILLION

DGNB DGNB

The Deutsche Gesellschaft für Nachhaltiges Bauen (German Sustainable Building Council, DGNB) awarded sustainability certificates to 20 shopping centers in our portfolio.

Sulzbach / Frankfurt

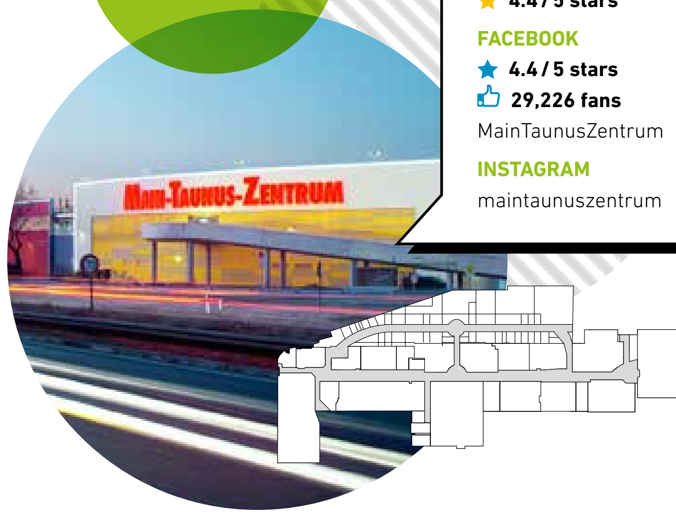
MAIN-TAUNUS-ZENTRUM

Investments: 52%
Leasable space: 124,000 m^2
of which retail space: 91,000 m^2
(plus C & A)
Parking: 4,500
No. of shops: 170
Occupancy rate: 100%
Catchment area: 3.1 million residents
Purchased by DES: September 2000
Grand opening: 1964
Restructuring / Modernisation: 2004
Expansion: 2011
Anchor tenants: Anson's, Appelrath Cüpper, Apple, Breuninger, Galeria Kaufhof, H & M, Hollister, Intersport, Karstadt, Media Markt, REWE. Zara

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

WWW.MAIN-TAUNUS-ZENTRUM.DE

7.9 MILLION
VISITORS
2017



GOOGLE
★ **4.4 / 5 stars**
FACEBOOK
★ **4.4 / 5 stars**
29,226 fans
MainTaunusZentrum
INSTAGRAM
maintaunuszentrum

Wildau / Berlin

A10 CENTER

Investments: 100%
Leasable space: 121,000 m^2
of which retail space: 66,000 m^2
Parking: 4,000
No. of shops: 200
Occupancy rate: 100%
Catchment area: 1.1 million residents
Purchased by DES: January 2010
Grand opening: 1996
Restructuring / Modernisation: 2010 – 2011
Anchor tenants: Bambooland, Bauhaus, C & A, Hammer, H & M, Karstadt Sports, MediMax, Peek & Cloppenburg, real

Address:
Chausseestraße 1
15745 Wildau

WWW.A10CENTER.DE

GOOGLE
★ **4.4 / 5 stars**
FACEBOOK
★ **4.4 / 5 stars**
25,227 fans
A10Center

6.7 MILLION
VISITORS
2017

Dresden

ALTMARKT-GALERIE

13.9 MILLION VISITORS 2017

GOOGLE
4.4 / 5 stars

FACEBOOK
4.4 / 5 stars
58,305 fans
altmarkt.galerie

INSTAGRAM
altmarktgaleriedresden

Investments: 100%
Leasable space: 77,000 m^2
of which retail space: 44,000 m^2
Parking: 500
No. of shops: 200
Occupancy rate: 100%
Catchment area: 2.1 million residents
Purchased by DES: September 2000
Grand opening: 2002
Expansion: 2011
Anchor tenants: Apple, Hollister, H&M, New Yorker, REWE, Saturn, SinnLeffers, SportScheck

Address:
Webergasse 1
01069 Dresden

WWW.ALTMARKT-GALERIE-DRESDEN.DE

Viernheim / Mannheim

RHEIN-NECKAR-ZENTRUM

8.1 MILLION VISITORS 2017

GOOGLE
4.3 / 5 stars

FACEBOOK
4.3 / 5 stars
49,033 fans
RheinNeckarZentrumViernheim

INSTAGRAM
rheinneckarzentrum_viernheim

Investments: 100%
Leasable space: 69,500 m^2
of which retail space: 60,000 m^2
(plus Karstadt and C&A)
Parking: 3,800
No. of shops: 110
Occupancy rate: 99%
Catchment area: 1.5 million residents
Purchased by DES: September 2000
Grand opening: 1972
Restructuring / Modernisation: 2002
Anchor tenants: Aldi, Bauhaus, Engelhorn Active Town, H&M, Hugendubel, Müller Drogerie, Peek & Cloppenburg

Address:
Robert-Schumann-Straße 8a
68519 Viernheim

WWW.RNZONLINE.DE

Norderstedt

HEROLD-CENTER

Investments: 100%
Leasable space: 54,300 m²
of which retail space: 26,000 m²
(plus Karstadt and Saturn)
Parking: 850
No. of shops: 140
Occupancy rate: 98%
Catchment area:
0.5 million residents
Purchased by DES:
January 2013
Grand opening: 1971
Restructuring / Modernisation: 1995 and 2003
Anchor tenants: C & A, H & M, Peek & Cloppenburg, REWE

Address:
Berliner Allee 38-44
22850 Norderstedt

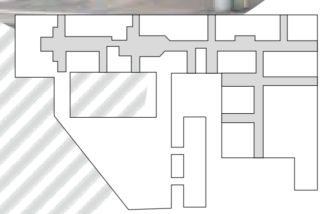
WWW.HEROLD-CENTER.DE

10.5 MILLION VISITORS 2017

GOOGLE
★ **4.1 / 5 stars**

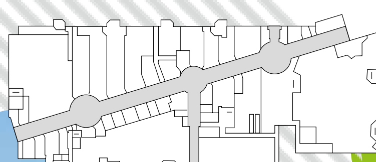
FACEBOOK
★ **4.2 / 5 stars**
28,756 fans
Herold.Center.Norderstedt

INSTAGRAM
heroldcenter



Dessau

RATHAUS-CENTER



5.4 MILLION VISITORS 2017

GOOGLE
★ **4.4 / 5 stars**

FACEBOOK
★ **4.2 / 5 stars**
18,462 fans
rathauscenterdessau

INSTAGRAM
rathauscenterdessau

Investments: 100%
Leasable space: 52,500 m²
of which retail space: 32,900 m²
(plus Karstadt)
Parking: 850
No. of shops: 90
Occupancy rate: 98%
Catchment area: 0.5 million residents
Purchased by DES: November 2005
Grand opening: 1995
Anchor tenants: H & M, Modehaus Fischer, Thalia, TK Maxx

Address:
Kavalierstraße 49
06844 Dessau-Roßlau

WWW.RATHAUSCENTER-DESSAU.DE

Magdeburg

ALLEE-CENTER

Investments: 50%
Leasable space: 51,300 m²
of which retail space: 35,000 m²
Parking: 1,300
No. of shops: 150
Occupancy rate: 98%
Catchment area: 0.8 million residents
Purchased by DES: October 2011
Grand opening: 1998
Expansion: 2006
Anchor tenants: H&M, REWE, Saturn, SinnLeffers, SportScheck

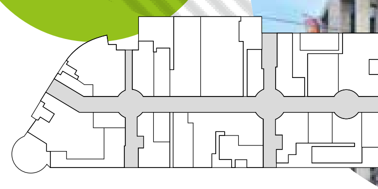
Address:
Ernst-Reuter-Allee 11
39104 Magdeburg

WWW.ALLEE-CENTER-MAGDEBURG.DE

GOOGLE
4.3 / 5 stars
FACEBOOK
4.3 / 5 stars
49,343 fans
AlleeCenterMD
INSTAGRAM
alleecentermagdeburg

DGNB

9.3 MILLION VISITORS 2017



Hamburg

PHOENIX-CENTER

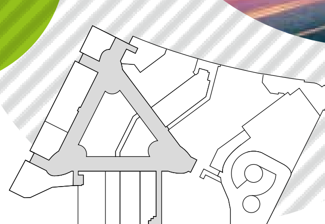
Investments: 50%
Leasable space: 43,400 m²
of which retail space: 29,000 m²
Parking: 1,400
No. of shops: 130
Occupancy rate: 98%
Catchment area: 0.6 million residents
Purchased by DES: August 2003
Grand opening: 2004
Restructuring / Modernisation: 2016
Anchor tenants: C&A, H&M, Karstadt Sports, Stadium, Media Markt, New Yorker, REWE, SinnLeffers

Address:
Hannoversche Straße 86
21079 Hamburg

WWW.PHOENIX-CENTER-HARBURG.DE

GOOGLE
4.2 / 5 stars
FACEBOOK
4.3 / 5 stars
26,578 fans
PhoenixCenterHarburg
INSTAGRAM
phoenixcenterharburg

9.3 MILLION VISITORS 2017



DGNB

Hamburg

BILLSTEDT-CENTER

11.3 MILLION
VISITORS 2017

GOOGLE
★ **3.9 / 5 stars**

FACEBOOK
★ **4.2 / 5 stars**
19,602 fans
Billstedtcenter

INSTAGRAM
billstedtcenter_hamburg

Investments: 100%
Leasable space: 42,500 m²
of which retail space: 29,500 m²
(plus Primark)
Parking 1,500
No. of shops: 110
Occupancy rate: 95%
Catchment area: 1.0 million residents
Purchased by DES: January 2011
Grand opening: 1969 / 1977
Restructuring: 1996
Anchor tenants: C & A, H & M, Media Markt, REWE, TK Maxx

Address:
Möllner Landstraße 3
22111 Hamburg

WWW.BILLSTEDT-CENTER.DE

Neunkirchen

SAAR-PARK-CENTER

Investments: 50%
Leasable space: 35,600 m²
of which retail space: 33,500 m²
Parking: 1,600
No. of shops: 130
Occupancy rate: 99%
Catchment area: 1.4 million residents
Purchased by DES: October 2016
Grand opening: 1989
Restructuring: 1999 / 2009
Anchor tenants: C & A, Müller Drogerie, H & M, Peek & Cloppenburg, REWE, TK Maxx

Address:
Stummplatz 1
66538 Neunkirchen

WWW.SAARPARK-CENTER-NEUNKIRCHEN.DE

6.8 MILLION
VISITORS 2017

GOOGLE
★ **4.3 / 5 stars**

FACEBOOK
★ **4.3 / 5 stars**
38,074 fans
SaarparkCenterNeunkirchen

INSTAGRAM
saarparkcenter

Wetzlar

FORUM

Investments: 65%
Leasable space: 34,500 m²
of which retail space: 23,500 m²
Parking: 1,700
No. of shops: 110
Occupancy rate: 98%
Catchment area: 0.5 million residents
Purchased by DES: October 2003
Grand opening: 2005
Anchor tenants: Kaufland, Media Markt, Sporthaus Kaps, Thalia

Address:
Am Forum 1
35576 Wetzlar

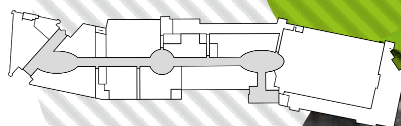
WWW.FORUM-WETZLAR.DE

7.5 MILLION VISITORS 2017

GOOGLE
4.3 / 5 stars

FACEBOOK
4.3 / 5 stars
18,135 fans
ForumWetzlar

INSTAGRAM
forumwetzlar



Hamm

ALLEE-CENTER

Investments: 100%
Leasable space: 34,000 m²
of which retail space: 21,000 m²
Parking: 1,300
No. of shops: 90
Occupancy rate: 99%
Catchment area: 0.7 million residents
Purchased by DES: April 2002
Grand opening: 1992
Restructuring / Modernisation: 2009 / 2009
Anchor tenants: C & A, H & M, Peek & Cloppenburg, REWE, Saturn

Address:
Richard-Matthaei-Platz 1
59065 Hamm

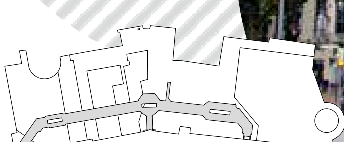
WWW.ALLEE-CENTER-HAMM.DE

6.3 MILLION VISITORS 2017

GOOGLE
4.2 / 5 stars

FACEBOOK
25,339 fans
AlleeCenterHamm

INSTAGRAM
alleecenterhamm



Wolfsburg

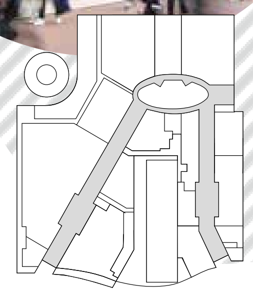
CITY-GALERIE

Investments: 100%
Leasable space: 30,800 m^2
of which retail space: 20,000 m^2
Parking: 800
No. of shops: 100
Occupancy rate: 98%
Catchment area:
0.5 million residents
Purchased by DES: September 2000
Grand opening: 2001
Restructuring: 2011
Anchor tenants: Hempel, New Yorker, REWE, Saturn

Address:
Porschestraße 45
38440 Wolfsburg

WWW.CITY-GALERIE-WOLFSBURG.DE

7.2 MILLION
VISITORS
2017



GOOGLE
★ **4.1 / 5 stars**
FACEBOOK
★ **4.2 / 5 stars**
9,328 fans
city.galerie.wolfsburg
INSTAGRAM
citygaleriewolfsburg

Wuppertal

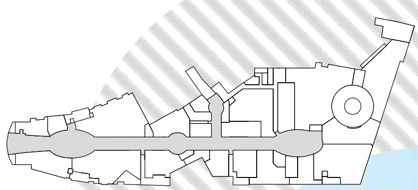
CITY-ARKADEN

Investments: 100%
Leasable space: 28,700 m^2
of which retail space: 20,000 m^2
Parking: 650
No. of shops: 80
Occupancy rate: 99%
Catchment area:
0.8 million residents
Purchased by DES: September 2000
Grand opening: 2001
Restructuring: 2011
Anchor tenants: Akzenta, H & M, Thalia, Reserved

Address:
Alte Freiheit 9
42103 Wuppertal

WWW.CITY-ARKADEN-WUPPERTAL.DE

8.1 MILLION
VISITORS
2017



GOOGLE
★ **4.2 / 5 stars**
FACEBOOK
★ **4.2 / 5 stars**
10,179 fans
CityArkadenWuppertal
INSTAGRAM
cityarkadenwuppertal

Kassel

CITY-POINT

Beteiligung: 100%
Leasable space: 27,800 m²
of which retail space: 20,000 m²
Parking: 220
No. of shops: 60
Occupancy rate: 100%
Catchment area: 0.8 million residents
Purchased by DES: September 2000
Grand opening: 2002
Restructuring: 2009 / 2015
Anchor tenants: H & M, New Yorker, Saturn, tegut

Address:
Königsplatz 61
34117 Kassel

WWW.CITY-POINT-KASSEL.DE

GOOGLE
4,2 / 5 stars

FACEBOOK
47,099 fans
CityPointKassel

INSTAGRAM
citypointkassel

DGNB

8.5 MILLION
VISITORS 2017

Passau

STADT-GALERIE

Investments: 75%
Leasable space: 27,700 m²
of which retail space: 21,000 m²
Parking: 500
No. of shops: 90
Occupancy rate: 98%
Catchment area: 1.2 million residents
Purchased by DES: December 2006
Grand opening: 2008
Anchor tenants: C & A, Esprit, Saturn, Thalia

Address:
Bahnhofstraße 1
94032 Passau

WWW.STADT-GALERIE-PASSAU.DE

8.0 MILLION
VISITORS 2017

GOOGLE
4.3 / 5 stars

FACEBOOK
4.4 / 5 stars
30,573 Fans
StadtgaleriePassau

INSTAGRAM
stadtgalerie_passau

DGNB

Hameln

STADT-GALERIE

Investments: 100%
Leasable space: 26,000 m^2
of which retail space: 19,000 m^2
Parking: 500
No. of shops: 100
Occupancy rate: 97%
Catchment area: 0.4 million residents
Purchased by DES: November 2005
Grand opening: 2008
Anchor tenants: Müller Drogerie, New Yorker, real. Thalia

Address:
Pferdemarkt 1
31785 Hameln

WWW.STADTGALERIEHAMELN.DE

DGNB

GOOGLE
★ **4.2 / 5 stars**

FACEBOOK
★ **4.1 / 5 stars**
10,556 fans
StadtGalerieHameln

INSTAGRAM
stadtgaleriehameln

7.7 MILLION
VISITORS 2017

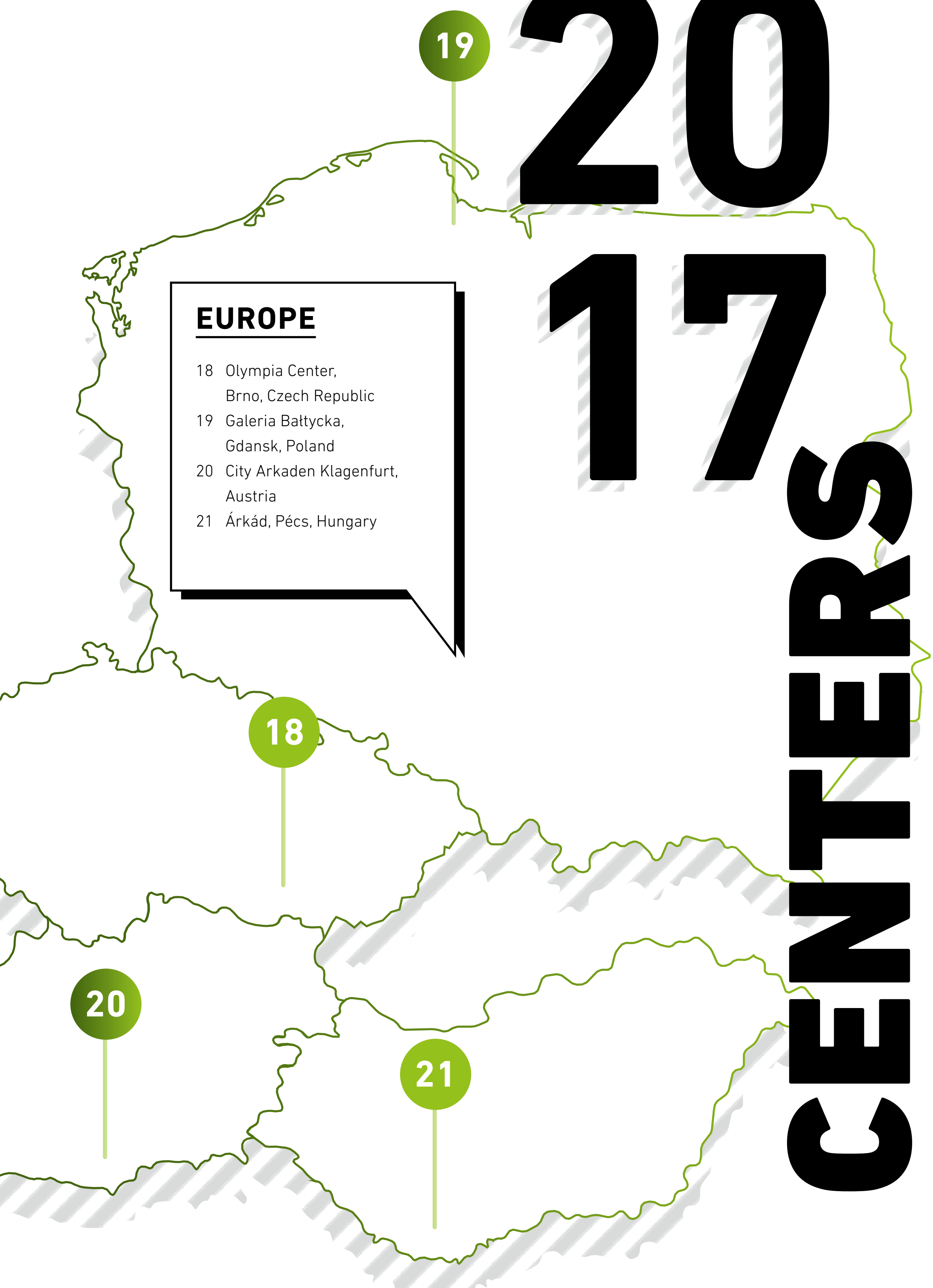
36.8
NUMBER OF VISITORS ABROAD IN 2016 IN MILLION

206,000
TOTAL FLOOR SPACE OF ALL CENTERS ABROAD IN 2017 IN M^2

643
NUMBER OF STORES IN SHOPPING CENTERS ABROAD

9.2
AVERAGE NUMBER OF VISITORS PER CENTER IN 2017 IN MILLION

2017 CENTERS ABROAD



EUROPE

18 Olympia Center, Brno, Czech Republic
19 Galeria Bałtycka, Gdansk, Poland
20 City Arkaden Klagenfurt, Austria
21 Árkád, Pécs, Hungary

Brynn, Czech Republic

OLYMPIA CENTER

Investments: 100%
Leasable space: 85,000 m^2
of which retail space: 71,000 m^2
Parking: 4,000
No. of shops: 200
Occupancy rate: 98%
Catchment area: 1.2 million residents
Purchased by DES: March 2017
Grand opening: 1999
Restructuring: 2014 – 2016
Anchor tenants: Albert, H & M, Intersport, Peek & Cloppenburg

Address:
U Dálnice 777, 664 42 Modřice
Brno, Czech Republic

WWW.OLYMPIA-CENTRUM.CZ

8.5 MILLION
VISITORS 2017

GOOGLE
★ **4.4 / 5 stars**
FACEBOOK
★ **4.5 / 5 stars**
35,025 fans
olympiabrno
INSTAGRAM
olympiacentrumbrno

DGNB

10.0 MILLION
BESUCHER 2017

GOOGLE
★ **4.4 / 5 stars**
FACEBOOK
★ **4.3 / 5 stars**
60,956 fans
galeriabaltycka
INSTAGRAM
galeriabaltycka

Danzig, Poland

GALERIA BAŁTYCKA

Investments: 74%
Leasable space: 48,700 m^2
of which retail space: 39,500 m^2
Parking: 1,050
No. of shops: 193
Occupancy rate: 99%
Catchment area: 1.1 million residents
Purchased by DES: August 2006
Grand opening: 2007
Anchor tenants: Carrefour, H & M, Peek & Cloppenburg, Reserved, Saturn, Zara

Address:
al. Grunwaldzka 141
80-264 Gdańsk, Poland

WWW.GALERIA-BALTYCKA.PL

Klagenfurt, Austria

CITY ARKADEN

Investments: 50%
Leasable space: 36,900 m²
of which retail space: 30,000 m²
Parking: 880
No. of shops: 120
Occupancy rate: 100%
Catchment area:
0.4 million residents
Purchased by DES: August 2004
Grand opening: 2006
Anchor tenants: C & A, Peek & Cloppenburg, Saturn, Zara, H & M, Billa, Müller Drogeriemarkt

Address:
Heuplatz 5
9020 Klagenfurt, Austria

WWW.CITY-ARKADEN-KLAGENFURT.AT

5.6 MILLION
VISITORS 2017

DGNB

GOOGLE
★ 4.3 / 5 stars
FACEBOOK
★ 4.3 / 5 stars
15,816 fans
cityarkadenklagenfurt
INSTAGRAM
cityarkadenklagenfurt

Pécs, Hungary

ÁRKÁD PÉCS

Investments: 50%
Leasable space: 35,400 m²
of which retail space: 33,500 m²
Parking: 850
No. of shops: 130
Occupancy rate: 99%
Catchment area: 0.7 million residents
Purchased by DES: November 2002
Anchor tenants: C & A, H & M, Media Markt, Interspar

Address:
Bajcsy Zs. U. 11 / 1
7622 Pecs, Hungary

WWW.ARKADPECS.HU

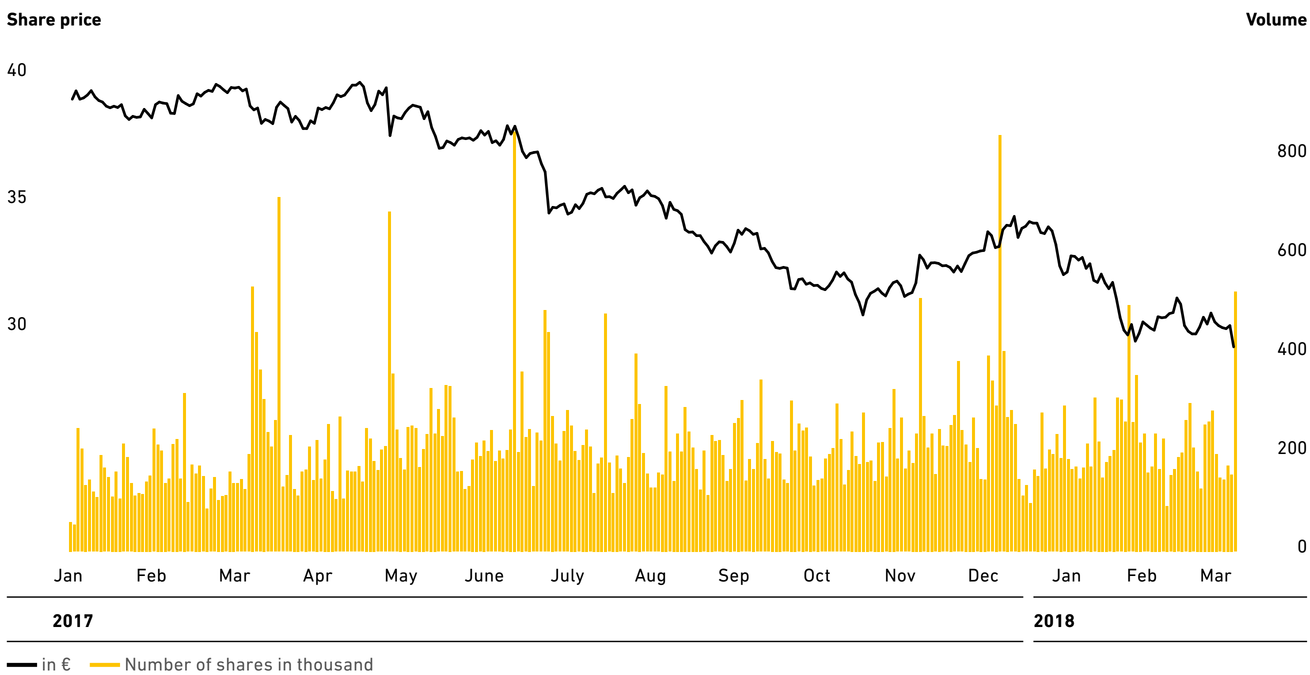
GOOGLE
★ 4.4 / 5 stars
FACEBOOK
★ 4.4 / 5 stars
40,831 fans
arkadpecs

DGNB

12.7 MILLION
VISITORS 2017

INVESTOR RELATIONS 2017

TREND OF SHARE



THE SHOPPING CENTER SHARE

SHARE PRICE NOT AN EASY YEAR FOR RETAIL PROPERTY MARKET SHARES

Following a year-end closing price for 2016 of € 38.67, Deutsche EuroShop shares started the new year in what was at first a very stable market overall without any lasting directional trend. On 18 April 2017, the share price reached € 39.32. From the end of April onwards, the share delivered a weaker performance in an environment that was particularly negative for commercial real estate. The share price hit its low for the year of € 30.37 on 25 October 2017. The price recovered slightly in the last two trading months of the year, but was not able to make up for the cumulative declines suffered previously. The share finished the year at a closing price of € 33.96. Taking into account the dividend of € 1.40 per share paid on 3 July 2017, this corresponds to a performance of -8.6% (2016: -1.2%). Deutsche EuroShop's market capitalisation stood at € 2.10 billion on 31 December 2017 (2016: € 2.09 billion).

BELOW-AVERAGE IN EUROPE

The price of Deutsche EuroShop shares fell by 12.2%. Taking into account the dividend paid of € 1.40 per share, the performance of Deutsche EuroShop shares was -8.6% year on year (2016: -1.2%). As such, our share price performance in 2017 was significantly below that of the European benchmark for listed real estate companies, the EPRA index (+13.4%) and was in the lower third of its European peer group . The benchmark index for medium-sized companies, the MDAX, gained 18.1% in the year under review.

Over the past year, German open-ended property funds achieved an average performance of +5.5% (2016: +2.8%), and attracted cash inflows of around € 5.5 billion (2016: € 4.2 billion).

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

Stock market performance

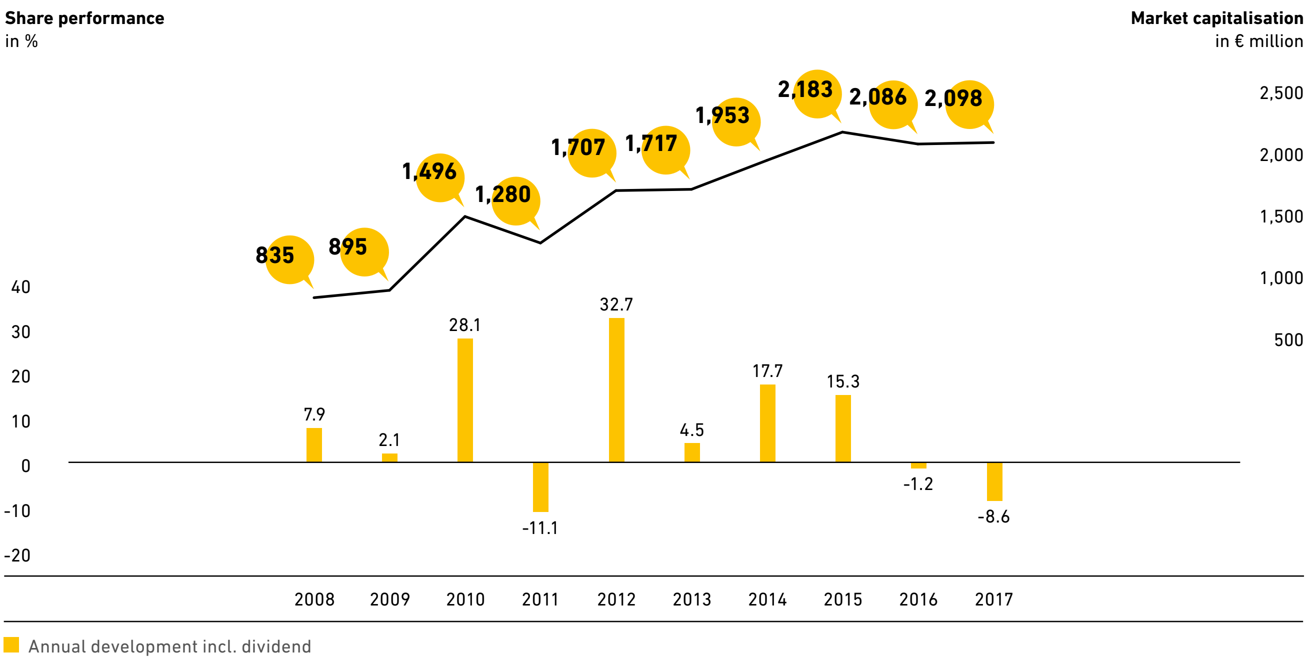
	2017	2016
DES share	-8.6%	-1.2%
DAX	12.5%	6.9%
MDAX	18.1%	6.8%
TecDAX	39.6%	-1.0%
EURO STOXX 50 (Europe)	6.8%	0.4%
Dow Jones (USA)	25.1%	13.4%
Nikkei (Japan)	19.1%	0.4%

MARKET CAPITALISATION OF ALMOST € 2.10 BILLION

Figures for the Deutsche EuroShop share

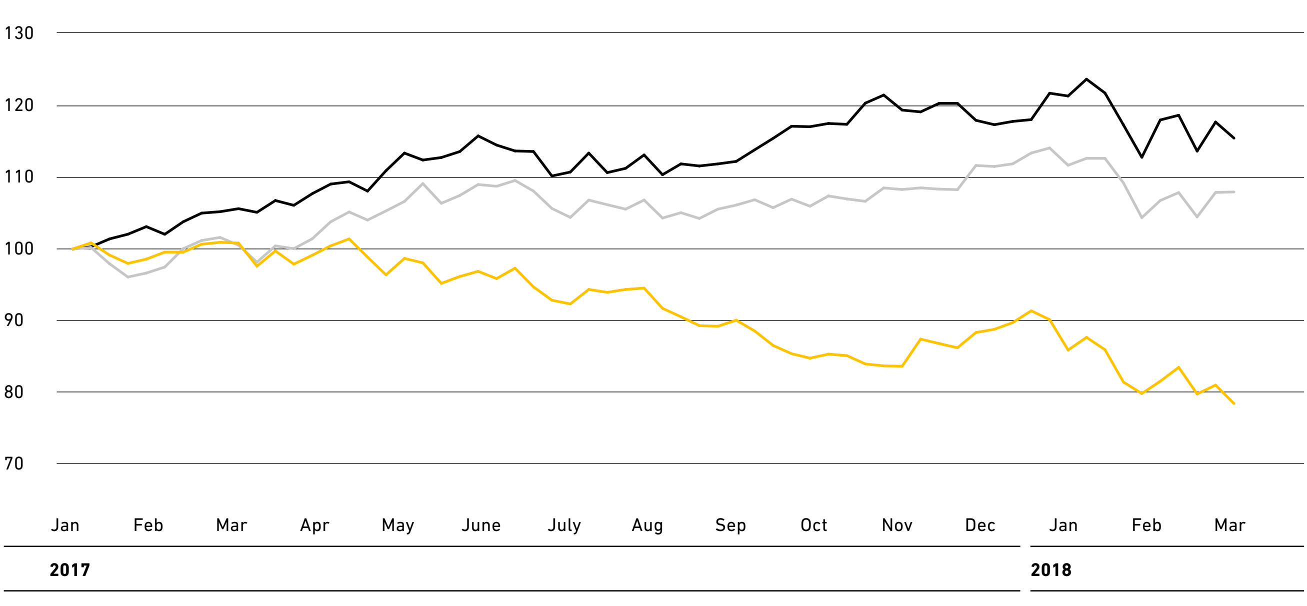
German securities no. / ISIN	748 020 / DE 000 748 020 4
Ticker symbol	DEQ
Share capital in €	61,783,594.00
Number of shares (no-par-value registered shares)	61,783,594
Indices	MDAX, EPRA, GPR 250, MSCI Small Cap, EPIX 30, HASPAX, F.A.Z.-Index, DivMSDAX
Official market	Prime Standard Frankfurter Wertpapierbörse and Xetra
OTC markets	Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart

SHARE PERFORMANCE AND MARKET CAPITALISATION OVER THE LAST 10 YEARS



TREND OF SHARE

indexed – since January 2017



SUCCESSFUL CAPITAL INCREASE

In March 2017, Deutsche EuroShop successfully completed a capital increase to finance the acquisition of the Olympia Center in Brno (Czech Republic). A total of 4,459,460 new shares (around 8.3% of the share capital at the time) were placed, exclusive of subscription rights, with qualified investors for a price of € 37.00 per share, raising some € 165 million as the proceeds from the issue.

ATTENDANCE AT AGM STABLE

The Annual General Meeting was held in Hamburg on 28 June 2017. Around 200 shareholders were in attendance at the Handwerkskammer, representing 67.5% (previous year: 68.0%) of the capital, and approved all of the items on the agenda.

CONVERTIBLE BOND ALMOST FULLY CONVERTED

The € 100 million bond issued in November 2012 with a coupon rate of 1.75% and a right to conversion into DES shares has been converted at a final rate of 99.5% into 3,378,598 shares. The final conversion price was € 29.45. The total number of shares in Deutsche EuroShop AG has since amounted to 61,783,594.

AWARDS FOR REPORTING QUALITY

The European Public Real Estate Association (EPRA) has recognised the transparency of our reporting in terms of the sector-specific financial ratios and on the topic of sustainability with a Gold Award and Most Improved Award, respectively.

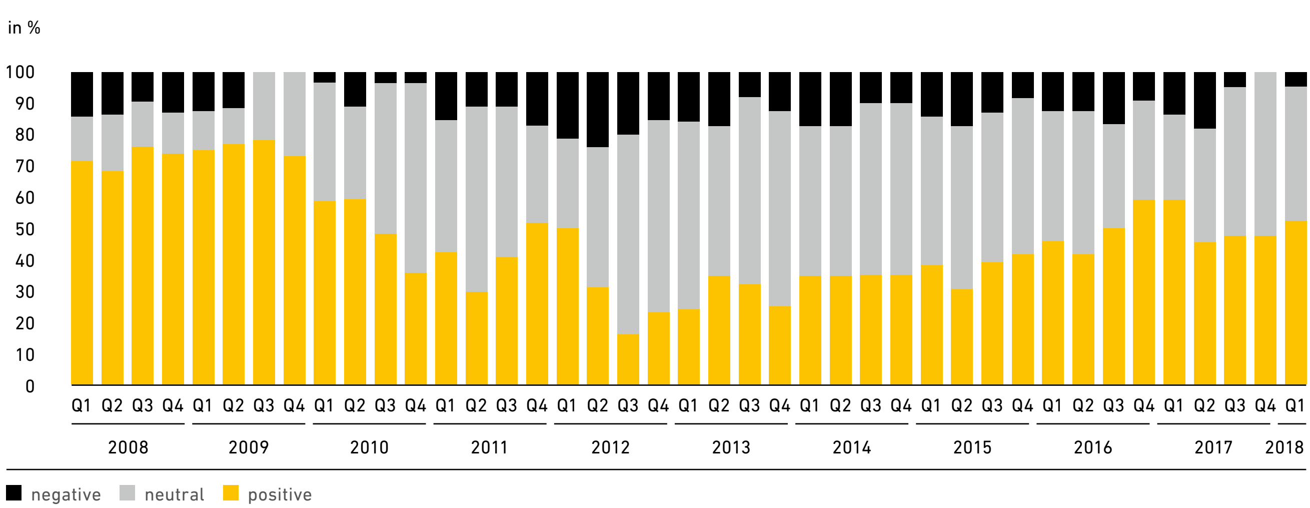
Further awards for our capital market communications can be found on our website at: www.deutsche-euroshop.de/irkommunikation

CONTINUED BROAD COVERAGE OF THE SHARES

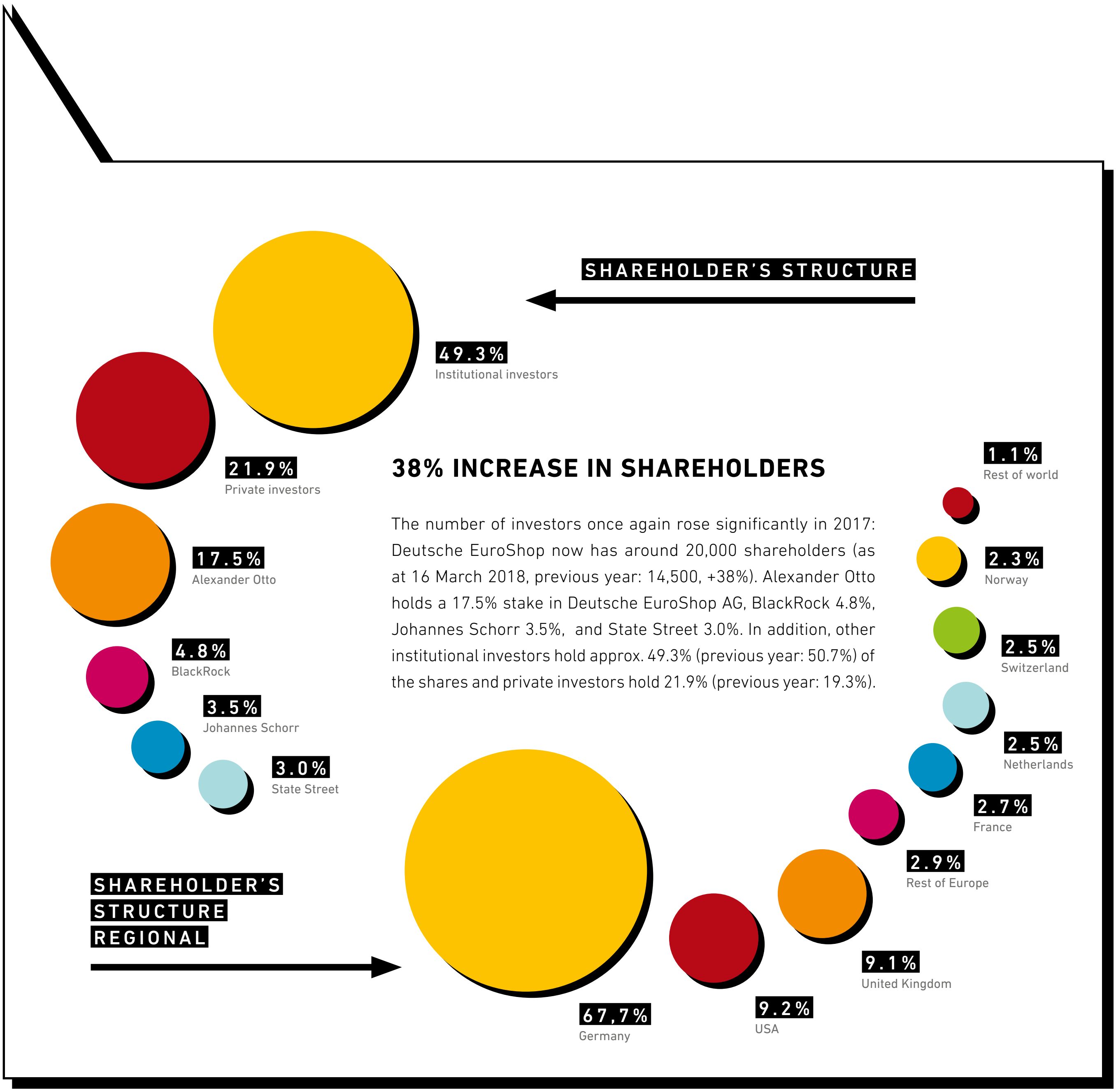
Our shares are now regularly followed by 21 analysts (as at 16 March 2018) from respected German and international institutions*, and their recommendations introduce us to new groups of investors. Deutsche EuroShop is one of the best-covered real estate companies in Europe. Information on the recommendations can be found at www.deutsche-euroshop.de/analysen

The analysts are positive on the prospects for the DES share, predicting an upward trend (as at 16 March 2018).

DIVERSITY OF ANALYST'S OPINION OF THE LAST 10 YEARS



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



38% INCREASE IN SHAREHOLDERS

The number of investors once again rose significantly in 2017: Deutsche EuroShop now has around 20,000 shareholders (as at 16 March 2018, previous year: 14,500, +38%). Alexander Otto holds a 17.5% stake in Deutsche EuroShop AG, BlackRock 4.8%, Johannes Schorr 3.5%, and State Street 3.0%. In addition, other institutional investors hold approx. 49.3% (previous year: 50.7%) of the shares and private investors hold 21.9% (previous year: 19.3%).

In a shareholder identification process, we regularly analyse the international distribution of our shares. Over the past year, there were no significant changes in the regional breakdown. At around 68%, German investors continue to hold a clear majority of the Deutsche EuroShop shares. Overall, the shareholder structure is also dominated by European investors (approx. 90%), with British, French and Dutch investors leading the way. US investors hold around 9% of the shares in DES.

DIVIDEND INCREASES BY A FURTHER 3.6%

The Executive and Supervisory Boards will once again propose a € 0.05 increase in the dividend payment (€ 1.45 per share) for financial year 2017 to the Annual General Meeting on 28 June 2018 in Hamburg.

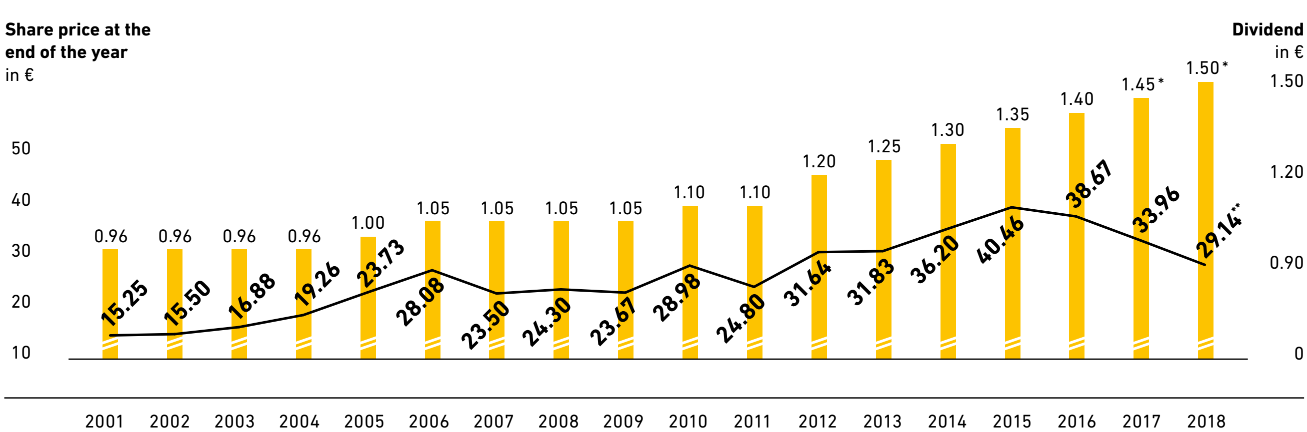
With our long-term strategy of a dividend policy based on continuity and a yield of 4.3% (based on the 2017 year-end closing price of € 33.96), we hope to further cement the confidence of our existing shareholders and attract new investors. Further increasing the dividend by € 0.05 per share each year, as is intended, should also help to achieve this. As a result, € 1.50 per share is to be paid out in 2019 for financial year 2018.

DIVIDEND PROPOSAL FOR FINANCIAL YEAR 2017: € 1.45

RECORD DAY

As part of the harmonisation of the securities settlement process in the European Union, a standard settlement due date – the "record day" – was introduced in Germany on 1 January 2017. This changed the usual timeline for settling dividend payments. This was based on the 2015 amendment to section 58 of the German Stock Corporation Act (AktG), which postponed the dividend due date to the third business day after the Annual General Meeting. Falling between the ex-dividend day and day of payment, the record day is the settlement due date on which the relevant assets for the payment of the dividend are determined.

SHARE PRICE AND DIVIDEND SINCE IPO



* proposal ** Price on 16 March 2018

TAX SITUATION REGARDING THE DIVIDEND

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

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

Nicolas Lissner Patrick Kiss

WOULD YOU LIKE MORE INFORMATION?

Please visit our website or call us:

Patrick Kiss and Nicolas Lissner
Phone: +49 (0)40 - 41 35 79 20 / -22
Fax: +49 (0)40 - 41 35 79 29
E-mail: ir@deutsche-euroshop.com
Internet: www.deutsche-euroshop.com/ir

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Market capitalisation (basis: year-end closing price) (€ million)	**2,098**	2,086	2,183	1,953	1,717	1,707	1,280	1,496	895	835
Number of shares (year-end)	**61,783,594**	53,945,536	53,945,536	53,945,536	53,945,536	53,945,536	51,631,400	51,631,400	37,812,496	34,374,998
Weighted average number of shares	**58,248,007**	53,945,536	53,945,536	53,945,536	53,945,536	53,945,536	51,631,400	45,544,976	36,799,402	34,374,998
High €	**39.32 (18,04.2017)**	42.52 (09.06.16)	48.00 (10.04.15)	37.84 (12.06.14)	34.48 (20.05.13)	32.03 (01.11.12)	29.06 (01.06.11)	28.98 (30.12.10)	26.00 (06.01.09)	28.40 (13.05.08)
Low €	**30.37 (25.10.2017)**	35.86 (11.02.16)	36.32 (06.01.15)	30.72 (04.02.14)	29.45 (24.06.13)	23.72 (06.01.12)	22.94 (23.11.11)	21.72 (01.07.10)	18.66 (06.03.09)	18.50 (20.11.08)
Year-end closing price (31.12.) €	**33.96**	38.67	40.46	36.20	31.83	31.64	24.80	28.98	23.67	24.30
Dividend per share (€)	**1.45***	1.40	1.35	1.30	1.25	1.20	1.10	1.10	1.05	1.05
Dividend yield (31.12.) %	**4.3**	3.6	3.3	3.6	3.9	3.8	4.4	3.8	4.4	4.3
Annual performance excl. / incl. dividend %	**-12.2 / -8.6**	-4.4 / -1.2	11.8 / 15.3	13.7 / 17.7	0.6 / 4.5	27.6 / 32.7	-14.4 / -11.1	22.4 / 28.1	-2.6 / 2.1	3.4 / 7.9
Average daily trading volume (shares)	**212,422 (incl. Multilateral Trading Facilities >533,866)****	142,133 (incl. Multilateral Trading Facilities >412,750)	152,355 (incl. Multilateral Trading Facilities >449,500)	113,000 (incl. Multilateral Trading Facilities >250,400)	112,400 (incl. Multilateral Trading Facilities >204,000)	129,400 (incl. Multilateral Trading Facilities >174,000)	125.400 (incl. Multilateral Trading Facilities >210.000)	116,084	113,008	143,297
EPS (€) (undiluted)	**2.31**	4.11	5.73	3.29	3.17	2.36	1.92	-0.17	0.93	2.00

* proposal

** Quelle: Bloomberg. adjustierte Daten. Stand: 19,03,2018

10 REASONS TO INVEST IN DEUTSCHE EUROSHOP SHARES

1. THE ONLY PUBLIC COMPANY IN GERMANY TO INVEST SOLELY IN SHOPPING CENTERS

2. First-rate locations

3. Proven, conservative strategy

4. STABLE CASH FLOW WITH HIGH LEVELS OF CERTAINTY FOR THE LONG TERM

5. SHAREHOLDERFRIENDLY DIVIDEND POLICY

6. EXPERIENCED MANAGEMENT TEAM

7. EXCELLENT PERFORMANCE RECORD

8. CENTERS ALMOST FULLY LET

9. INFLATIONPROTECTED RENTAL AGREEMENTS

10. SOLIDITY COMBINED WITH GROWTH POTENTIAL

ANNUAL GENERAL MEETING

THE ANNUAL GENERAL MEETING OF DEUTSCHE EUROSHOP WAS HELD ON 28 JUNE 2017. THE VENUE WAS ONCE AGAIN THE HISTORIC ROOMS OF THE HANDWERKSKAMMER HAMBURG.

Some 200 shareholders gathered there to hear CEO Wilhelm Wellner talk about the events and results of the previous financial year. In his speech, Mr Wellner also discussed the current economic environment, the current situation on the shopping center transaction market as well as the business outlook. The shareholders were also given in-depth information about the latest addition to the portfolio in the Czech Republic.

Shortly after the event, the speeches and presentation were made available at the web address given below, where interested parties will also find a large archive of agendas and other information relating to our past Annual General Meetings.

The agenda for this meeting included the election of three Supervisory Board members: Reiner Strecker, Karin Dohm and Klaus Striebich were confirmed in office and elected for a term of five years. The attendance at the time of the vote was 67.5%.

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

The Annual General Meeting for financial year 2017 will be held on 28 June 2018 at the Handwerkskammer Hamburg. The invitation and all the documents needed for ordering entry tickets and for online voting will be posted out to our shareholders in good time.
www.deutsche-euroshop.de/agm

The Handwerkskammer Hamburg on the Holstenwall, built from 1912 to 1915

CONFERENCES AND ROADSHOWS

In order to discuss Deutsche EuroShop's strategy with its current investors and to present the Company to potential new investors, the Executive Board and the Investor Relations team again participated in various conferences and held numerous roadshows in 2017.

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

In 2017, we staged eight roadshows – in Amsterdam, Brussels, London, Munich, Tel Aviv, Warsaw and Zurich. We also took part in a total of 15 conferences in Amsterdam, Berlin, Frankfurt, Hamburg, London, Lyons, Munich and Paris.

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

In addition, many investors came to see us at the Deutsche EuroShop head offices in Hamburg-Poppenbüttel, often also visiting our properties in and around Hamburg.

We are once again planning a diverse range of investor relations activities for 2018, in order to cultivate contacts with our existing investors and tap new investor groups. You can find an overview in our financial calendar on page 194. A constantly updated version can also be found on our website, at **www.deutsche-euroshop.de/ir/en.**

ROADSHOW

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

CAPITAL MARKET CONFERENCES

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

DEUT-SCHE EURO-SHOP REAL ESTATE SUMMER

Olympia Center, Brno

LATEST ADDITION TO THE PORTFOLIO: OLYMPIA

In September 2017 we staged the fifth Deutsche EuroShop Real Estate Summer event. We launched this series of events in the summer of 2009 with the aim of offering our analysts, institutional investors and others an in-depth, up-to-date insight into the Deutsche EuroShop portfolio as well as presentations covering all the latest developments in shopping and real estate. We held the first Deutsche EuroShop Real Estate Summer in Dresden in 2009 and went on to visit our centers in Wolfsburg, Magdeburg and Wildau in 2011, the City Arkaden in Klagenfurt (Austria) in 2013, and the Galeria Baltycka in Gdansk (Poland) in 2015.

Last year, we invited investors and financial analysts who are currently managing our shares to Brno in Moravia (Czech Republic), where the programme for 4 August included a comprehensive introduction and tour of the latest addition to our portfolio, the Olympia Center, a tour of the old town and a presentation on the competitive situation.

The following day Klaus Striebich, Managing Director Leasing, ECE, gave a colourful overview of the latest trends in letting. Jan Vejmelek, chief economist of Komercní Banka, explained the economic outlook for the Czech Republic and the prospects this opens up for the retail sector.

Marcin Sulewski, Associate Director, Retail Investment CEE, JLL, then gave a presentation on the current situation on the Eastern and Central European investment market, focusing on the market in the Czech Republic.

Cedric Mallmann, Senior Consultant, and Carsten Meinhardt, National Director, JLL, informed their audience about the Deutsche EuroShop portfolio and its valuation. The event was concluded with a speech on the current situation at Deutsche EuroShop as well as a round of questions and answers with Wilhelm Wellner, the CEO.

MARKETING

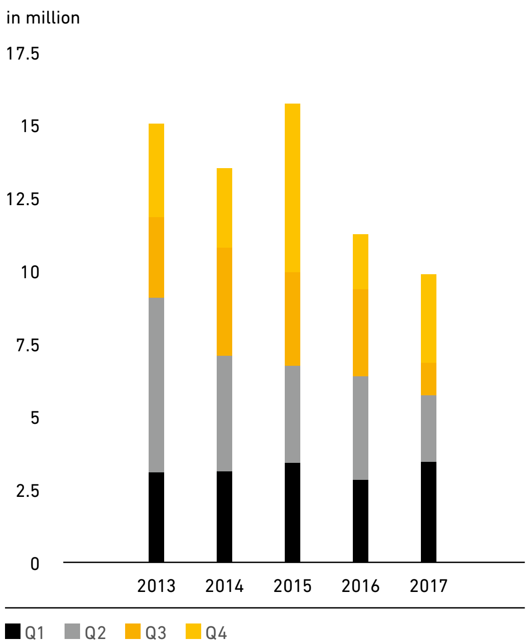
In addition to share marketing, we concentrate on refining and maintaining the Deutsche EuroShop brand. Our goal is to boost the awareness and recognition of the brand even further. Deutsche EuroShop intends to establish itself as the brand for investments in shopping centers.

„EMOTIONAL & RATIONAL“

In 2017, we placed advertisements in the trade press designed for specific target groups that were perfectly timed to coincide with the publication of our latest financial figures. With people from various age groups we presented the benefits of visiting a shopping center in a witty manner using rational and emotional arguments.

One of the motifs can be seen on our giant poster (blow-up) on the façade of the car park of the Main-Taunus-Zentrum. With its oversized dimensions of 14 x 9 metres, this poster is clearly visible to the passengers of thousands of cars that pass by every day – even on the nearby A66 motorway.

PUBLISHED CIRCULATION



Advertisements for Deutsche EuroShop shares

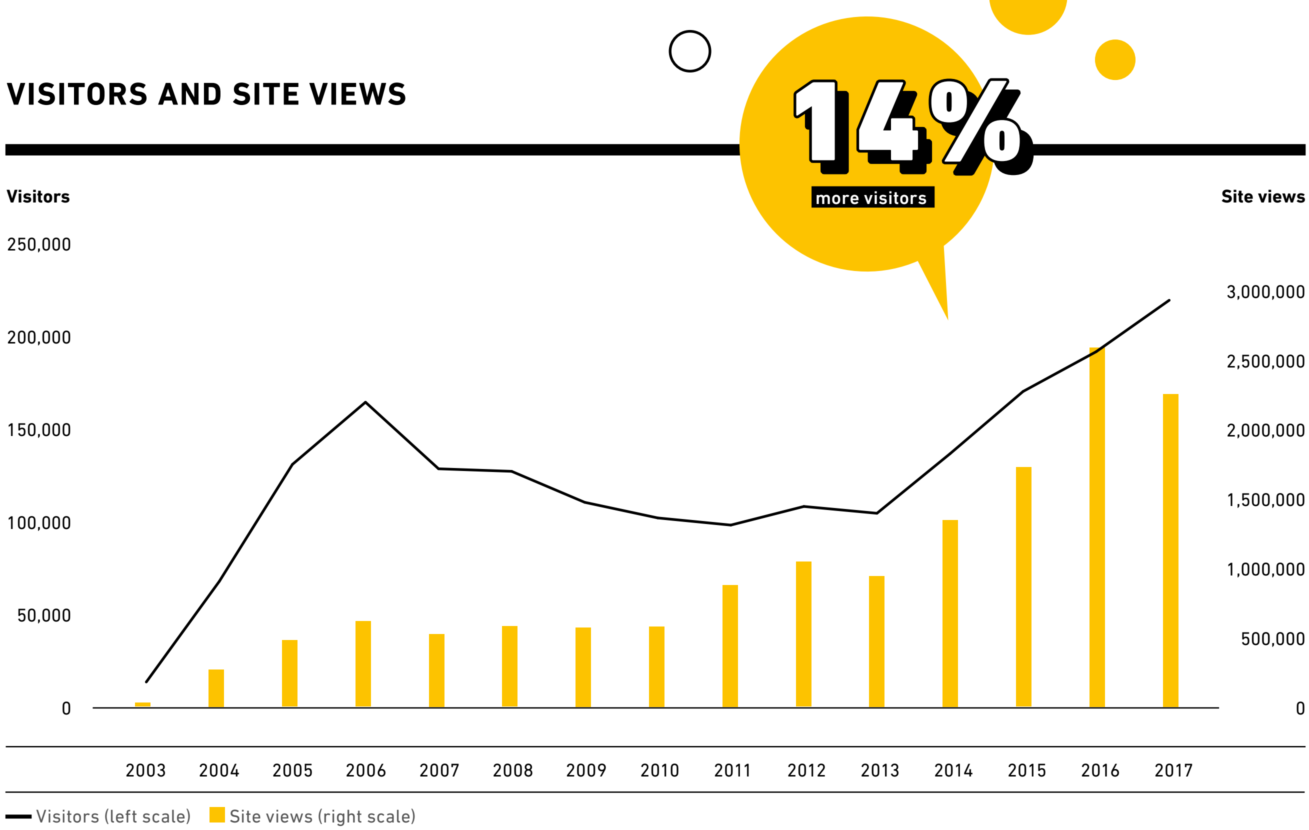
MEDIA ATTENTION DECLINING SLIGHTLY

Deutsche EuroShop enjoyed a strong media presence, particularly in the first quarter of 2017, and business and financial journalists regularly wrote about our company. In addition, a number of television channels, radio stations and online publications all devoted reports and interviews to Deutsche EuroShop. The print circulation of these media decreased by around 12% from 11.3 million in the previous year to 9.9 million copies, and the equivalent advertising value through reports in newspapers and magazines fell to € 2.31 million (previous year: € 2.78 million).

WEBSITE GETS 14% MORE VISITORS

The Internet is now a crucial means of gathering information, with the corporate website very often the first jumping-off point for investors. Our website has been very popular for years, and is always ranked among the best in the MDAX and European property sector for the information it provides and its user friendliness. In 2017, the number of visitors rose by 14%. Our website can be found at **www.deutsche-euroshop.de**

VISITORS AND SITE VIEWS



SOCIAL MEDIA ENJOYS GROWING POPULARITY

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

Twitter
Follow us on Twitter:
www.twitter.com/DES_AG

Facebook
Become a fan on Facebook:
www.facebook.com/euroshop

Google+
Add us to your circle on Google+:
https://plus.google.com/+deutscheeuroshop

IR Mall
Our Investor Relations blog:
www.ir-mall.com

Flickr
View our photos on the online platform Flickr:
www.flickr.com/desag

SlideShare
See our presentations and reports on SlideShare:
www.slideshare.net/desag

YouTube
Watch our videos on YouTube:
www.youtube.com/DeutscheEuroShop

TOP 10 CENTERS

Galeria Bałtycka Gdansk
Fans: 60,956

Altmarkt-Galerie Dresden
Fans: 58,305

Allee-Center Magdeburg
Fans: 49,343

Rhein-Neckar-Zentrum Viernheim
Fans: 49,033

City-Point Kassel
Fans: 47,099

ÁRKÁD Pécs
Fans: 40,831

Saarpark-Center Neunkirchen
Fans: 38,074

Olympia Centrum Brno
Fans: 35,025

STADTGALERIE Passau
Fans: 30,573

Main-Taunus-Zentrum
Fans: 29,226

DEUTSCHE EUROSHOP CENTERS – ONLINE KPIS

7 million visits, of which 70% are mobile

30,000 followers (4.55% interaction rate)

56 million people reached (interaction rate 1.6%, click rate 5.21%)

650 thousand fans

7.9 thousand postings

CORPO-RATE GOVER-NANCE 2017

DECLARATION ON CORPORATE GOVERNANCE

Deutsche EuroShop is a transparent company that operates in accordance with a strategy geared towards long-term success. This focus on constancy is a key aspect of our corporate culture. Based on the legal and company-specific conditions governing the management of a listed company, we strive to promote the trust of investors, creditors, employees, business partners and the public in the management and supervision of our Company. This goal is consistent with the requirements of a demanding corporate governance system. In conformity with section 3.10 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code) as well as section 289f (1) of the Handelsgesetzbuch (HGB – German Commercial Code), this declaration contains a report by the Executive Board, also on behalf of the Supervisory Board, on corporate governance.

OBJECTIVES AND STRATEGY

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

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

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

PROFITABLE PORTFOLIO WITH STABLE VALUE

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

SEIZING OPPORTUNITIES AND MAXIMISING VALUE

In line with our buy and hold strategy, we consistently place greater importance on the quality and yield of our shopping centres than on our portfolio's rate of growth. We monitor the market continuously and act as buyers when an opportunity arises. Rapid decision-making chains and considerable flexibility regarding potential investments and financing structures allow Deutsche EuroShop to react to very wide-ranging competitive situations. At the same time, the Group's management focuses on optimising the value of the existing portfolio of properties.

TAILORED RENT STRUCTURE

One key component of the rental model is a tailored rent structure. While individual owners in city centres are often concerned with achieving the highest possible rents for their property (which results in a monostructured retail offering), we ensure an attractive sector mix and long-term optimisation of our rental income through combined costing. Rental partners pay sector-specific and turnover-linked rent. Minimum rents linked to the consumer price index provide a guaranteed minimum level of income for Deutsche EuroShop AG during periods of economic weakness.

THE SHOPPING EXPERIENCE CONCEPT

We have outsourced centre management to an experienced external partner, Hamburg-based ECE Projektmanagement GmbH & Co. KG (ECE). ECE has been designing, planning, building, letting and managing shopping centres since 1965. The company is currently the European market leader, with around 200 shopping centres under management. We consider professional centre management to be the key to the success of a shopping centre. In addition to guaranteeing standard opening hours and a consistently friendly, bright, safe and clean shopping environment, the centre management can employ unusual displays, promotions and exhibitions to make shopping an experience. The 500,000 to 600,000 people who visit our 21 centres on average every day are fascinated by not only the variety of sectors represented but also by our wide range of thematic exhibitions, casting shows, fashion shows and attractions for children. As a result, the shopping centres become market places where there is always something new and spectacular on offer. In addition, we are constantly adding new products and services that are being developed as part of the ongoing integration of bricks-and-mortar retailing and online shopping sites, and that further enhance the shopping experience and level of service for our customers. Some of these include centre apps as well as Click & Collect and shop delivery services.

WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

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

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

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

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

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

CORPORATE GOVERNANCE 2017

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 7 February 2017. Going forward, the Government Commission will continue to monitor the development of corporate governance in legislation and in practice, and will adapt the Code as needed.

THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The Supervisory and Executive Boards performed their statutory duties in financial year 2017 in accordance with the applicable laws and the Articles of Association. The strategic orientation of the Company was coordinated between the Executive Board and the Supervisory Board, and the progress of strategy implementation was discussed at regular intervals. The Supervisory Board was informed regularly, promptly and in detail of business developments and the risk situation by the Executive Board. Detailed information on the main areas of focus of its activities in financial year 2016 can be found in its report in Annual Report 2017 of Deutsche EuroShop AG.

In financial year 2017, there were no advisory or other contracts for work or services in existence between members of the Supervisory Board and the Company.

COMPOSITION AND DIVERSITY

Supervisory Board

The Supervisory Board formulated specific goals in 2012 for its composition and geared itself towards the needs of a listed company with a small staff base which makes long-term investments with high capital requirements. The diversity concept was further developed in 2015, and confirmed by the Supervisory Board in April 2017. In view of this, the intention is that the Supervisory Board be primarily composed of independent members of both genders who have special knowledge and experience of the retail trade, the letting of retail space, the management of shopping centres, the equity and debt financing of listed real estate companies, of accounting principles and internal control processes in accordance with German and / or international regulations, and of corporate governance and business management. It is intended that the proportion of women on the Supervisory Board be at least 30%. The upper age limit for members of the Supervisory Board is 70. The Supervisory Board also takes the view that professional qualifications and skills should be the key criteria for its members. For that reason, no rule as to the length of time for which members may serve on it has been adopted.

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

Executive Board

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

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

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

As of 31 December 2017, the Executive Board of Deutsche EuroShop AG comprised two members.

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

Wilhelm Wellner joined Deutsche EuroShop in 2015, initially as a member of the Executive Board, and took on his present position as CEO on 1 July 2015. He is also a managing director and director at various companies in the Deutsche EuroShop Group. On 29 November 2017, Mr Wellner's term in office, which ends on 30 June 2018, was extended until 31 December 2021.

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

Olaf Borkers joined Deutsche EuroShop AG in 2005 as a member of the Executive Board. He is also a Managing Director and Director at various companies in the Deutsche EuroShop Group, and is responsible for ESG issues (environmental social governance) on the Executive Board.

Supervisory Board

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

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

The members of the Supervisory Board are:

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

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

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

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

Quota of women

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

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

The quota of women on the two-member Executive Board as of 30 June 2017 was 0%. In November 2017, Mr Wellner's term in office on the Executive Board, which ends on 30 June 2018, was extended until 31 December 2021 in view of his performance. Moreover, continuity and experience gained with the business model are important to the company's success. Mr Borkers' membership on the Executive Board ends on 30 September 2019. The expansion of the Executive Board to three members is neither appropriate nor reasonable due to the low number of employees and to the specifics of a holding company.

The quota of women in the first management level below the Executive Board was also at 0% on 31 December 2017. The first management level also consists of two people. The quota of women specified in 2015 at 50% was met until the leading female member left the Company at her own request on 31 March 2016. Her responsibilities were taken over by a new male employee whose professional training and experience made him the best choice.

SHAREHOLDINGS

Executive Board

As at 31 December 2017, the Executive Board held no shares, and hence less than 1% of Deutsche EuroShop AG's share capital.

Supervisory Board

As at 31 December 2017, the Supervisory Board held a total of 10,643,478 shares, and hence more than 1% of Deutsche EuroShop's share capital.

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

Directors' dealings

The following securities transactions by members of the Executive Board and of the Supervisory Board or by certain persons related to members of the executive bodies were notified to Deutsche EuroShop AG during financial year 2017 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act):

Name / Company name	Name of the financial instrument	Transaction type	Date	Price (€)	Number	Total volume (€)	Place
Christine Huber	Share*	Purchase	10.03.2017	37.99	1,315	49,961.15	Tradegate
Klaus Striebich	Share*	Purchase	10.03.2017	37.90	2,000	75,800.00	Tradegate
DESAG Vermögens-verwaltung G.m.b.H.	Share*	Purchase	13.03.2017	37.00	700,000	25,900,000.00	Over the counter
Reiner Strecker	Share*	Purchase	30.06.2017	34.13	3,000	102,390.00	Xetra
Reiner Strecker	Share*	Purchase	29.08.2017	33.00	3,000	99,000.00	Xetra
DESAG Vermögens-verwaltung G.m.b.H.	Share*	Purchase	17.11.2017	41.11	150,000	6,166,472.00	Eurex
DESAG Vermögens-verwaltung G.m.b.H.	Share*	Purchase	15.12.2017	40.43	100,000	4,043,000.00	Eurex

* ISIN: DE0007480204

RELATIONSHIPS WITH SHAREHOLDERS

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

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

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

ACCOUNTING AND AUDITS

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

At the Annual General Meeting on 28 June 2017, BDO AG Wirtschaftsprüfungsgesellschaft was elected as the statutory auditor for the consolidated financial statements for financial year 2017. BDO AG Wirtschaftsprüfungsgesellschaft has audited the annual and consolidated financial statements of Deutsche EuroShop AG from 2005 to 2017 without interruption. The responsible auditors within the audit company have changed several times during the above-mentioned period. The current auditor, Andrea Reese, audited the annual financial statements for the second time in 2017, while the ancillary auditor, Christoph Hyckel, audited the annual financial statements of our company for the fourth time in this function. BDO also provided other consultancy services for our Company in financial year 2017 in the amount of € 4 thousand.

OUTLOOK

The composition of the Supervisory Board has changed significantly since 2012 in view of the change of generations and new requirements as to its membership. Its adequate composition is assured and it is also ensured that the specifications of the German Corporate Governance Code will be complied with in a balanced manner.

DECLARATION OF CONFORMITY

In November 2017, 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 2017 in accordance with section 161 of the Aktiengesetz (AktG – German Public Companies Act). The declaration was made permanently available to the public on the Company's website at www.deutsche-euroshop.de.

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

The Executive Board and the Supervisory Board of Deutsche EuroShop AG declare that the Company has complied with, and will continue to comply with, the recommendations of the Government Commission on the German Corporate Governance Code (as published by the German Federal Ministry of Justice in the official section of the electronic German Federal Gazette (Bundesanzeiger) on 4 July 2003, and as amended on 7 February 2017), subject to a limited number of exceptions as indicated below:

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

  Section?

  In accordance with the statutory provisions of Article 93 (2) sentence 3 AktG, a deductible was agreed upon for the Executive Board. No deductible is foreseen for the Supervisory Board in the future. In the Executive Board and Supervisory Board's view, a deductible has no effect on the sense of responsibility and loyalty with which the members of these bodies perform the duties and functions assigned to them.

- **The Supervisory Board did not select a senior management team for a comparison of compensation (Section 4.2.2).**

  Since the staff of Deutsche EuroShop AG consists of just five people, a differentiation between these and a senior management team would not be meaningful. In this respect, only the relationship between the compensation paid to the Executive Board and that paid to the overall staff can be considered by the Supervisory Board.

- **No limit has been set for the terms of office of members of the Supervisory Board (Section 5.4.1).**

  The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Supervisory Board. Limiting the term of office could force the retirement of a qualified and successful Supervisory Board member.

- **The consolidated financial statements are published within 120 days of the end of the financial year (Section 7.1.2).**

  It is important to the Company to publish audited financial statements that have been approved by the Supervisory Board. An earlier publication date is not feasible due to the schedules for the preparation, auditing and adoption of the financial statements. Unaudited data of relevance to the capital market is published in advance.

Hamburg, 25 November 2017

The Executive Board and the Supervisory Board
Deutsche EuroShop AG

EPRA-REPORTING

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

In financial year 2016 we continued to develop our EPRA reporting and for this in September 2017 we received the "Most improved" and "Gold" awards from EPRA for the quality of our reporting.

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

Overview of EPRA key figures

	31.12.2017		31.12.2016		Change	
	in € thousand	per share in €	in € thousand	per share in €	+ / - in € thousand	in %
EPRA earnings	141,304	2.42	123,675	2.29	17,629	14.3
EPRA NAV	2,668,446	43.19	2,332,574	43.24	335,872	14.4
EPRA NNNAV	2,119,478	34.30	1,833,905	34.00	285,573	15.6

	31.12.2017	31.12.2016	Change
	in %	in %	in % points
EPRA net initial yield (EPRA NIY)	4.9	5.0	-0.1
EPRA "topped-up" net initial yield	5.0	5.0	0.0
EPRA cost ratio (incl. direct vacancy costs)	12.6	13.1	-0.5
EPRA cost ratio (excl. direct vacancy costs)	12.5	12.9	-0.4
EPRA vacancy rate	1.2	1.2	0.0

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

EPRA EARNINGS

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

EPRA EARNINGS

		31.12.2017			31.12.2016		Change	
	in € thousand	in € thousand	per share in €	in € thousand	in € thousand	per share in €	per share in €	in %
Consolidated profit		134,333	2.31		221,757	4.11	-1.80	-43.8
Measurement gains / losses investment properties	*-8,724*			*-117,460*				
Measurement gains / losses investment properties (at equity)	*-4,396*			*-28,711*				
Measurement gains / losses investment properties*		-13,120	-0.23		-146,171	-2.71	2.48	-91.5
Measurement gains / losses derivative financial instruments	*-2,968*			*-2,629*				
Measurement gains / losses derivative financial instruments (at equity)	*-475*			*-281*				
Measurement gains / losses derivative financial instruments*		-3,443	-0.06		-2,910	-0.05	-0.01	20.0
Goodwill write-down		140	0.00		0	0.00	0.00	-
Other measurement gains / losses		34	0.00		686	0.01	-0.01	-100.0
Acquisition costs		276	0.00		1,093	0.02	-0.02	-100.0
Deferred taxes on adjustments*		23,084	0.40		49,220	0.91	-0.51	-56.0
EPRA earnings		**141,304**	**2.42**		**123,675**	**2.29**	**0.13**	**5.7**
Costs for the convertible bond					2,152			
EPRA earnings (diluted)					**125,827**	**2.20**		
Weighted number of no-par-value shares issued			58,248,007			53,945,536		
Weighted number of no-par-value shares issued (diluted)						57,163,039		

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

EPRA NET ASSET VALUE

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

EPRA NAV

	31.12.2017			31.12.2016			Change	
	in € thousand	in € thousand	per share in €	in € thousand	in € thousand	per share in €	per share in €	in %
Equity		2,237,376	36.21		1,916,148	35.52	0.69	1.9
Derivative financial instruments measured at fair value	*39,040*			*48,659*				
Derivative financial instruments measured at fair value (at equity)	*1,365*			*1,840*				
Derivative financial instruments measured at fair value*		40,405	0.66		50,499	0.94	-0.28	-29.8
Equity excluding derivative financial instruments		**2,277,781**	**36.87**		**1,966,647**	**36.46**	**0.41**	**1.1**
Deferred taxes on investment properties and derivative financial instruments*		444,392	7.19		365,927	6.78	0.41	6.0
Goodwill as a result of deferred taxes		-53,727	-0.87		0	0.00	-0.87	-
EPRA NAV		**2,668,446**	**43.19**		**2,332,574**	**43.24**	**-0.05**	**-0.1**
Potential effects of bond conversion					98,680			
EPRA NAV (diluted)					**2,431,254**	**42.53**		
Number of no-par-value shares issued as at the reporting date			61,783,594			53,945,536		
Number of no-par-value shares issued as at the reporting date (diluted)						57,163,039		

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

EPRA TRIPLE NET ASSET VALUE

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

EPRA NNNAV

			31.12.2017			31.12.2016		Change
	in € thousand	in € thousand	per share in €	in € thousand	in € thousand	per share in €	per share in €	in %
EPRA NAV		**2,668,446**	**43.19**		2,332,574	43.24	-0.05	-0.1
Derivative financial instruments measured at fair value*		**-40,405**	**-0.66**		-50,499	-0.94	0.28	-29.8
Difference between non-accounted financial liabilities measured at fair value and their carrying amount	***-82,330***			*-103,671*				
of which attributable to third-party shareholders in commercial partnerships	***10,181***			*11,799*				
Difference between non-accounted financial liabilities measured at fair value and their carrying amount (at equity)	***-5,718***			*-8,421*				
Difference between non-accounted financial liabilities measured at fair value and their carrying amount*		**-77,867**	**-1.26**		-100,293	-1.86	0.60	-32.3
Deferred taxes on difference between non-accounted financial liabilities measured at fair value and their carrying amount*		**13,696**	**0.22**		18,050	0.34	-0.12	-35.3
Deferred taxes on investment properties and derivative financial instruments*		**-444,392**	**-7.19**		-365,927	-6.78	-0.41	6.0
EPRA NNNAV		**2,119,478**	**34.30**		**1,833,905**	**34.00**	**0.30**	**0.9**
Potential effects of bond conversion					98,680			
EPRA NNNAV (diluted)					**1,932,585**	**33.81**		
Number of no-par-value shares issued as at the reporting date			**61,783,594**			53,945,536		
Number of no-par-value shares issued as at the reporting date (diluted)						57,163,039		

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

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

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

EPRA net initial yield (EPRA NIY) and EPRA "topped-up" net initial yield

		31.12.2017		31.12.2016
		in € thousand		in € thousand
Market value investment properties	*3,924,157*		*3,520,824*	
Market value investment properties (at equity)	*675,960*		*669,960*	
Market value investment properties		4,600,117		4,190,784
Less expanded space*		-12,616		-11,284
Less ancillary acquisition costs*		264,401		245,605
Market value investment properties (gross)		**4,851,902**		**4,425,105**
Annualised rental income*		261,275		239,517
Non-allocable property expenses*		-21,239		-20,290
Annualised net rental income		**240,036**		**219,227**
Rental incentives and other rental adjustments*		882		871
Annualised "topped-up" net rental income		**240,918**		**220,098**
EPRA net initial yield (EPRA NIY)		**4.9%**		**5.0%**
EPRA "topped-up" net initial yield		**5.0%**		**5.0%**

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

EPRA VACANCY RATE

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

EPRA vacancy rate

	31.12.2017	31.12.2016
	in € thousand	in € thousand
Market rent for vacancy*	3,074	2,899
Total market rent*	255,281	237,133
EPRA vacancy rate	1.2%	1.2%

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

EPRA COST RATIO

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

EPRA cost ratio

	31.12.2017	31.12.2016
	in € thousand	in € thousand
Operating and administrative costs for property*	25,660	24,074
Other operating expenses* excluding financing costs	6,740	7,086
Other revenue from cost allocations and reimbursement*	0	0
EPRA costs (incl. direct vacancy costs)	**32,400**	**31,160**
Direct vacancy costs*	-286	-297
EPRA costs (excl. direct vacancy costs)	**32,114**	**30,863**
Rental revenue*	257,105	238,740
EPRA cost ratio (incl. direct vacancy costs)	**12.6%**	**13.1%**
EPRA cost ratio (excl. direct vacancy costs)	**12.5%**	**12.9%**

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

GROUP MANAGEMENT REPORT 2017

BASIC INFORMATION ABOUT THE GROUP

GROUP BUSINESS MODEL, TARGETS AND STRATEGY

Deutsche EuroShop is an Aktiengesellschaft (public company) under German law. The Company's registered office is in Hamburg. Deutsche EuroShop is the only public company in Germany to invest solely in shopping centers in prime locations. A total of 21 shopping centers in Germany, Austria, Poland, Hungary and the Czech Republic are held in the real estate portfolio. The Group generates its reported revenue from rental income on the space it lets in the shopping centers.

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

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

Objectives and strategy

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

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

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

Profitable portfolio with stable value

Deutsche EuroShop has a balanced and diversified portfolio of German and European shopping centers. The management focuses on investments in prime (1a) locations in cities with a catchment area of at least 300,000 residents that bring a high level of investment security.

Seizing opportunities and maximising value

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

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

Tailored rent structure

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

The shopping experience concept

Deutsche EuroShop has outsourced center management to an experienced external partner: ECE Projektmanagement G.m.b.H. & Co. KG (ECE), based in Hamburg. ECE has been designing, planning, building, letting and managing shopping centers since 1965. The company is currently the European market leader, with 200 shopping centers under management. Deutsche EuroShop views professional center management as the key to successful shopping centers. In addition to guaranteeing standard opening hours and a consistently friendly, bright, safe and clean shopping environment, the center management can employ unusual displays, promotions and exhibitions to make shopping an experience. Each day, an average of 500,000 to 600,000 shoppers visit the 21 Deutsche EuroShop centers, where they are impressed not only by the range of sectors represented, but also by promotional activities including car, talent and fashion shows as well as a wide variety of attractions for children. As a result, the shopping centers become market places where there is always something new and spectacular on offer.

MANAGEMENT SYSTEM

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

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

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

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

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

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

ECONOMIC REVIEW

MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

In 2017, Germany's gross domestic product (GDP) rose by 2.2%, according to the calculations of the German Federal Statistical Office. As in the previous year, positive impetus came mainly from prospering domestic and foreign trade, which had a positive impact on consumer spending. Spending by private households, which profited particularly from the positive trend on the labour market and low interest rates, rose by a price-adjusted 2.0%.

On the labour market, the positive trend of recent years also continued: On average, 2.5 million people were registered as unemployed during the year, putting the unemployment rate at 5.7% (2016: 6.1%). Consumer prices in Germany rose by 1.8% versus 2016, mainly caused by the increase in energy prices (+3.1%) and food (+3.0%).

In 2017, real employee pay rose by 0.8% according to the German Federal Statistical Office. In an environment still marked by high employment and very low interest rates, the propensity to consume rose again. The savings rate stabilised in 2017 at 9.7%, which was the same level as in the previous year. Private consumer spending, which accounted for 53.2% of GDP, rose by 2.0% in 2017, adjusted for price changes.

According to provisional calculations by the German Federal Statistical Office, German retail sales (including online sales) posted nominal growth of 4.2% and real growth of 2.3% than in 2016, with rising online sales in particular contributing to the positive sales growth in retail. According to figures from the German Retail Federation (HDE), online sales increased year on year to around €48.7 billion, an increase of approximately 10.2%. That equates to roughly a 9.5% share of total retail sales in 2017, which according to the HDE statistics came to €512.8 billion. Bricks-and-mortar retail sales in Germany grew 3.5% in nominal terms in 2017. However, bricks-and-mortar textile retail sales, key for shopping centres, registered a decline of 0.1%, according to figures from the institute of German textile retail traders (BTE Handelsverband Textil).

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

There can be additional competition for city center retail in the form of growing numbers of factory and designer outlets on greenfield sites outside the city limits and to a certain extent also within them. A factory outlet center is currently being extended in the same area as our center in Dessau, and in Wuppertal too a large-scale project development is underway. Market research institution GfK calculates that total retail floor space in Germany increased by 0.4% in 2017 (2016: +0.6%).

In addition to further growth in available retail space, the competitive situation in bricks-and-mortar retailing and in our shopping centers is being intensified particularly by the fast and continual gains being made by online shopping, a channel currently absorbing much of the growth in retail sales.

Retail sector

Based on the calculations of real estate consultants JLL, rental turnover on retail spaces leased in Germany fell 7% to 448,200 m^2 in 2017 in connection with increased demand for small to medium spaces. The high demand for smaller spaces led to a decline in the average leased area to 425 m^2 (2016: 456 m^2), with 56% of lease agreements concluded concerning spaces smaller than 250 m^2.

With around 28% of rented floor space, textile retailers again constituted the largest demand group, although that demand saw further declines. In second place behind textile retailers were restaurants and food retailers, accounting for 19%. Health and beauty retail took third place with just under 16%, which amounts to a gain of one percentage point over the previous year. Besides the large chemist chains, fitness studios in particular rented large spaces all across Germany. According to JLL's estimates, supermarkets, organic markets and drugstores remain stable and important customer magnets for shopping centres.

While around 10% of all retail sales in Germany are now generated online, with the textiles and consumer electronics segments in particular seeing strong growth, online food retail currently remains a niche market in Germany. Only around 1% of food sales are produced via this channel, a rise of just 0.6 percentage points over the last five years. In the UK, the European forerunner in online food retail, online sales already account for 6.9% and in France 5.3%.

There is also a noticeable trend of purely online retailers increasingly renting physical shops in central locations or taking over bricks-and-mortar retailers within the framework of company acquisitions, or entering into joint ventures with bricks-and-mortar retailers, in order to achieve multi-channel capability, which is becoming increasingly important to consumers. Online retail and offline retail are increasingly merging and at an ever faster pace.

Real estate market

With a 7% rise in the volume of transactions to €56.8 billion (2016: €52.9 billion) the German investment market in commercial real estate reached a new record level, according to JLL. Retail real estate accounted for 20% of the volumes (2016: 23%).

Investments in German shopping centers totalled just under €2 billion in full-year 2017 (2016: €3.6 billion), a reduction of almost half compared with the previous year. JLL attributes this decline to an increasingly cautious attitude on the part of investors towards this asset class due to the current retail environment and strong growth in online retail, leading to lengthy sales processes. Transactions were generally smaller in 2017, with the average volume going down from €70 million to €58 million, indicating that smaller centers in particular changed hands.

As in the previous year, it was among German investors in particular that 60% of investments in German retail real estate were concentrated in 2017. As demand for shopping centers remained solid in the previous year, yields for these investments fell slightly again in Germany. According to JLL, returns on top shopping center investments had hit new record lows by the end of the year, at around 3.9% on average (2016: 4.0%).

Share price performance

Following a year-end closing price for 2016 of €38.67, Deutsche EuroShop shares started the new year in what was at first a very stable market overall without any lasting directional trend. On 18 April 2017, the share price reached €39.32, its high for the year. From the end of April onwards, the share delivered a much weaker performance in an environment that was particularly negative for shopping center real estate shares. The share price hit its low for the year of €30.37 on 25 October 2017. The price recovered slightly in the last two trading months of the year, but was not able to make up for the cumulative declines suffered previously. The share finished the year at a closing price of €33.96. Taking into account the dividend of €1.40 per share paid on 3 July 2017, this corresponds to a performance of -8.6% (2016: -1.2%). Deutsche EuroShop's market capitalisation stood at €2.1 billion on 31 December 2017.

COURSE OF BUSINESS

Overall comment by the Executive Board on the economic situation

CONSOLIDATED KEY FIGURES

in € million	Forecast for 2017	01.01.–01.12.2017	01.01.–31.12.2016	+/-
Revenue	216–220	218.5	205.1	6.5%
EBIT	187–191	192.4	178.6	7.7%
EBT (excluding measurement gains / losses*)	145–148	153.3	134.5	14.0%
EPRA** earnings per share in €		2.42	2.29	5.7%
FFO per share in €	2.42–2.46	2.54	2.41	5.4%
Equity ratio in %***		55.6	54.5	
LTV ratio in %****		32.4	34.2	
EPRA** NAV per share in €		43.19	43.24	-0.1%

* including the share attributable to equity-accounted joint ventures and associates
** European Public Real Estate Association
*** including third-party interests in equity
**** loan-to-value ratio (LTV ratio): Ratio of net financial liabilities (financial liabilities less cash and cash equivalents) to non-current assets (investment properties and investments accounted for using the equity method)

The Executive Board can look back at 2017 as an operationally successful financial year. Revenue increased year on year by 6.5%, from €205.1 million to €218.5 million (forecast: €216 million to €220 million).

Earnings before interest and taxes (EBIT) of €192.4 million were slightly above the guidance range (€187–191 million) and €13.8 million or 7.7% higher than in the previous year (2016: €178.6 million). We expected earnings before taxes (EBT) excluding measurement gains / losses of €145–€148 million. At the closing date, EBT of €153.3 million clearly exceeded expectations and was 14.0% higher than in the previous year (2016: €134.5 million). In the case of FFO, we were also able to beat our guidance of €2.42–2.46 per share, closing the year at €2.54 per share (+5.4%). The expansion of our portfolio in the last two years as well as positive effects from lower operating and interest costs and lower taxes, some of which were non-recurring in nature, were major reasons behind the good results which, in some cases, exceeded our forecasts.

These figures underscore the fact that Deutsche EuroShop is well placed with its first-rate portfolio of shopping centers, even in a continuingly competitive environment for bricks-and-mortar retail.

RESULTS OF OPERATIONS

in € thousand		01.01.–31.12.2017		01.01.–31.12.2016	Change +/-	Change in %
Revenue		**218,491**		205,136	13,355	6.5
Operating and administrative costs for property		**-21,539**		-20,398	-1,141	-5.6
NOI		**196,952**		**184,738**	**12,214**	**6.6**
Other operating income		**2,035**		1,410	625	44.3
Other operating expenses		**-6,619**		-7,522	903	12.0
EBIT		**192,368**		**178,626**	**13,742**	**7.7**
At-equity profit / loss	***34,451***		*54,283*			
Measurement gains / losses (at equity)	***-4,396***		*-28,711*			
Deferred taxes (at equity)	***425***		*-1,507*			
At-equity (operating) profit / loss		**30,480**		24,065	6,415	26.7
Interest expense		**-54,023**		-52,918	-1,105	-2.1
Profit / loss attributable to limited partners		**-18,522**		-17,894	-628	-3.5
Other financial gains or losses		**3,005**		2,648	357	13.5
Financial gains or losses (excluding measurement gains / losses)		**-39,060**		**-44,099**	**5,039**	**11.4**
EBT (excluding measurement gains / losses)		**153,308**		**134,527**	**18,781**	**14.0**
Measurement gains / losses	***8,550***		*116,774*			
Measurement gains / losses (at equity)	***4,396***		*28,711*			
Measurement gains / losses (including at-equity profit / loss)		**12,946**		145,485	-132,539	-91.1
Income taxes		**-5,984**		-5,605	-379	-6.8
Deferred taxes	***-25,512***		*-54,157*			
Deferred taxes (at equity)	***-425***		*1,507*			
Deferred taxes (including at equity)		**-25,937**		-52,650	26,713	50.7
CONSOLIDATED PROFIT		**134,333**		**221,757**	**-87,424**	**-39.4**

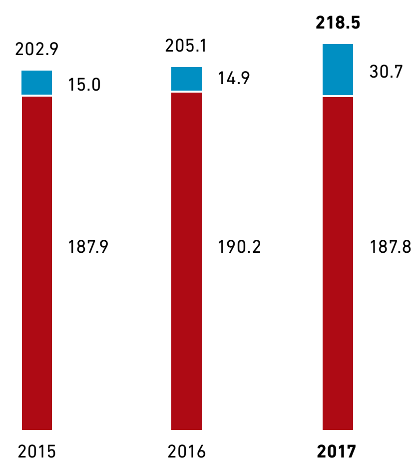
Revenue growth as planned thanks to portfolio expansion

Consolidated revenue rose in the financial year by 6.5%, from €205.1 million to €218.5 million and was therefore in line with expectations. This growth can be attributed to the Olympia Center in Brno, which had generated revenue of €15.3 million since the second quarter.

In the current bricks-and-mortar retail market environment, rents for existing stock declined slightly on the whole by €-1.5 million (-0.7%) in Germany. Abroad, however, the trend was positive.

The settlement payments made by former tenants have fallen year on year by €0.5 million.

REVENUE
in € million



REVENUE

in € thousand	01.01.–31.12.2017	01.01.–31.12.2016	Change +/-	Change in %
Main-Taunus-Zentrum, Sulzbach	35,655	35,031	624	1.8
Altmarkt-Galerie, Dresden	25,093	25,469	-376	-1.5
A10 Center, Wildau	20,734	21,245	-511	-2.4
Rhein-Neckar-Zentrum, Viernheim	17,951	18,606	-655	-3.5
Herold-Center, Norderstedt	12,984	12,992	-8	-0.1
Billstedt-Center, Hamburg	10,753	11,446	-693	-6.1
Allee-Center, Hamm	10,542	10,431	111	1.1
Forum, Wetzlar	9,793	9,807	-14	-0.1
City-Galerie, Wolfsburg	9,746	9,992	-246	-2.5
City-Arkaden, Wuppertal	9,417	9,702	-285	-2.9
City-Point, Kassel	8,615	8,740	-125	-1.4
Rathaus-Center, Dessau	8,047	8,034	13	0.2
Stadtgalerie, Hameln	7,008	7,012	-4	-0.1
DES Verwaltung GmbH	1,492	1,704	-212	-12.4
Total domestic	**187,830**	**190,211**	**-2,381**	**-1.3**
Galeria Baltycka, Gdansk	15,332	14,863	469	3.2
Olympia Center, Brno	15,265	0	15,265	-
Caspia, Gdansk	64	62	2	3.2
Total abroad	**30,661**	**14,925**	**15,736**	**105.4**
TOTAL	**218,491**	**205,136**	**13,355**	**6.5**

Operating and administrative costs for property at 9.9% of revenue

Center operating costs were up slightly at €21.5 million in the reporting period compared with €20.4 million in the previous year, chiefly as a result of the addition of the Olympia Center in Brno and higher ancillary costs which could not be allocated. At a cost / revenue ratio of 9.9% (2016: 9.9%), costs were in line with the previous year and the budget.

Other operating income and expenses

Income from receivables already value-adjusted in previous years as well as a reimbursement of costs for a renovation at Altmarkt-Galerie Dresden carried out in 2016 mainly accounted for higher other operating income of €2.0 million (2016: €1.4 million). Other operating expenses amounted to €6.6 million, €0.9 million lower than in the previous year (€7.5 million). In the previous year, there was an increase in particular in consulting costs for the audit of acquisition projects as well as higher other financing costs.

EBIT grows at same rate as revenue

At €192.4 million, earnings before interest and taxes (EBIT) were greater than the figure for the previous year (€178.6 million) due to the acquisition of the Olympia Center in Brno, which generated EBIT of €14.0 million.

Financial gains or losses excluding measurement effects significantly higher

Financial gains or losses (excluding measurement gains / losses) improved by €5.0 million from €-44.1 million in the previous year to €-39.1 million. The at-equity profit recognised in financial gains or losses had a significant effect, increasing by €6.4 million. This was attributable in particular to the acquisition of the Saarpark Center Neunkirchen on 1 October 2016, which contributed €3.8 million to this rise in 2017. In addition to this, interest expense for two other at-equity accounted companies fell by €1.7 million owing to more favourable refinancing.

The interest expense of Group companies rose by €1.1 million. Lower interest costs due to loan repayments, improved interest conditions and a short-term interest rate agreement for a loan stood in contrast to the newly added interest expense for the financing of the Olympia Center in Brno.

Other financial gains or losses, which consisted mainly of a measurement gain on an interest rate swap for the financing of the Altmarkt-Galerie Dresden, profited from the year-on-year interest rate development and contributed €+0.4 million to the improvement.

INCOME STATEMENT OF THE JOINT VENTURES

in € thousand	01.01.– 31.12.2017	01.01.– 31.12.2016	Change +/-	Change in %
Allee-Center, Magdeburg	7,950	7,945	5	0.1
Phoenix-Center, Harburg	7,029	6,928	101	1.5
Stadt-Galerie, Passau	7,195	7,261	-66	-0.9
Saarpark-Center, Neunkirchen	6,209	1,607	4,602	286.4
City-Arkaden, Klagenfurt	6,417	6,041	376	6.2
Árkád, Pécs	3,779	3,779	0	0.0
Other	35	43	-8	-18.6
Revenue	**38,614**	**33,604**	**5,010**	**14.9**
Operating and administrative costs for property	-4,121	-3,676	-445	12.1
NOI	**34,493**	**29,928**	**4,565**	**15.3**
Other operating income	154	640	-486	-75.9
Other operating expenses	-305	-1,178	873	-74.1
EBIT	**34,342**	**29,390**	**4,952**	**16.8**
Interest income	3	2	1	50.0
Interest expense	-4,191	-5,383	1,192	-22.1
Other financial gains or losses	475	281	194	69.0
Financial gains or losses	**-3,713**	**-5,100**	**1,387**	**-27.2**
Current tax expense	-149	-225	76	-33.8
At-equity profit (excluding measurement gains / losses)	**30,480**	**24,065**	**6,415**	**26.7**
Measurement gains / losses	4,396	28,711	-24,315	-84.7
Deferred taxes	-425	1,507	-1,932	-
SHARE OF PROFIT / LOSS	**34,451**	**54,283**	**-19,832**	**-36.5**

EBT (excluding measurement gains / losses) up significantly by 14.0%

EBT (excluding measurement gains / losses) rose from €134.5 million to €153.3 million (+14.0%) due in particular to portfolio expansions.

Measurement gains well down on the previous year

The measurement gain of €12.9 million (2016: €145.5 million) arose, at €13.1 million (2016: €146.2 million), mainly from the valuation of the Group's real estate assets according to IAS 40. Measurement gains and losses on real estate assets, after minority interests, broke down into €8.7 million (2016: €117.5 million) from the measurement of the real estate assets reported by the Group and €4.4 million (2016: €28.7 million) from the measurement of the real estate assets of the joint ventures recorded on the balance sheet according to the at-equity method.

The average value of Group properties after ongoing investments rose by 0.6% (2016: 4.6%); individual measurement gains / losses ranged between -4.5% and +5.7%. This trend is based on the latest rental market forecasts, which assume slight rises in rents on average in the medium term, a stable cost ratio and slightly contracted comparative yields on the German and international transaction markets.

Income taxes

Taxes on income and earnings, including the share reported under at-equity profit, came to €31.9 million, compared with €58.3 million in the previous year. An addition of €25.9 million (2016: €52.7 million) was made to deferred tax provisions in the year under review. Income tax expenditure amounted to €6.0 million (2016: €5.6 million).

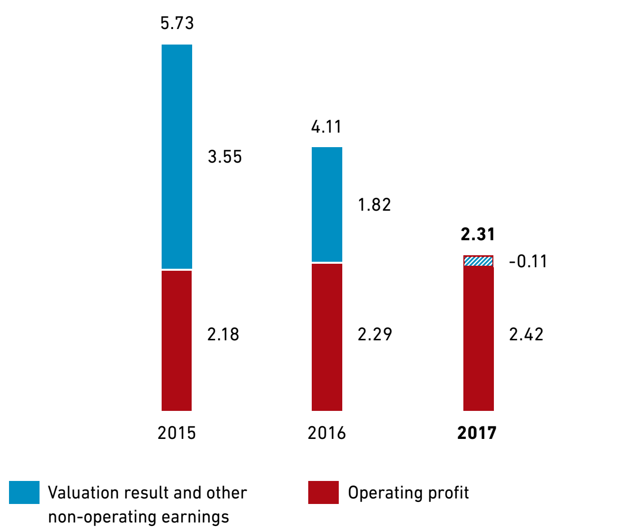
Higher measurement gains and losses in the previous year led to a decline in consolidated profit

Operating profit excluding measurement effects was raised by €18.8 million to €153.3 million. By contrast, consolidated profit came in at €134.3 million, down significantly by €87.4 million from the previous year (2016: €221.8 million) due to lower measurement gains year-on-year.

Earnings per share and EPRA earnings

Earnings per share (consolidated net profit per share) came to €2.31 in the reporting year, compared with €4.11 in the previous year, impacted by the considerably lower measurement gains. EPRA earnings improved to €2.42 (2016: €2.29).

EARNINGS PER SHARE
in €



EPRA EARNINGS

	01.01.–31.12.2017		01.01.–31.12.2016	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	134,333	2.31	221,757	4.11
Measurement gains / losses investment properties*	-13,120	-0.23	-146,171	-2.71
Measurement gains / losses derivative financial instruments*	-3,443	-0.06	-2,910	-0.05
Goodwill write-down	140	0.00	0	0.00
Other measurement gains / losses	34	0.00	686	0.01
Acquisition costs	276	0.00	1,093	0.02
Deferred taxes in respect of EPRA adjustments**	23,084	0.40	49,220	0.91
EPRA EARNINGS	**141,304**	**2.42**	**123,675**	**2.29**
Weighted number of no-par-value shares issued		58,248,007		53,945,536

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

** affects deferred taxes on investment properties and derivative financial instruments

Funds from operations (FFO) per share rose by 5.4%

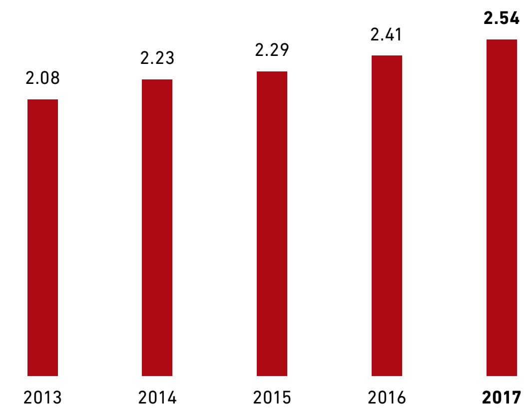
Funds from operations (FFO) are used to finance the distribution of dividends, scheduled repayments on our bank loans and ongoing investments in portfolio properties. During the year under review, FFO of €148.1 million was generated, a rise of €18.2 million on €129.9 million in the previous year. FFO per share rose by 5.4% from €2.41 to €2.54.

FUNDS FROM OPERATIONS

	01.01.–31.12.2017		01.01.–31.12.2016	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	134,333	2.31	221,757	4.11
Bond conversion expense	781	0.01	967	0.02
Measurement gains / losses investment properties*	-13,120	-0.23	-146,171	-2.71
Goodwill write-down	140	0.00	0	0.00
Other measurement gains / losses	34	0.00	686	0.01
Deferred taxes*	25,937	0.45	52,650	0.98
FFO	**148,105**	**2.54**	**129,889**	**2.41**
Weighted number of no-par-value shares issued		58,248,007		53,945,536

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

FUNDS FROM OPERATIONS (FFO)
per share in €



Proposed dividend: €1.45 per share

Based on a successful financial year, we are able to maintain our dividend policy, which is geared towards the long term and continuity. The Executive Board and Supervisory Board will therefore propose to the shareholders at the Annual General Meeting in Hamburg on 28 June 2018 that a dividend of €1.45 per share, 3.6% or €0.05 higher than the previous year, be distributed for financial year 2017. An estimated €0.53 per share of the dividend is expected to be deducted as capital gains tax.

FINANCIAL POSITION

Principles and objectives of financial management

For the purposes of financing its investments, Deutsche EuroShop uses the stock exchange for procuring equity, as well as the credit and capital markets for procuring loans. Within the Group, both the individual property companies and Deutsche EuroShop AG act as borrowers from banks or bond debtors. Loans and bonds are taken out in euros for all Group companies. In general, the use of equity and loans for investments should be equally weighted and the equity ratio in the Group (including third-party interests) should not fall significantly below 45%.

We finance our real estate projects on a long-term basis and also use derivative financial instruments to hedge against rising capital market rates. Hedging transactions are used to hedge individual loans. An available credit line enables Deutsche EuroShop to react quickly to investment opportunities. Until used for investment, any cash not needed is invested short-term as time deposits to finance ongoing costs or pay dividends.

Financing analysis

As at 31 December 2017, the Deutsche EuroShop Group reported the following key financial data:

FINANCING ANALYSIS

in € million	31.12.2017	31.12.2016	Change
Total assets	4,627.0	4,114.5	512.5
Equity (including third-party interests)	2,574.9	2,240.7	334.2
Equity ratio (%)	55.6	54.5	1.1
Net financial liabilities	1,440.1	1,381.5	58.6
Loan-to-value ratio (%)	32.4	34.2	-1.8

At €2,574.9 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€2,237.4 million) and the equity attributable to third-party shareholders (€337.5 million), was €334.2 million higher than in the previous year. The equity ratio improved year on year by 1.1% to 55.6%.

FINANCIAL LIABILITIES

in € thousand	31.12.2017	31.12.2016	Change
Convertible bond	0	98,680	-98,680
Non-current bank loans and overdrafts	1,517,773	1,242,754	275,019
Current bank loans and overdrafts	28,899	104,147	-75,248
TOTAL	**1,546,672**	**1,445,581**	**101,091**
Cash and cash equivalents	-106,579	-64,046	-42,533
Net financial liabilities	1,440,093	1,381,535	58,558

Current and non-current financial liabilities rose from €1,445.6 million to €1,546.7 million in the year under review, an increase of €101.1 million. Additional bank loans in connection with the acquisition of the Olympia Center in Brno, which was financed partly by debt capital, were offset by ongoing loan repayments and the conversion of the convertible bond. Together with the rise in cash and cash equivalents by €42.5 million, net financial liabilities rose on balance by €58.6 million, from €1,381.5 million to €1,440.1 million.

The net financial liabilities existing at the end of the year are used exclusively to finance non-current assets. This brings the percentage of non-current assets financed with debt capital in the year under review to 32.4% (2016: 34.2%).

The financing terms for consolidated borrowing as at 31 December 2017 were fixed at 2.89% p.a. (2016: 3.67% p.a.) with an average residual maturity of 5.6 years (2016: 5.1 years). The loans to Deutsche EuroShop are maintained as credit facilities with 25 banks in Germany, Austria and the Czech Republic.

LOAN STRUCTURE
as at 31 December 2017

Interest rate lock-in	as % of loan	in € million	Average residual maturity (years)	Average interest rate
Up to 1 year	1.4	22.3	1.0	3.80
1 to 5 years	47.0	724.2	3.6	3.83
5 to 10 years	42.7	658.0	8.1	2.70
Over 10 years	8.9	137.0	11.0	1.84
TOTAL	**100**	**1,541.5**	**5.6**	**2.89**

Of the 20 loans across the Group, 13 are subject to credit covenants with the financing banks. There are a total of 21 different conditions on different debt service cover ratios (DSCRs), interest cover ratios (ICRs), changes in rental income, the Group's leverage ratio and its loan-to-value ratio (LTV). All conditions were met. Based on the budgeted figures, compliance with the covenants may also be assumed in the current financial year.

Scheduled repayments totalling €22.3 million will be made from current cash flow during financial year 2018. Over the period from 2018 to 2022, repayments will average €17.9 million per annum.

No refinancing is envisaged in financial year 2018. In 2019, two loans totalling €110.2 million are scheduled for refinancing. Other loans totalling €127.6 million are to be extended in 2020, as are others amounting to €198.3 million in 2021.

Current and non-current financial liabilities totalling €1,546.7 million were recognised in the balance sheet at the reporting date. The €5.2 million difference between that amount and the sum of the amounts cited here relates to deferred interest and repayment obligations that were settled at the beginning of 2018.

Investment analysis

Investment in our centers during financial year 2017 came to €9.6 million in total, following €16.8 million in the previous year. In addition, our portfolio of shopping centers was expanded through our acquisition of a 100% stake in Olympia Center Brno for a net investment volume of €201.6 million, raising the number of centers from 20 to 21.

LIQUIDITY ANALYSIS

in € thousand	**01.01.– 31.12.2017**	01.01.– 31.12.2016
Net cash flow from operating activities	**156,024**	140,963
Cash flow from investing activities	**-211,014**	-93,718
Cash flow from financing activities	**97,523**	-53,898
Net change in cash and cash equivalents	**42,533**	**-6,653**
Cash and cash equivalents at beginning of period	**64,046**	70,699
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**106,579**	**64,046**

The Group's operating cash flow of €156.0 million (2016: €141.0 million) constitutes the amount generated by the Company through the leasing of shopping center space after deduction of all costs. It is primarily used to finance the dividends of Deutsche EuroShop AG and payments to third-party shareholders as well as ongoing loan repayments and investments. The expansion of our shopping center portfolio was the main reason for the rise of €15.1 million.

Cash flow from investing activities primarily consisted of investment in portfolio properties (€9.6 million), the acquisition of Olympia Brno on 31 March 2017 for €201.6 million and inflows of €0.2 million from the disposal of two associates.

Cash flow of €97.5 million from financing activities comprises a cash inflow of €163.6 million from the cash capital increase in March 2017 (after the deduction of transaction costs of €1.4 million), a cash inflow of €32.3 million from financial liabilities that were the result of the assumption of a long-term loan of €130.0 million, the repayment of the credit line used in the previous year amounting to €80.0 million, ongoing repayments of credit liabilities (€17.2 million) and the repayment of a share of the convertible bond (€0.5 million), as well as a €81.8 million dividend distribution to shareholders plus a €16.6 million pay-out to third-party shareholders.

Cash and cash equivalents rose by €42.6 million in the year under review to €106.6 million (2016: €64.0 million).

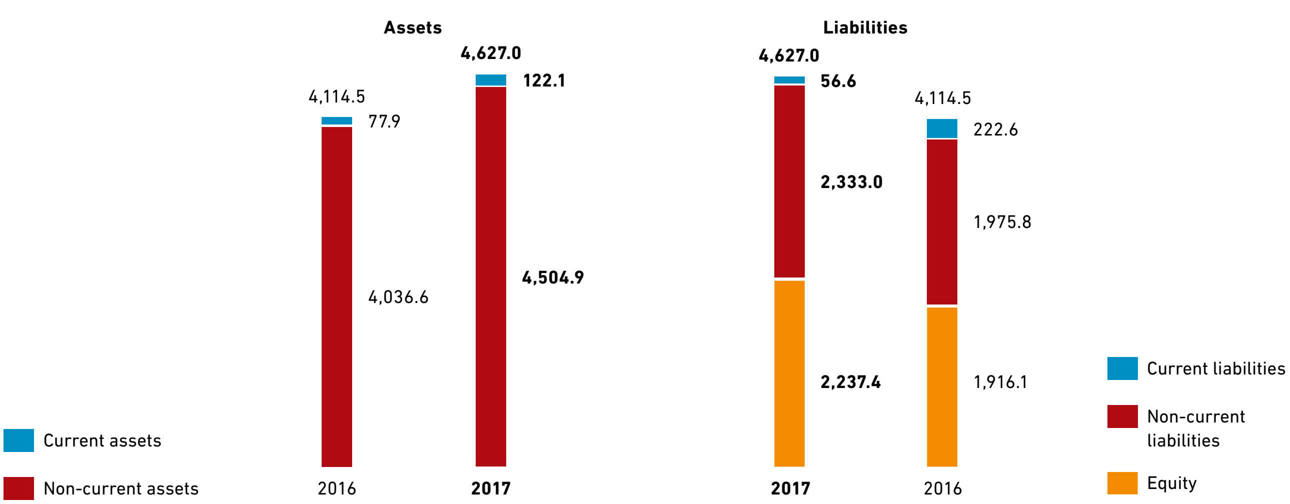
NET ASSETS

Increase in total assets due to portfolio expansion

The Group's total assets increased by €512.5 million, from €4,114.5 million to €4,627.0 million. The acquisition of the Olympia Center in Brno led to an increase in the total assets of the Deutsche EuroShop Group of €443.9 million as at the reporting date, and was mainly attributable to investment properties (€+374.0 million). Goodwill of €53.7 million was also recognised and was virtually offset by deferred tax liabilities. The deferred tax liabilities were generated within the scope of the acquisition and will not be carried through the income statement due to our intention to hold them over the long term. Excluding the acquisition of the Olympia Center in Brno, total assets grew by €68.6 million during the financial year.

in € thousand	**31.12.2017**	31.12.2016	Change
Current assets	**122,121**	77,924	44,197
Non-current assets	**4,504,878**	4,036,533	468,345
Current liabilities	**56,652**	222,548	-165,896
Non-current liabilities	**2,332,971**	1,975,761	357,210
Equity	**2,237,376**	1,916,148	321,228
TOTAL ASSETS	**4,626,999**	**4,114,457**	**512,542**

BALANCE SHEET STRUCTURE
in € million



Current assets higher due to increase in cash and cash equivalents

At the end of the year, current assets amounted to €122.1 million, representing a €44.2 million rise versus the previous year (€77.9 million) which was mainly the result of a €42.6 million increase in cash and cash equivalents as at the reporting date (€106.6 million; 2016: €64.0 million). Trade receivables, at €5.3 million, were down by €1.3 million from the previous year (€6.6 million). Other assets rose by €3.0 million, from €7.3 million to €10.3 million.

Non-current assets higher due to acquisition of the Olympia Center in Brno

Non-current assets rose from €4,036.6 million to €4,504.9 million in the year under review, representing a €468.3 million increase.

Investment properties gained €374.0 million due to the acquisition of the Olympia Center in Brno. This, together with additions and costs of investments in portfolio properties at €9.6 million, as well as the €19.7 million revaluation of the property portfolio, produced a rise in investment properties of €403.3 million to €3,924.2 million.

At-equity investments increased by €11.3 million, from €515.4 million to €526.7 million. This increase is especially attributed to the difference between the share in the earnings (€34.5 million) and losses for the financial year (€22.9 million).

Current liabilities down due to refinancing and bond conversion

Current liabilities declined €165.9 million, from €222.6 million to €56.7 million, mainly due to the convertible bond (2016: €98.7 million), which had been converted almost completely by the end of the conversion deadline in November 2017 (99.5%) as well as repayment of the €80 million credit line used for a short period in the previous year in connection with the real estate acquisitions.

Non-current liabilities higher due to refinancing of real estate acquisitions

Non-current liabilities climbed €357.2 million from €1,975.8 million to €2,333.0 million, primarily due to the non-current financial liabilities assumed in connection with the acquisition of the Olympia Center in Brno (€159.6 million) and the rise in deferred tax liabilities (€53.7 million) as at the reporting date. The assumption of a long-term loan of €130.0 million to refinance the acquisitions of the Olympia Center and the Saarpark Center, further additions of €26.7 million to deferred taxes and the increase of €12.9 million in redemption entitlements for third-party shareholders also contributed to the rise. This was offset by the scheduled repayment of long-term loans (€-14.5 million) as well as the reduction in other non-current liabilities (€-11.2 million).

Equity

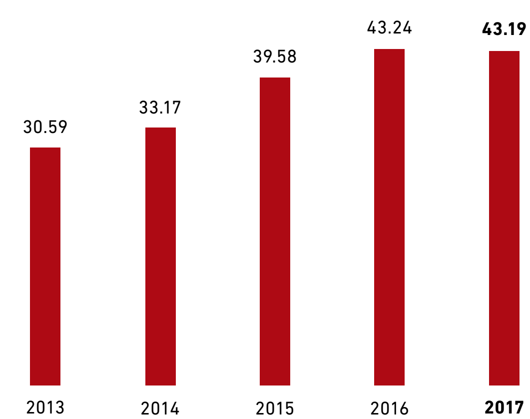
At €2,237.4 million as at the end of the reporting year, Group equity was up €321.3 million against the previous year (€1,916.1 million). This was mainly attributed to the cash capital increase carried out by utilising some of the authorised capital in March to finance the equity required for the acquisition of the Olympia Center. The Group obtained €165 million (before the deduction of transaction costs and deferred taxes amounting to €1.0 million) from the capital increase. In addition, the almost full conversion of the bond by the end of the conversion deadline in November 2017 led to a €99.4 million increase in Group equity.

The difference between the consolidated profit of €134.3 million and the dividend paid in July 2017 of €81.8 million as well as the change in the fair value of swaps, at €5.2 million, also impacted equity positively.

EPRA net asset value virtually unchanged

Net asset value (NAV) stood at €2,668.4 million or €43.19 per share as at 31 December 2017, compared with €2,332.6 million or €43.24 per share in the previous year. Net asset value per share was therefore 0.1% or €0.05 lower year on year due to the higher number of shares compared with the previous year.

EPRA NET ASSET VALUE
per share in €



EPRA NAV

	31.12.2017		31.12.2016	
	in € thousand	per share in €	in € thousand	per share in €
Equity	2,237,376	36.21	1,916,148	35.52
Derivative financial instruments measured at fair value*	40,405	0.66	50,499	0.94
Equity excluding derivative financial instruments	**2,277,781**	**36.87**	**1,966,647**	**36.46**
Deferred taxes on investment properties and derivative financial instruments*	444,392	7.19	365,927	6.78
Goodwill as a result of deferred taxes	-53,727	-0.87	0	0.00
EPRA NAV	**2,668,446**	**43.19**	**2,332,574**	**43.24**
Number of no-par-value shares issued as at the reporting date		61,783,594		53,945,536

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

REPORT ON EVENTS AFTER THE REPORTING DATE

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

OUTLOOK

A very sound domestic economy will continue to underpin growth in employment in 2018. This will be accompanied by real increases in employee income, a positive environment for consumption and ongoing strength in exports, which will continue to provide positive stimuli for German economic growth in 2018. In its economic report for 2018, the German federal government is forecasting a positive scenario and expects 2.4% GDP growth as well as a further fall in the unemployment rate from 5.7% to 5.3%. In the case of retail sales, the German Retail Federation (HDE) predicts growth of 2.0%, with bricks-and-mortar retail set to grow by 1.2% and online sales as the biggest growth driver again by around 10%.

Despite the positive and robust state of the economy in our core market of Germany stands there are risks in the foreign economic environment. Uncertainties caused by the faltering Brexit negotiations, the intensification of international tax competition and the danger of negative consequences from a new era of economic protectionism triggered by the new US administration, as well as ongoing geopolitical crises, lead us to believe that the risk to the economy as a whole remains high.

In light of these financial and economic challenges, there is an intensifying global need for capital investments that retain their value, particularly in financially solid countries such as Germany. The long-lasting low interest rate phase also means that the likes of life insurance companies and similar pension institutions in Germany and beyond are still seeking real estate investment opportunities that will meet the long-term return expectations of policyholders. This is keeping demand for real estate at very high levels, with supply limited in terms of adequate quality. Retail real estate also appeals to institutional investors, in principle. The previously very high level in shopping center transactions market is expected to normalise due to increasing online trade and greater challenges for bricks-and-mortar retail.

We are monitoring developments on the real estate market closely. We will only make new investments if the return that is achievable over the long term is reasonably correlated to the investment risks.

STABLE OUTLOOK FOR OUR SHOPPING CENTERS IN AN INCREASINGLY COMPETITIVE ENVIRONMENT

With strong growth in online sales and an increasing supply of floor space in retail, we remain well placed operationally. All our properties are largely full and let on a long-term basis, and the outstanding rents and necessary writedowns remain at a low level. We currently see no indications of a significant change in this stable situation.

Agreed transactions are the foundation for revenue and earnings planning

The Deutsche EuroShop Group's revenue and earnings planning for 2018 and 2019 does not include the future purchase or sale of any properties. The results of the annual valuation of our shopping centers and exchange rate factors are also not included in our planning since they are not foreseeable.

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

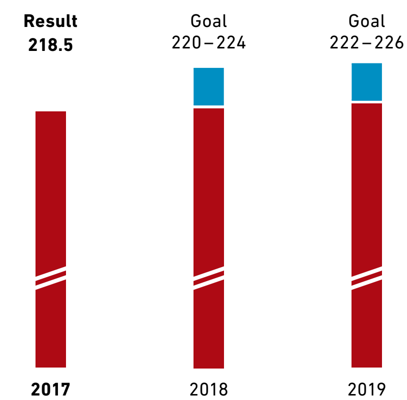
a) the development of revenue and earnings in the existing shopping centers
b) the assumption that there will be no substantial reduction in revenue in the retail sector that would cause a large number of retailers to no longer be able to meet their obligations under existing leases.

RISE IN REVENUE IN 2018 AND 2019

Revenue of €218.5 million in financial year 2017 was in line with forecasts of €216 – 220 million. In 2018, the Olympia Center will contribute to consolidated revenue for a full year for the first time. Assuming that rental income falls slightly for individual domestic shopping centers, revenue should then lie within a range of €220 – 224 million in 2018.

In our 2019 planning, we are assuming an increase in revenue and expect this to lie within a range of €222 – 226 million.

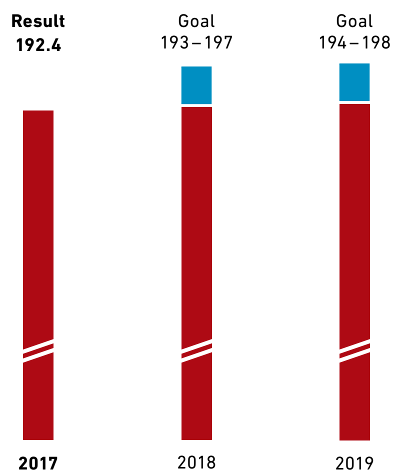
REVENUE
in € million



RISING PROFIT IN 2018 AND 2019

Earnings before interest and taxes (EBIT) were €192.4 million in 2017, especially due to lower property operating costs and one-time extraordinary income above the expected range of €187 – 191 million. According to our projections, EBIT will increase to €193 – 197 million in 2018 and to €194 – 198 million in 2019.

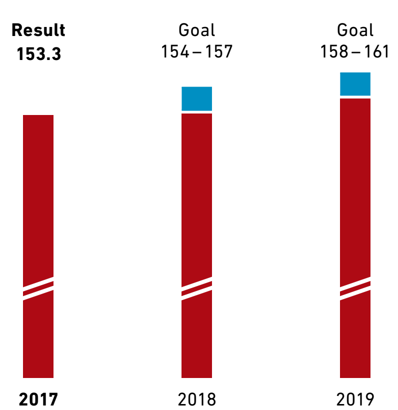
EBIT
in € million



In the year under review, operating earnings before tax (EBT excluding measurement gains / losses) amounted to €153.3 million, significantly above our forecast of €145 – 148 million. Alongside the effects on EBIT already described, the short-term interest rate agreement for a loan that was concluded until refinancing was contracted as well as the exceeding of forecasts at at-equity accounted companies also had a positive impact on operating earnings.

For 2018, we expect operating earnings to lie within a range of €154 – 157 million. For 2019, we calculate €158 – 161 million.

EBT *
in € million



* excluding measurement gains / losses

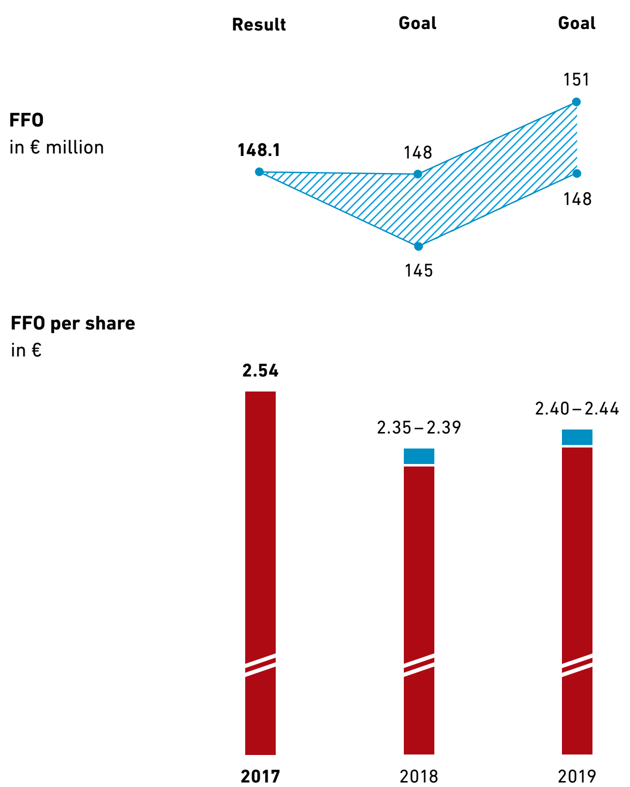
FFO DEVELOPMENT 2019

In the year under review, funds from operations (FFO), at €148.1 million or €2.54 per share, exceeded expectations (€140 – 143 million or €2.42 – 2.46 per share) due to the deviations described and actual taxes that were lower than calculated.

For 2018, we expect FFO of €145 – 148 million or €2.35 – 2.39 per share.

According to our projections, FFO will increase from €2.40 to €2.44 per share for financial year 2019. In absolute terms, FFO should rise by 2.0% to €148 – 151 million.

FFO



Number of shares in million	58.25	61.78	61.78

DIVIDEND POLICY

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

RISK REPORT

PRINCIPLES GOVERNING THE RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

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

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

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

KEY FEATURES

Risk analysis

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

1. **Portfolio properties**

- Trend in amounts outstanding
- Trend in occupancy rates
- Retail sales trend in the shopping centers
- Variance against projected income from the properties
- Observance of financial covenants in loan agreements

2. **Centers under construction**

- Pre-leasing levels
- Construction status
- Budget status
- Development of financial covenants in loan agreements and observance of disbursement conditions

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

Risk inventory

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

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

ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM

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

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

ADVICE ON LIMITATIONS

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

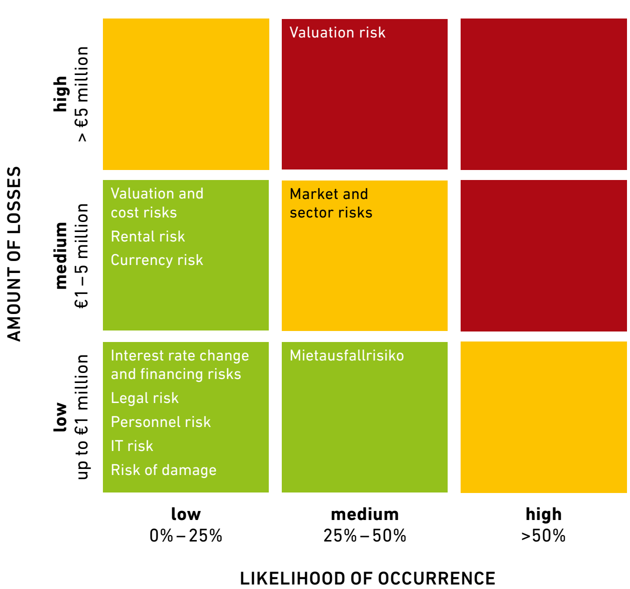
Decisions based on personal judgement, flawed controls, criminal acts or other circumstances cannot be entirely ruled out, however, and may limit the effectiveness and reliability of the internal control and risk management system that is in use. Consequently, the application of the systems used cannot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

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

EVALUATION OF THE OVERALL RISK POSITION

The overall risk situation is presented in the following matrix. Against a background of slightly higher interest rates and currently limited rental growth, the valuation risk is rated as a little higher than in the previous year. The potential extent of losses is calculated on the basis of the impact for the financial year following the year under review.

RISK MATRIX



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

ILLUSTRATION OF MATERIAL RISKS AND OPPORTUNITIES

Valuation risk

The value of a property is essentially determined by its capitalised earnings value, which in turn depends on factors such as the level of annual rental income and management costs, the underlying location risk, the general condition of the property, the evolution of capital market interest rates and, in particular, the demand for shopping center properties. The appreciation of property values is also impacted by various macro-economic and regional factors as well as by factors specific to those properties, which are for the most part unforeseeable and beyond the control of the Company. The factors described are taken into account in the annual market valuations of our portfolio properties by independent appraisers. Changes in value are recognised in the income statement of the consolidated financial statements in accordance with the requirements of IAS 40 and may thus increase the volatility of consolidated profit. Thus, the measurement gains and losses for Group companies and equity-accounted companies on the balance sheet amounted to 8% of EBT (2016: 52%) in the year under review. In addition, the market valuations of our portfolio properties may also affect compliance with loan conditions on existing financing arrangements (e.g. compliance with debt ratios) as well as the terms of new financing and refinancing agreements.

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

Market and sector risks

Retail trade will continue to undergo structural changes in the coming years due to changing demand behaviour on the part of consumers, the demographic shift and constant new forms of offerings. Online retail will continue to grow dynamically and faster than the overall retail market. In addition, attractive and spacious retail facilities that are leaders in their respective catchment areas, which can offer customers a broad range of products, an enjoyable time and a special shopping experience, will continue to enjoy stable growth.

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

The share of online commerce in total retail revenues also rose again in 2017, yet consumer behaviour still varies greatly for each sector. Initially, it was primarily books and consumer electronics that were bought on the Internet, whereas now shoes and textiles are also increasingly ordered online. Medication, jewellery, watches and food still tend to be bought in person, however.

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

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

Deutsche EuroShop AG is actively confronting this trend with a variety of measures. The tenant and sector mix at our centers is continuously and individually optimised on the basis of intensive market scrutiny in order to increase our centers' attractiveness for customers. In addition, the integration of the offline and online shopping worlds will be optimised further, partly through center apps and in future with the Digital Mall concept, which is currently still at the project stage and aims to enable customers to see, reserve and order products that are available immediately in a shopping center conveniently in just a few clicks via their smartphone or over the Internet. The leisure, customer experience and meeting point aspects of our centers are also being enhanced. The measures being implemented to achieve this include the creation of attractive new restaurant spaces as well as the "At Your Service" programme. The aim is to make the centers a more pleasurable place to be and to raise the quality of service through targeted investments in, among other things, improved service and lounge areas, modern entertainment zones for kids, simplified in-house navigation when searching for shops or parking using touch screens or smartphone solutions, and intelligent parking guidance systems. The conclusion of long-term leasing contracts with tenants with high credit ratings across every retail segment furthermore reduces market and sector risks.

Rental risk

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

The somewhat subdued economic expectations for 2017 due to the uncertainties caused by Brexit, the threat of economic protectionism in the US and persisting geopolitical crises (Syria, Turkey and Ukraine) did not materialise. Instead, the global economy grew in 2017 despite these uncertainties and the upswing is predicted to continue for 2018. At the same time, though, uncertainties remain concerning future economic developments, partly due to the faltering Brexit negotiations, the intensification of international tax competition in the wake of the US tax reforms and the still smouldering geopolitical crises. What is more, the continuing upswing in Germany has led to a noticeable skills shortage in some areas where the economy is already showing signs of reaching growth limits as a result and international competitiveness is in partial decline because this is accompanied by a rise in wages. Against the backdrop of these uncertainties, negative consequences for economic growth and consumers' purchasing behaviour cannot be ruled out.

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

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

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

Risk of rent loss

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

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

The requisite writedowns are recognised on the balance sheet in individual cases. These amounted to €0.9 million in financial year 2017 (2016: €1.1 million). Depending on how the economy fares, an increase in such writedowns in the current year cannot be ruled out.

Cost risk

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

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

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

Financing and interest rate risks

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

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

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

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

Currency risk

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

Risk of damage

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

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

Legal risk

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

Personnel risk

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

IT risk

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

OPPORTUNITY REPORT

Deutsche EuroShop AG forms part of a retail market undergoing dynamic structural transformation. While bricks-and-mortar retail is currently facing challenges from strong growth in online retail, and more and more transformation processes are being initiated actively, the strict boundaries between online and offline are increasingly disappearing. There is a clear trend towards purely online retailers opening their own shops and branch networks for the first time or gaining access to bricks-and-mortar retail chains and their branch network through acquisitions or joint ventures. Behind this development is the expectation from customers that they will be able to buy all products online or offline depending on the situation as well as the insight that many online providers have that they can offer an improved customer service and achieve greater sales growth with an omni-channel sales approach.

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

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

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

REMUNERATION REPORT

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

REMUNERATION SYSTEM FOR THE EXECUTIVE BOARD

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

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

The non-performance-related basic annual remuneration is €252 thousand for Mr Wellner and €186 thousand for Mr Borkers. In addition, Mr Wellner is expected to receive a bonus of €363 thousand and Mr Borkers €279 thousand for 2017. The final amount of the bonuses will only be available after approval of the consolidated financial statements by the Supervisory Board, upon which they will be payable.

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

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

A long-term incentive (LTI 2015) remuneration component was agreed in financial year 2015. The amount of the LTI 2015 is based on the positive change in market capitalisation of Deutsche EuroShop AG according to the data provided by Deutsche Börse over the period from 1 January 2015 (for Mr Wellner) and 1 July 2015 (for Mr Borkers) to 30 June 2018. Market capitalisation is calculated by multiplying the volume-weighted average price over the last 20 trading days by the number of Company shares issued. According to the data provided by Deutsche Börse, the Company's volume-weighted market capitalisation stood at €1,932.3 million at 1 January 2015 and €2,195.0 million at 1 July 2015.

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

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

On 31 December 2017, the market capitalisation of the Company stood at €2,046.3 million, which was €114.0 million higher than the figure as at 1 January 2015 and €148.7 million lower than as at 1 July 2015. The present value of the resulting potential entitlement under the LTI 2015 was €96 thousand in total at year-end. As a result, the €49 thousand provision created in the previous year was increased by €47 thousand during the financial year.

REMUNERATION OF THE EXECUTIVE BOARD 2017

The remuneration of the Executive Board amounted to €1,113 thousand, which broke down as follows:

	Wilhelm Wellner				Olaf Borkers				Total
in € thousand	CEO Joined: 01.02.2015				Member of the Executive Board Joined: 01.10.2005				
Contributions made	**2016**	**2017**	**2017 (min)**	**2017 (max)**	**2016**	**2017**	**2017 (min)**	**2017 (max)**	**2017**
Fixed remuneration	252	252			173	186			
Ancillary benefits	18	18			15	15			
Total	**270**	**270**			**188**	**201**			**471**
One-year variable remuneration	328	363	0	378	259	279	0	279	
Multi-year variable remuneration LTI 2015	0	0	0	(*)	0	0	0	(*)	
Total	**328**	**363**			**259**	**279**			**642**
Pension expense	0	0			0	0			0
TOTAL REMUNERATION	**598**	**633**			**447**	**480**			**1,113**

(*) no maximum

In 2017, the Executive Board was in receipt of payments totalling €1,058 thousand:

	Wilhelm Wellner				Olaf Borkers				Total
in € thousand	CEO Joined: 01.02.2015				Member of the Executive Board Joined: 01.10.2005				
Income	**2016**	**2017**	**2017 (min)**	**2017 (max)**	**2016**	**2017**	**2017 (min)**	**2017 (max)**	**2017**
Fixed remuneration	252	252			173	186			
Ancillary benefits	18	18			15	15			
Total	**270**	**270**			**188**	**201**			**471**
One-year variable remuneration (**)	290	328	0	378	252	259	0	259	
Multi-year variable remuneration LTI 2015	0	0	0	(*)	0	0	0	(*)	
Miscellaneous	0	0			0	0			
Total	**290**	**328**			**252**	**259**			**587**
Pension expense	0	0			0	0			0
TOTAL REMUNERATION	**560**	**598**			**440**	**460**			**1,058**

(*) no maximum

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

Ancillary benefits include the provision of a car for business and private use.

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

The outgoing CEO, Claus-Matthias Böge, is to receive a total of €1,712 thousand under the Long-Term Incentive 2010, which covered the period to 30 June 2015. Since 2016, this amount has been paid at the start of each year in five equal instalments, finishing in 2020. An old-age pension contribution of €83 thousand for Mr Böge was recognised under expenditure in the financial year (previous year: €54 thousand).

REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD

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

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

REMUNERATION OF THE SUPERVISORY BOARD 2017

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

in € thousand	2017	2016
Reiner Strecker	59.50	59.50
Thomas Armbrust	29.75	29.75
Beate Bell	29.75	29.75
Manuela Better	29.75	29.75
Karin Dohm	44.62	44.62
Dr Henning Kreke	29.75	29.75
Alexander Otto	29.75	29.75
Klaus Striebich	29.75	29.75
Roland Werner	29.75	29.75
	312.37	312.37

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

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

ACQUISITION REPORTING

Deutsche EuroShop shares are traded on the Frankfurt Stock Exchange and other exchanges. As of 31 December 2017, 17.08% of shares were owned by Alexander Otto (2016: 17.8%).

The share capital is €61,783,594, comprised of 61,783,594 no-par-value registered shares. The notional value of each share is €1.00.

According to Article 5 of the Articles of Association, the Executive Board is authorised, with the Supervisory Board's approval, to increase the share capital by up to a total of €26,972,768 through one or several issues of new no-par-value registered shares against cash and / or non-cash contributions before 19 June 2018 ("authorised capital 2013").

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

By a resolution of the Annual General Meeting dated 28 June 2017, the remaining authorisation based on authorised capital 2013 was cancelled and new authorised capital 2017 was created. Accordingly, the Executive Board is authorised, with the Supervisory Board's approval, to increase the share capital by up to a total of €11,680,999 through one or multiple issues of new no-par-value registered shares against cash and / or non-cash contributions before 27 June 2022. As at 31 December 2017, no use had been made of this authorisation.

According to Article 6 of the Articles of Association, the Executive Board was authorised, subject to the approval of the Supervisory Board and until 15 June 2016, to issue convertible bonds with a total nominal value of up to €200,000,000 and to grant the holders conversion rights to new no-par-value shares up to a total of 10,000,000 shares (€10.0 million) ("conditional capital 2011"). As part of this authorisation, Deutsche EuroShop AG issued a convertible bond on 20 November 2012. By the end of the conversion deadline of 6 November 2017, nearly all holders of the convertible bond had exercised their option to convert these bonds into shares of Deutsche EuroShop AG. A total nominal value of €99,500 thousand of the convertible bond was converted into 3,378,598 shares. As no further conversion rights can be asserted after the conversion deadline, Article 6 of the Articles of Association was repealed without replacement.

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

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

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

Deutsche EuroShop Group does not currently have any other compensation agreements with members of the Executive Board or other employees for the event of a change of control.

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

DECLARATION ON CORPORATE GOVERNANCE (SECTION 289F HGB)

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

Hamburg, 11 April 2018

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

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS

in € thousand	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Intangible assets	1.	53,746	29
Property, plant and equipment	1.	208	267
Investment properties	2.	3,924,157	3,520,824
Investments accounted for using the equity method	3.	526,728	515,361
Other financial assets		39	52
Non-current assets		**4,504,878**	**4,036,533**
Current assets			
Trade receivables	4.	5,268	6,601
Other current assets	5.	10,274	7,277
Cash and cash equivalents	6.	106,579	64,046
Current assets		**122,121**	**77,924**
TOTAL ASSETS		**4,626,999**	**4,114,457**

LIABILITIES

in € thousand	Note	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital		61,784	53,945
Capital reserves		1,217,560	961,970
Retained earnings		958,032	900,233
Total equity	7.	**2,237,376**	**1,916,148**
Non-current liabilities			
Financial liabilities	8.	1,517,773	1,242,754
Deferred tax liabilities	10.	439,800	359,365
Right to redeem of limited partners	11.	337,479	324,559
Other liabilities	9.	37,919	49,083
Non-current liabilities		**2,332,971**	**1,975,761**
Current liabilities			
Financial liabilities	8.	28,899	202,827
Trade payables		2,242	1,394
Tax liabilities		2,201	649
Other provisions	12.	6,354	6,644
Other liabilities	9.	16,956	11,034
Current liabilities		**56,652**	**222,548**
TOTAL EQUITY AND LIABILITIES		**4,626,999**	**4,114,457**

CONSOLIDATED INCOME STATEMENT

in € thousand	Note	01.01.–31.12.2017	01.01.–31.12.2016
Revenue	13.	218,491	205,136
Property operating costs	14.	-11,168	-10,200
Property management costs	15.	-10,371	-10,198
Net operating income (NOI)		**196,952**	**184,738**
Other operating income	16.	2,035	1,410
Other operating expenses	17.	-6,619	-7,522
Earnings before interest and taxes (EBIT)		**192,368**	**178,626**
Share in the profit or loss of associated companies and joint ventures using the equity method	3., 18.	34,451	54,283
Interest expense		-54,023	-52,918
Profit / loss attributable to limited partners	11.	-18,522	-17,894
Other financial income and expenditure		2,968	2,529
Interest income		36	118
Income from investments		1	1
Financial gains or losses		**-35,089**	**-13,881**
Measurement gains / losses	19.	**8,550**	**116,774**
Earnings before tax (EBT)		**165,829**	**281,519**
Income taxes	20.	-31,496	-59,762
CONSOLIDATED PROFIT		**134,333**	**221,757**
Earnings per share (€), undiluted	24.	2.31	4.11
Earnings per share (€), diluted	24.		3.92

STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	01.01.–31.12.2017	01.01.–31.12.2016
Consolidated profit		**134,333**	**221,757**
Items which under certain conditions in the future will be reclassified to the income statement:			
Actual share of the profits and losses from instruments used to hedge cash flows	7.	6,651	-836
Change due to IAS 39 measurement of available-for-sale investments	7.	22	-7
Deferred taxes on changes in value offset directly against equity	7.	-1,440	201
Total earnings recognised directly in equity		**5,233**	**-642**
TOTAL PROFIT		**139,566**	**221,115**
Share of Group shareholders		139,566	221,115

CONSOLIDATED CASH FLOW STATEMENT

in € thousand	Note	01.01.–31.12.2017	01.01.–31.12.2016
Consolidated profit		**134,333**	**221,757**
Income taxes	20.	31,496	59,762
Financial gains or losses		35,089	13,881
Amortisation / depreciation of intangible assets and property, plant and equipment with a finite life	17.	56	72
Unrealised changes in fair value of investment property and other measurement gains / losses	19.	-8,550	-116,774
Distributions and capital repayments received	3.	22,914	21,952
Changes in trade receivables and other assets	4., 5.	994	-1,081
Changes in current provisions	12.	-290	748
Changes in liabilities	9.	-1,302	-2,817
Cash flow from operating activities		**214,740**	**197,500**
Interest paid		-52,622	-51,210
Interest received		36	118
Income taxes paid	20.	-6,130	-5,445
Net cash flow from operating activities		**156,024**	**140,963**
Outflows for the acquisition of investment properties	2.	-9,624	-16,819
Inflows from disposal of intangible assets and property, plant and equipment		27	57
Outflows for the acquisition of intangible assets and property, plant and equipment		-14	-52
Inflows from the disposal of financial assets	3.	170	2,819
Acquisition of a subsidiary less acquired cash and cash equivalents	21.	-201,573	0
Outflows for the acquisition of non-current financial assets	3.	0	-79,723
Cash flow from investing activities		**-211,014**	**-93,718**
Inflows from financial liabilities	8., 23.	130,000	80,000
Outflows from the repayment of financial liabilities	8.	-97,710	-43,734
Payments to limited partners	11.	-16,587	-17,338
Inflows from capital increases	7.	163,587	0
Payments to Group shareholders	7.	-81,767	-72,826
Cash flow from financing activities		**97,523**	**-53,898**
Net change in cash and cash equivalents		**42,533**	**-6,653**
Cash and cash equivalents at beginning of period	6.	**64,046**	**70,699**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6.	**106,579**	**64,046**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € thousand	Note	Number of shares outstanding	Share capital	Capital reserves	Other retained earnings	Statutory reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
01.01.2016		**53,945,536**	**53,945**	**961,970**	**783,178**	**2,000**	**-15**	**-33,219**	**1,767,859**
Total profit			0	0	221,757	0	-7	-635	221,115
Dividend payments	7.		0	0	-72,826	0	0	0	-72,826
31.12.2016		**53,945,536**	**53,945**	**961,970**	**932,109**	**2,000**	**-22**	**-33,854**	**1,916,148**
01.01.2017		**53,945,536**	**53,945**	**961,970**	**932,109**	**2,000**	**-22**	**-33,854**	**1,916,148**
Total profit			0	0	134,333	0	22	5,211	139,566
Capital increase	7.	4,459,460	4,460	159,583	0	0	0	0	164,043
Capital increase through conversion of bonds	7.	3,378,598	3,379	96,007	0	0	0	0	99,386
Dividend payments	7.		0	0	-81,767	0	0	0	-81,767
31.12.2017		**61,783,594**	**61,784**	**1,217,560**	**984,675**	**2,000**	**0**	**-28,643**	**2,237,376**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR FINANCIAL YEAR 2017

GENERAL DISCLOSURES

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

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

The consolidated financial statements of Deutsche EuroShop AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code). All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as at 31 December 2017 have been applied. The Executive Board prepared the consolidated financial statements as at 31 December 2017 on 11 April 2018 and forwarded them to the Supervisory Board for examination and approval.

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

Amounts are mainly presented in thousands of €.

The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These affect the reported amounts of assets, liabilities and contingent liabilities as at the reporting date, as well as the recognition of income and expenses during the reporting period. The actual amounts can differ from these estimates. Expected cash flows and the discount factor in particular are critical parameters for the measurement of investment properties (see the notes to section "2. Investment Properties").

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

The annual financial statements of the consolidated companies were prepared on 31 December 2017, the reporting date of the consolidated financial statements.

BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

BASIS OF CONSOLIDATION

Fully consolidated subsidiaries	Domestic*	Abroad*	Total
As at 01.01.2017	**9**	**3**	**12**
Additions	1	1	**2**
Disposals	0	0	**0**
AS AT 31.12.2017	**10**	4	**14**

Joint ventures included in consolidated financial statements in accordance with the equity method	Domestic*	Abroad*	Total
As at 01.01.2017	**4**	**3**	**7**
Additions	0	0	**0**
Disposals	0	0	**0**
AS AT 31.12.2017	**4**	**3**	**7**

Associates included in consolidated financial statements in accordance with the equity method	Domestic*	Abroad*	Total
As at 01.01.2017	**3**	**1**	**4**
Additions	0	0	**0**
Disposals	3	0	**3**
AS AT 31.12.2017	**0**	**1**	**1**

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

Subsidiaries

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

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

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

Financial information of subsidiaries with significant non-controlling interests

Deutsche EuroShop AG holds a stake of 52.01% in Main-Taunus-Zentrum KG, Hamburg and exercises a controlling influence over the company. The other 47.99% of shares are in free float. The Company posted non-current assets of €731,000 thousand (previous year: €714,000 thousand) and current assets of €14,404 thousand (previous year: €13,035 thousand) as at the reporting date. Non-current liability items amounted to €218,256 thousand (previous year: €220,000 thousand) and current liability items totalled €5,919 thousand (previous year: €3,021 thousand). The Company generated revenue of €35,655 thousand (previous year: €35,031 thousand) and net profit (after earnings due to limited partners) of €21,829 thousand (previous year: €42,539 thousand). A dividend of €11,664 thousand (previous year: €12,107 thousand) was paid to limited partners in the year under review.

Joint ventures

Joint ventures in which Deutsche EuroShop AG has a majority of the voting rights together with third parties are classified as joint operations and accounted for using the equity method. Deutsche EuroShop AG has a 75% stake in Stadt-Galerie Passau KG, Hamburg. On the basis of corporate agreements, Deutsche EuroShop AG does not hold the majority of voting rights or exercise sole control of this Company.

Associates

In accordance with IAS 28, where Deutsche EuroShop AG can exercise a significant influence but not control over companies, these investments are measured using the equity method. Following the dissolution of PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg, as at 30 November 2017 and the withdrawal from Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft m.b.H. & Co., Hamburg, with effect from 31 December 2017 as well as the acquisition of all the shares of City-Point Beteiligungs GmbH, Hamburg (see section "Acquisitions during the financial year"), the number of associates decreased from four to one in the year under review.

Investees

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

Shareholdings

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

CONSOLIDATION METHODS

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

Joint ventures and associates are measured using the equity method. The cost of acquiring the investment is recognised here in income at an amount increased or reduced by the changes in equity corresponding to the equity interest of Deutsche EuroShop AG.

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

ACQUISITIONS DURING THE FINANCIAL YEAR

On 7 March 2017, Deutsche EuroShop AG signed a purchase agreement to acquire all shares of Olympia Brno s.r.o., Prague (Czech Republic). Olympia Brno is the owner of the Olympia shopping center located in Brno in the Czech Republic. The transfer of benefits and encumbrances took place on 31 March 2017 upon payment of the provisional purchase price (€202 million) to the seller. The definitive purchase price (including a payment obligation assumed for the seller) of €203 million was determined on the basis of the audited interim financial statements of Olympia Brno as at 31 March 2017.

In addition to the shares in Olympia Brno, the loan already in place between the seller and Olympia Brno was also acquired at the carrying amount. The investment was financed through equity from a cash capital increase (approx. €165 million) and long-term loans.

The fair values of the identifiable assets and liabilities of Olympia Brno were as follows at the time of acquisition:

	Fair value at the time of acquisition
Non-current assets	
Investment properties	374,000
Current assets	
Trade receivables	332
Cash and cash equivalents	7,421
Other current assets	2,324
Non-current liabilities	
Financial liabilities	-164,283
Deferred taxes	-53,941
Current liabilities	
Financial liabilities	-2,502
Shareholder loans	-5,941
Other current liabilities	-8,224
Total identifiable net assets at fair value	**149,186**
Consideration	
Purchase price	201,633
Assumed payment obligations of seller	1,420
Goodwill	**53,867**

The goodwill arose exclusively from deferred tax liabilities which had to be generated within the scope of the acquisition but which will not be realised due to the intention to hold them over the long term. As at the reporting date, the deferred tax liabilities were reduced to €53,727 thousand due to the translation of the carrying amount in the tax balance sheet at the closing rate. The goodwill was therefore written down by €140 thousand to €53,727 thousand. This write-down is recognised in the income statement in measurement gains / losses (see section "19. Measurement gains / losses"). The goodwill is not tax deductible.

The fair value of the trade receivables corresponds to the previously reported carrying amount, which includes write-downs in the amount of €475 thousand.

The transaction costs associated with the acquisition (2017: €276 thousand; 2016: €1,093 thousand) are recognised in the income statement under Other operating expenses.

Since its inclusion in the Group, Olympia Brno has contributed €15,265 thousand to the revenue and €9,174 thousand to the consolidated profit as at 31 March 2017. If Olympia Brno had been acquired on 1 January 2017, it would have increased the consolidated revenue by a further €5,033 thousand and the consolidated profit by a further €3,433 thousand.

Thanks to the purchase of the Olympia Center, we have now expanded our portfolio to 21 shopping centers.

In addition, the Group acquired all the shares of City-Point Beteiligungs GmbH for €15 thousand in the fourth quarter of 2017. Increasing the shareholding from 40% to 100% means that City-Point Beteiligungs GmbH is included in the Group as a fully consolidated company from the fourth quarter of 2017. The acquisition did not result in any excess, and there was no material impact on the presentation of the net assets, results of operations and financial position of the Group.

NEW ACCOUNTING STANDARDS

The following new or amended standards and interpretations relevant for the business activities of the Group are required to be applied for the first time to the financial years ending on 31 December 2017:

Amendments / standard	Date applied (EU)	Amendments	Impact on the net assets, financial position and results of operations or cash flow of Deutsche EuroShop AG
Disclosure Initiative (Amendment to IAS 7)	01.01.2017	This release provides disclosures designed to help recipients of financial statements assess changes to financing liabilities.	The Group has made the required disclosures for the period under review and the comparative period in section 8.
Recognition of Deferred Tax Assets for Unrealised Losses (Amendment to IAS 12)	01.01.2017	Clarification of accounting for deferred tax assets for unrealised losses with respect to available-for-sale financial assets.	No material impact
Annual Improvements to IFRSs - 2014 – 2016 Cycle	01.01.2017 (IFRS 12 only)	Clarifications of numerous published standards.	No material impact

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

Amendments / standard	Expected date of application (EU)	Expected amendments	Impact on the net assets, financial position and results of operations or cash flow of Deutsche EuroShop AG
IFRS 9 Financial Instruments	01.01.2018	The new IFRS 9 standardises the specifications for classifying and measuring financial assets and financial liabilities. The standard uses cash flow properties and the business model according to which they are managed as a basis in this regard. In addition, it provides for a new impairment model based on expected credit losses. IFRS 9 also includes new provisions regarding the application of hedge accounting in order to better represent a company's risk management activities. IFRS 9 will replace the previous provisions of IAS 39.	An examination of the impact of IFRS 9 on the Group did not reveal any material impact. The new provisions on impairment mean that losses expected in the future will become recognised in income sooner. As a result, the write-downs for the Group in the first year of application of IFRS 9 may be slightly higher. Application of the new provisions on hedge accounting will not have any impact on the Group.
IFRS 15 Revenue from Contracts with Customers	01.01.2018	The standard provides a five-step model for recognising revenue that is to be applied to all contracts with customers. This specifies when (or over what time period) and what amount of revenue is to be recognised.	Due to the nature of the business model of the Group and its generation of rental income through the leasing of shopping center space, no impact on the accounting of revenue is expected.
IFRS 16 Leases	01.01.2019	The core requirement of IFRS 16 is that all leases and their associated contractual rights and obligations are to be recognised in the lessee's balance sheet as a general principle. The lessee is required to account for lease liabilities for all future lease payments. At the same time, the lessee is conferred the right to use the underlying asset, which generally corresponds to the cash value of the future lease payments plus any direct costs incurred by the lessee. During the term of the lease, the lease liability is upheld financially on a similar basis to the provisions of IAS 17 for finance leases, while the right of use is amortised according to schedule, which generally leads to higher expenses at the beginning of a lease. In the case of lessors, meanwhile, the provisions of the new standard are similar to the previous provisions of IAS 17.	The Group only has a limited number of lease obligations as a lessee. Accounting according to the provisions of IFRS 16 as at 31 December 2017 would have led to the recognition of rights of use with corresponding liabilities of approximately €0.4 million.

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

CURRENCY TRANSLATION

The Group currency is the euro (€).

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

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

A closing rate of HUF 310.14 (previous year: HUF 311.02) and an average rate of HUF 309.21 (previous year: HUF 311.46) were used in the translation of the separate Hungarian financial statements for Einkaufs-Center Arkaden Pécs KG, Hamburg, from forint (HUF) to euros. A closing rate of PLN 4.17 (previous year: PLN 4.42) and an average rate of PLN 4.26 (previous year: PLN 4.36) were taken as a basis for translating the separate financial statements of the Polish companies. The Czech financial statements for Olympia Brno were translated at a closing rate of CZK 25.54 and an average rate of CZK 27.02.

SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

REVENUE AND EXPENSE RECOGNITION

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

DETERMINATION OF FAIR VALUES

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

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

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

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

In the case of assets or liabilities that are recognised at fair value on a regular basis, it is determined based on a reassessment at the end of the financial year whether reclassifications between the hierarchical levels occurred. In 2017, as in the previous financial year, no reclassifications between the hierarchical levels occurred.

INTANGIBLE ASSETS

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

Software additions are measured at cost. These are amortised at 33% using the straight-line method over the expected useful life of three years. The method of depreciation and the depreciation period are reviewed annually at the end of each financial year.

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

Goodwill is not subject to amortisation.

PROPERTY, PLANT AND EQUIPMENT

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

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

IMPAIRMENT LOSSES ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The value of the goodwill is reviewed at least once a year (as at 31 December) at the level of the cash-generating units of the Group to which goodwill was allocated at the time of acquisition. For the outcome of this year's goodwill impairment test, we refer you to our statements concerning "Acquisitions during the financial year".

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

INVESTMENT PROPERTIES

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

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

Borrowing and initial rental costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset until the time at which the asset is largely ready for its intended use. Income realised from the temporary investment of specifically borrowed funds up to the point when these are used to obtain qualifying assets is deducted from the capitalisable costs of these assets. General administrative costs are not added to the costs of these assets.

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

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

LEASE AGREEMENTS

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

FINANCIAL INSTRUMENTS

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

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

Derivative financial instruments

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

Non-current financial assets

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

Receivables and other current assets

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

Right to redeem of limited partners

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

Financial liabilities

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

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

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

Trade payables

Trade payables are recognised at their repayment amount.

Other liabilities

Other liabilities are recognised at amortised cost.

Cash and cash equivalents

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

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

DEFERRED TAXES

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

OTHER PROVISIONS

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

NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

1. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	Goodwill		Software and software licenses		Operating and office equipment	
in € thousand	2017	2016	2017	2016	2017	2016
Costs as at 1 January	0	0	77	50	455	568
Additions	0	0	5	33	9	19
Acquisition of a subsidiary	53,867	0	0	0	0	0
Disposals	0	0	0	-6	-50	-132
as at 31 December	53,867	0	82	77	414	455
Depreciation as at 1 January	0	0	-48	-42	-188	-203
Additions	-140	0	-15	-12	-41	-60
Disposals	0	0	0	6	23	75
as at 31 December	-140	0	-63	-48	-206	-188
Carrying amount at 1 January	0	0	29	8	267	365
CARRYING AMOUNT AT 31 DECEMBER	53,727	0	19	29	208	267

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

2. INVESTMENT PROPERTIES

in € thousand	2017	2016
Carrying amount at 1 January	3,520,824	3,356,655
Additions	1,333	7,217
Recognised construction measures	8,291	8,602
Additions to basis of consolidation	374,000	0
Unrealised changes in fair value	19,709	148,350
CARRYING AMOUNT AT 31 DECEMBER	3,924,157	3,520,824

The additions in the previous year arose mainly from the purchase of a property on 1 April 2016, which is adjacent to the shopping center in Dessau and is let to Karstadt.

Among the additions to the basis of consolidation is the Olympia Center in Brno, which was acquired on 31 March 2017.

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

The fair values of the properties in the period under review as at 31 December 2017 were determined by appraisers from Jones Lang LaSalle GmbH (JLL) in accordance with the guidelines of the Royal Institution of Chartered Surveyors (RICS). As in previous years, the discounted cashflow method (DCF) was used. The remuneration fixed contractually for the appraisal reports prior to preparation of the appraisals is independent of the measurement gain / loss.

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

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

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

Valuation parameters

in %	31.12.2017	31.12.2016
Rate of rent increases	**1.47**	1.39
Cost ratio	**10.14**	10.17
Discount rate	**5.90**	5.97
Capitalisation interest rate	**5.11**	5.21

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

Sensitivity analysis – Valuation parameters

	Basis	Change in parameter	in € million	in %
Rate of rent increases	1.47	+0.25 percentage points	164.7	4.0
		-0.25 percentage points	-128.8	-3.1
Cost ratio	10.41	+0.25 percentage points	-9.3	-0.2
		-0.25 percentage points	13.9	0.3
Discount rate	5.90	+0.25 percentage points	-75.0	-1.8
		-0.25 percentage points	80.7	2.0
Capitalisation interest rate	5.11	+0.25 percentage points	-121.9	-3.0
		-0.25 percentage points	134.3	3.3

Over the forecast period, rents were assumed to increase on average over the long term at 1.47% (2016: 1.39%). On average, management and administrative costs at 10.1% (2016: 10.2%) were deducted from the forecast rents. This resulted in an average net income of 89.9% (2016: 89.8%). Actual management and administrative costs amounted to 9.9% of rental income in the year under review (2016: 9.9%). The appraisal showed that, for financial year 2017, the real property portfolio had an initial yield before deduction of transaction costs of 5.23% compared with the previous year's 5.24%, and an initial rate of return net of transaction costs (net initial yield) of 4.93%, the figure for the previous year having been 4.94%.

The following shows details and disclosures in accordance with IFRS 13 for the hierarchical levels of the fair values of the Group's investment properties as at 31 December 2017:

IFRS 13 hierarchy levels

in € thousand	Level 1	Level 2	Level 3
Investment properties	0	0	3,924,157

The properties are secured by mortgages. There are land charges in the amount of €1,546,672 thousand (previous year: €1,346,901 thousand). The rental income of the properties valued in accordance with IAS 40 was €218,491 thousand (previous year: €205,136 thousand). Directly associated operating expenses were €21,539 thousand (previous year: €20,398 thousand).

3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

in € thousand	2017	2016
Carrying amount at 1 January	**515,361**	**411,031**
Additions for equity-accounted companies	0	79,623
Capital contribution	0	100
Distributions and capital repayments received	-22,914	-21,952
Share of profit / loss	34,451	54,283
Appreciations / depreciations	0	-786
Disposals	-170	-2,819
Other changes	0	-4,119
CARRYING AMOUNT AT 31 DECEMBER	**526,728**	**515,361**

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

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

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

	Allee-Center Magdeburg KG, Hamburg		Immobilienkommandit-gesellschaft FEZ Harburg, Hamburg		Stadt-Galerie Passau KG, Hamburg	
in € thousand	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Non-current assets	254,000	255,000	277,000	274,000	178,000	178,000
Current assets	4,821	1,922	5,792	4,051	2,545	1,279
thereof cash and cash equivalents	3,621	807	5,031	3,411	1,991	750
Non-current liabilities	0	0	120,875	122,547	0	0
thereof financial liabilities	0	0	120,875	122,547	0	0
Current liabilities	1,045	747	3,881	3,635	458	310
thereof financial liabilities	0	0	2,463	2,195	0	0
Revenue	15,901	15,891	14,059	13,856	9,594	9,681
Net interest income	1	2	-3,986	-5,187	0	0
Income taxes	0	0	0	0	0	0
Net profit	12,148	20,583	11,146	26,134	8,404	16,649
Other income	0	0	0	0	0	0
TOTAL PROFIT	**12,148**	**20,583**	**11,146**	**26,134**	**8,404**	**16,649**

	Saarpark Center Neunkirchen KG, Hamburg**		EKZ Eins Errichtungs- und Betriebs Ges. m.b.H. & Co. OG, Wien*		Einkaufs-Center Arkaden Pécs KG, Hamburg	
in € thousand	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Non-current assets	225,000	225,000	228,967	223,955	100,000	95,000
Current assets	2,462	3,256	2,526	2,963	4,440	4,585
thereof cash and cash equivalents	1,845	2,469	1,569	1,965	3,624	3,699
Non-current liabilities	58,642	63,309	93,617	94,615	34,724	33,874
thereof financial liabilities	55,912	59,630	48,759	49,279	28,650	28,650
Current liabilities	5,136	5,026	1,966	1,987	1,798	2,065
thereof financial liabilities	4,299	4,450	481	470	605	1,203
Revenue	12,417	3,215	12,834	12,081	7,558	7,558
Net interest income	-439	199	-2,039	-3,792	-927	-1,354
Income taxes	0	0	0	0	-1,145	2,566
Net profit	9,762	3,513	13,648	20,036	9,589	13,325
Other income	0	0	0	0	0	0
TOTAL PROFIT	**9,762**	**3,513**	**13,648**	**20,036**	**9,589**	**13,325**

* Includes the figures for the immaterial joint venture CAK City Arkaden Klagenfurt KG, Hamburg. The equity method valuation amounted to €967 thousand (previous year: €955 thousand) and the net loss for the year €37 thousand (previous year: €69 thousand).

** The joint venture was acquired on 1 October 2016 and has been included in consolidated financial statements since this date. The previous year's figures for the items in the income statement therefore only cover a period of three months and so are not comparable with the figures for financial year 2017.

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

in € thousand	Allee-Center Magdeburg KG, Hamburg	Immobilien-kommandit-gesellschaft FEZ Harburg, Hamburg	Stadt-Galerie Passau KG, Hamburg	Saarpark Center Neun-kirchen KG, Hamburg	EKZ Eins Er-richtungs- und Betriebs Ges. m.b.H. & Co. OG, Wien	Einkaufs-Center Arkaden Pécs KG, Hamburg
Equity method valuation as at 01.01.2017	**128,089**	**75,934**	**134,227**	**79,961**	**65,157**	**31,823**
Share of profit / loss	6,074	5,573	6,303	4,881	6,825	4,794
Deposits / withdrawals	-5,275	-2,489	-5,465	-3,000	-4,027	-2,658
EQUITY METHOD VALUATION AS AT 31.12.2017	**128,888**	**79,018**	**135,065**	**81,842**	**67,955**	**33,959**

4. TRADE RECEIVABLES

in € thousand	31.12.2017	31.12.2016
Trade receivables	6,917	8,509
Allowances for doubtful accounts	-1,649	-1,908
	5,268	**6,601**

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

5. OTHER CURRENT ASSETS

in € thousand	31.12.2017	31.12.2016
Other receivables from tenants	3,605	1,652
Other current assets	6,669	5,625
	10,274	**7,277**

Other receivables from tenants mainly comprise receivables for heating and ancillary costs. Other current assets primarily consist of cash security deposits received as collateral, prepaid costs to protect locations and tax receivables.

RECEIVABLES

in € thousand	Total	Up to 1 year	Over 1 year
Trade receivables	5,268 (6,601)	5,268 (6,601)	0 (0)
Other assets	10,274 (7,277)	10,274 (7,277)	0 (0)
(PREVIOUS YEAR'S FIGURES)	**15,542 (13,878)**	**15,542 (13,878)**	**0 (0)**

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

6. CASH AND CASH EQUIVALENTS

in € thousand	**31.12.2017**	31.12.2016
Short-term deposits / time deposits	5,879	6,230
Current accounts	100,692	57,806
Cash	8	10
	106,579	**64,046**

NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

7. EQUITY AND RESERVES

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

The share capital is €61,783,594, comprised of 61,783,594 no-par-value registered shares. All shares have been issued in full and have been fully paid up.

The notional value of each share is €1.00.

According to Article 5 of the Articles of Association, the Executive Board was authorised, with the Supervisory Board's approval, to increase the share capital by up to a total of €26,972,768 through one or several issues of new no-par-value registered shares against cash and / or non-cash contributions before 19 June 2018 **(Authorised capital 2013)**. On 7 March 2017, in order to finance the equity required for the acquisition of Olympia Brno (see section "Acquisitions during the financial year"), the Executive Board decided, with the Supervisory Board's approval, to increase the share capital by utilising up to €4,700,000 of the authorised capital through the issue of up to 4,700,000 registered shares with dividend rights from 1 January 2016 (the "New Shares") for cash. A total of 4,459,460 new shares were issued at a subscription price of €37.00 per share. The Group obtained from this around €165 million (before deduction of transaction costs amounting to €1.4 million). The transaction costs were recognised against the capital reserves, taking into account deferred tax assets. The capital increase was entered in the commercial register on 8 March 2017.

By a resolution of the Annual General Meeting dated 28 June 2017, the remaining authorisation based on **authorised capital** 2013 was cancelled and new authorised capital 2017 was created. Accordingly, the Executive Board is authorised, with the Supervisory Board's approval, to increase the share capital by up to a total of €11,680,999 through one or multiple issues of new no-par-value registered shares against cash and / or non-cash contributions before 27 June 2022. As at 31 December 2017, no use had been made of this authorisation.

According to Article 6 of the Articles of Association, the Executive Board was authorised, subject to the approval of the Supervisory Board and until 15 June 2016, to issue convertible bonds with a total nominal value of up to €200,000,000 and to grant the holders conversion rights to new no-par-value shares up to a total of 10,000,000 shares (€10.0 million) **(conditional capital 2011)**. As part of this authorisation, Deutsche EuroShop AG issued a convertible bond in the amount of €100 million on 20 November 2012. By the end of the conversion deadline of 6 November 2017, nearly all holders of the convertible bonds had exercised their option to convert these bonds into shares of Deutsche EuroShop AG. A total nominal value of €99,500 thousand of the convertible bond was converted into 3,378,598 shares. As no further conversion rights can be asserted after the conversion deadline, Article 6 of the Articles of Association was repealed without replacement.

At the Annual General Meeting on 28 June 2018, the Executive Board and Supervisory Board will propose that Deutsche EuroShop AG's entire unappropriated surplus for 2017 of €89,586 thousand be used to fund a dividend distribution of €1.45 per eligible share. The previous year's unappropriated surplus of €81,767 thousand was distributed in full to the shareholders. The dividend paid was €1.40 per share.

The capital reserves contain amounts in accordance with section 272 (2) nos. 1, 2 and 4 of the Handelsgesetzbuch (HGB – German Commercial Code). In addition, the capital reserves include costs of capital increases and their corresponding deferred tax assets.

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

Other total profit is divided into the following components:

2017

in € thousand	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	22	0	22
Cash flow hedges	6,651	-1,440	5,211
	6,673	**-1,440**	**5,233**

2016

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

8. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	31.12.2017		31.12.2016	
in € thousand	Non-current	Current	Non-current	Current
Bank loans and overdrafts	1,517,773	28,899	1,242,754	104,147
Convertible bond	0	0	0	98,680
	1,517,773	**28,899**	**1,242,754**	**202,827**

Bank loans and overdrafts relate to loans raised to finance property acquisitions and investment projects. Land charges on Company properties totalling €1,546,672 thousand (previous year: €1,346,901 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the year under review, €6 thousand (previous year: €446 thousand) was recognised in income. A total of €51,939 thousand (previous year: 49,460 thousand) was recognised in financial gains or losses as interest expense for bank loans and overdrafts.

Thirteen of the 20 loan agreements currently contain arrangements regarding covenants. There are a total of 21 different conditions on different debt service cover ratios (DSCR), interest cover ratios (ICR), changes in rental income, the equity ratio and loan-to-value ratios (LTV). The loan conditions have not been breached thus far and will not, according to current plans, be breached in future either.

On 20 November 2012, Deutsche EuroShop AG issued convertible bonds with a five-year maturity and total value of €100 million. The coupon was 1.75% per year and was payable semi-annually in arrears. The convertible bond was converted almost entirely into shares of Deutsche EuroShop AG prior to its expiry.

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

Interest expense incurred for the convertible bond amounted to €2,084 thousand (previous year: €3,458 thousand) and is recognised in financial gains or losses.

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

in € thousand	2017 Bank loans and overdrafts	2017 Convertible bond	2016 Bank loans and overdrafts	2016 Convertible bond
Carrying amount at 1 January	**1,346,901**	**98,680**	**1,310,635**	**96,972**
Changes affecting liquidity	32,986	-696	36,266	0
Changes not affecting liquidity				
Acquisition of Olympia Brno	166,785	0	0	0
Conversion	0	-99,386	0	0
Other	0	1,402	0	1,708
CARRYING AMOUNT AT 31 DECEMBER	**1,546,672**	**0**	**1,346,901**	**98,680**

9. OTHER NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

in € thousand	31.12.2017 Non-current	31.12.2017 Current	31.12.2016 Non-current	31.12.2016 Current
Interest rate swaps	36,784	2,256	48,659	0
Rental deposits	0	3,567	0	909
Other liabilities to tenants	0	6,412	0	3,618
Value added tax	0	3,124	0	3,017
Debtors with credit balances	0	422	0	922
Other	1,135	1,175	424	2,568
	37,919	**16,956**	**49,083**	**11,034**

In connection with borrowing, interest rate hedges (interest rate swaps) were concluded to hedge against higher capital market interest rates. Their present value totalled €39,040 thousand as at the reporting date.

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

LIABILITIES

in € thousand	Total	Current	Non-current
Financial liabilities	1,546,672 (1,445,581)	28,899 (202,827)	1,517,773 (1,242,754)
Trade payables	2,242 (1,394)	2,242 (1,394)	0 (0)
Tax liabilities	2,201 (649)	2,201 (649)	0 (0)
Other liabilities	54,875 (60,117)	16,956 (11,034)	37,919 (49,083)
(PREVIOUS YEAR'S FIGURES)	**1,605,990 (1,507,741)**	**50,298 (215,904)**	**1,555,692 (1,291,837)**

10. DEFERRED TAX LIABILITIES

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

	31.12.2017		31.12.2016	
in € thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Investment properties	0	367,365	0	298,197
Investments accounted for using the equity method	0	82,488	0	75,526
Other liabilities				
Interest swaps (not recognised in profit or loss)	8,141	0	9,581	0
Interest swaps (recognised in profit or loss)	357	0	827	0
Other	1,132	0	674	0
Corporation tax loss carryforwards	423	0	3,276	0
Deferred taxes before netting	**10,053**	**449,853**	**14,358**	**373,723**
Balance	-10,053	-10,053	-14,358	-14,358
DEFERRED TAXES AFTER NETTING	**0**	**439,800**	**0**	**359,365**

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

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

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

The initial consolidation of Olympia Brno on 31 March 2017 created an addition to deferred tax liabilities of €53,941 thousand.

As at the reporting date, there were taxable temporary differences of €6,005 thousand between the net assets of Group companies recognised in the consolidated financial statements and the tax basis of the shares in these Group companies (outside basis differences) for which no deferred taxes were recognised since the differences are not expected to be reversed in the foreseeable future.

11. RIGHT TO REDEEM OF LIMITED PARTNERS

in € thousand	2017	2016
Settlement claim as per 01.01.	**324,559**	**293,113**
Earnings contributions	18,522	17,894
Share of measurement gains / losses	10,985	30,890
Outflows	-16,587	-17,338
SETTLEMENT CLAIM AS PER 31.12.	**337,479**	**324,559**

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

12. OTHER PROVISIONS

in € thousand	As at 01.01.2017	Utilisation	Reversal	Addition	Addition to basis of consolidation	As at 31.12.2017
Maintenance and construction work already performed but not yet invoiced	2,518	2,098	268	2,432	0	**2,584**
Fees	67	67	0	73	0	**73**
Other	4,059	3,324	155	3,096	21	**3,697**
	6,644	**5,489**	**423**	**5,601**	**21**	**6,354**

Other provisions contain the present value (€96 thousand) of a new long-term incentive plan which was contractually agreed between the Executive Board and employees of Deutsche EuroShop AG with effect from 1 July 2015. The term is three years, and the plan is linked to changes in the market capitalisation up to 30 June 2018. Please also refer to the details in the remuneration report, which is part of the management report.

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

NOTES TO THE CONSOLIDATED INCOME STATEMENT

13. REVENUE

in € thousand	2017	2016
Minimum rental income	215,320	202,000
Turnover rent	2,447	1,975
Other	724	1,161
	218,491	**205,136**
of which directly attributable rental income in accordance with IAS 40 Investment Properties	218,491	205,136

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

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

in € thousand	2017	2016
Maturity within 1 year	214,727	186,865
Maturity from 1 year to 5 years	644,521	606,549
Maturity after 5 years	214,329	228,959
	1,073,577	**1,022,373**

14. PROPERTY OPERATING COSTS

in € thousand	2017	2016
Operating costs that cannot be passed on	-5,057	-3,167
Center marketing	-2,869	-2,912
Maintenance and repairs	-1,130	-1,926
Write-downs of rent receivables	-876	-1,112
Real property tax	-597	-570
Other	-639	-513
	-11,168	**-10,200**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-11,168	-10,200

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

15. PROPERTY MANAGEMENT COSTS

in € thousand	2017	2016
CENTER MANAGEMENT / AGENCY AGREEMENT COSTS	**-10,371**	**-10,198**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-10,371	-10,198

16. OTHER OPERATING INCOME

in € thousand	2017	2016
Income from the reversal of provisions	423	526
Exchange rate gains	12	9
Other	1,600	875
	2,035	**1,410**

Other operating income primarily consists of receivables already value-adjusted in previous years as well as a reimbursement of costs for a renovation at Altmarkt-Galerie Dresden carried out in 2016.

17. OTHER OPERATING EXPENSES

in € thousand	2017	2016
Personnel expenses	-1,921	-1,768
Legal, consulting and audit expenses	-1,543	-2,411
Marketing costs	-494	-446
Supervisory Board compensation	-312	-312
Appraisal costs	-293	-316
Exchange rate losses	-238	-339
Fees and contributions	-149	-150
Write-downs	-56	-72
Other	-1,613	-1,708
	-6,619	**-7,522**

Legal, consulting and audit expenses include €302 thousand for the audit of Group companies (previous year: €291 thousand).

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

in € thousand	2017	2016
Profit / loss from joint ventures	34,450	54,282
Profit / loss from associates	1	1
PROFIT / LOSS FROM EQUITY-ACCOUNTED COMPANIES	**34,451**	**54,283**

The profit / loss of equity-accounted companies includes a measurement loss before deferred taxes of €4,396 thousand (previous year: €28,711 thousand).

19. MEASUREMENT GAINS / LOSSES

in € thousand	2017	2016
Unrealised changes in fair value	19,709	148,350
Profit / loss attributable to limited partners	-10,985	-30,890
Goodwill write-down	-140	0
Write-down of other financial assets	-34	0
Ancillary acquisition costs of at-equity investments	0	-686
	8,550	**116,774**

The goodwill write-down was based on the adjustment of deferred taxes for the real estate assets of Olympia Brno (see also section "Acquisitions during the financial year").

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

Other measurement gains / losses include the impairment of the stake in ILWRO Holding B.V.

20. INCOME TAXES

in € thousand	2017	2016
Current tax expense	-5,984	-5,605
Domestic deferred tax expense	-22,030	-49,786
Foreign deferred tax expense	-3,482	-4,371
	-31,496	**-59,762**

TAX RECONCILIATION

Income taxes in the amount of €-31,496 thousand in the year under review are derived as follows from an expected income tax expense that would have resulted from the application of the parent company's statutory income tax rate to the profit before tax. This was calculated using a tax rate of 32.28%.

in € thousand	2017	2016
Consolidated profit before income tax	**165,829**	**281,519**
Theoretical income tax 32.28%	**-53,530**	**-90,874**
Tax rate differences for foreign Group companies	7,282	1,579
Tax rate differences for domestic Group companies	13,216	28,153
Tax-free income / non-deductible expenses	37	-796
Tax effect from investments accounted for under the equity-accounted method	1,547	2,223
Aperiodic tax expense / income	-26	-47
Other	-22	0
CURRENT INCOME TAX	**-31,496**	**-59,762**

In financial year 2017, the effective income tax rate was 19.0%. This did not include aperiodic tax expense in the amount of €26 thousand.

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

Cash flow from operating activities is derived from consolidated profit using the indirect method. Net cash flow from operating activities, cash flow from investment activities and cash flow from financing activities are calculated using the direct method.

The acquisition of Olympia Brno is reported under the item "Acquisition of a subsidiary less acquired cash and cash equivalents" under Cash flow from investment activity. The item comprises the acquisition costs paid for the stake and the loan less the acquired cash and cash equivalents of €7,421 thousand of Olympia Brno. The transaction costs paid are included in cash flow.

Payments to acquire non-current financial assets in the previous year mainly comprise the acquisition of joint venture Saarpark Center Neunkirchen KG, Hamburg at the beginning of October 2016.

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

22. SEGMENT REPORTING

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

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

At the start of financial year 2017, an internal report was further developed with the aim of being better able to assess the contribution of the respective segments to the individual performance indicators as well as to the Group's success. In comparison to the previous procedure, the income, expenditure, assets and liabilities of the joint ventures will in future be consolidated proportionately with their Group share in the internal reports. Previously, these were recorded using the at-equity method, as IFRS 11 also stipulates for external reports.

Similarly, for subsidiaries in which the Group is not the sole shareholder, income, expenditure, assets and liabilities are no longer consolidated in their entirety but only proportionately according to the corresponding Group share. This results in the segments being divided as follows:

BREAKDOWN BY GEOGRAPHICAL SEGMENT

in € thousand	Domestic	Abroad	Total	Reconciliation	01.01.–31.12.2017
Revenue	**195,676**	**36,854**	**232,530**	**-14,039**	**218,491**
EBIT	**174,406**	**33,426**	**207,832**	**-15,464**	**192,368**
Profit / losses of joint ventures and associates	0	0	0	34,451	**34,451**
Interest income	27	7	34	2	**36**
Interest expense	-48,860	-5,475	-54,335	312	**-54,023**
EBT (EXCLUDING MEASUREMENT GAINS / LOSSES)	**129,014**	**27,958**	**156,972**	**-3,664**	**153,308**

in € thousand	Domestic	Abroad	Total	Reconciliation	31.12.2017
Investment properties	3,388,343	735,415	4,123,758	-199,601	**3,924,157**
Additions to investment properties	8,202	375,954	384,156	-532	**383,624**
Goodwill	0	0	0	53,727	**53,727**
Investments accounted for using the equity method	0	0	0	526,728	**526,728**
Other segment assets	42,082	31,733	73,815	48,572	**122,387**
SEGMENT ASSETS	**3,430,425**	**767,148**	**4,197,573**	**429,426**	**4,626,999**
SEGMENT LIABILITIES	**1,272,618**	**343,052**	**1,615,670**	**773,953**	**2,389,623**

in € thousand	Domestic	Abroad	Total	Reconciliation	01.01.–31.12.2016
Revenue	**193,708**	**20,865**	**214,573**	**-9,437**	**205,136**
EBIT	**172,708**	**18,047**	**190,755**	**-12,129**	**178,626**
Profit / losses of joint ventures and associates	0	0	0	54,283	**54,283**
Interest income	109	8	117	1	**118**
Interest expense	-50,121	-3,982	-54,103	1,185	**-52,918**
EBT (EXCLUDING MEASUREMENT GAINS / LOSSES)	**125,504**	**14,073**	**139,577**	**-5,050**	**134,527**

in € thousand	Domestic	Abroad	Total	Reconciliation	31.12.2016
Investment properties	3,382,151	344,330	3,726,481	-205,657	**3,520,824**
Additions to investment properties	130,863	866	131,729	-115,910	**15,819**
Investments accounted for using the equity method	0	0	0	515,361	**515,361**
Other segment assets	35,023	12,753	47,776	30,496	**78,272**
SEGMENT ASSETS	**3,417,174**	**357,083**	**3,774,257**	**340,200**	**4,114,457**
SEGMENT LIABILITIES	**1,397,967**	**123,882**	**1,521,849**	**676,460**	**2,198,309**

The adjustment of the proportionate consolidation of the joint ventures and subsidiaries in which the Group does not own a 100% stake is carried out in the reconciliation column. Deferred tax liabilities are considered by the Executive Board of Deutsche EuroShop AG in a cross-segment manner and are therefore included in the reconciliation column of the segment liabilities. Accordingly, the goodwill from the acquisition of Olympia Brno was allocated to the reconciliation column of the segment assets. Further, this still includes the elimination of intra-Group activities between the segments.

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

OTHER DISCLOSURES

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

			Amount stated in line with IAS 39			
in € thousand	Measurement category in accordance with IAS 39	**Carrying amounts 31.12.2017**	Amortised cost	Fair value recognised in income	Fair value recognised in equity	Fair value 31.12.2017
Financial assets						
Non-current financial assets ***	AfS	**39**			39	39
Trade receivables	LaR	**5,268**	5,268			5,268
Other assets	LaR	**6,047**	6,047			6,047
Cash and cash equivalents	LaR	**106,579**	106,579			106,579
Financial liabilities						
Financial liabilities **	FLAC	**1,546,672**	1,546,672			1,629,002
Right to redeem of limited partners	FLAC	**337,479**	337,479			337,479
Trade payables	FLAC	**2,242**	2,242			2,242
Other liabilities	FLAC	**9,169**	9,169			9,169
Interest rate hedges recognised in profit or loss **	FLAC	**2,256**		2,256		2,256
Interest rate hedges not recognised in profit or loss **	FVTPL	**36,784**			36,784	36,784

* Corresponds to level 1 of the IFRS 7 fair value hierarchy

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

*** Corresponds to level 3 of the IFRS 7 fair value hierarchy

Measurement categories in accordance with IAS 39: Loans and Receivables (LaR), Available-for-Sale (AfS), Financial Liabilities measured at Amortised Cost (FLAC), Financial liabilities measured at fair value (FVTPL)

in € thousand	Measurement category in accordance with IAS 39	Amount stated in line with IAS 39: Carrying amounts 31.12.2016	Amortised cost	Fair value recognised in income	Fair value recognised in equity	Fair value 31.12.2016
Financial assets						
Non-current financial assets***	AfS	52			52	52
Trade receivables	LaR	6,601	6,601			6,601
Other assets	LaR	2,537	2,537			2,537
Cash and cash equivalents	LaR	64,046	64,046			64,046
Financial liabilities						
Financial liabilities**	FLAC	1,445,581	1,445,581			1,549,252
Right to redeem of limited partners	FLAC	324,559	324,559			324,559
Trade payables	FLAC	1,394	1,394			1,394
Other liabilities	FLAC	4,551	4,551			4,551
Interest rate hedges recognised in profit or loss**	FLAC	5,224		5,224		5,224
Interest rate hedges not recognised in profit or loss**	FVTPL	43,435			43,435	43,435

* Corresponds to level 1 of the IFRS 7 fair value hierarchy

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

*** Corresponds to level 3 of the IFRS 7 fair value hierarchy

Measurement categories in accordance with IAS 39: Loans and Receivables (LaR), Available-for-Sale (AfS), Financial Liabilities measured at Amortised Cost (FLAC), Financial liabilities measured at fair value (FVTPL)

Carrying amounts, valuations and fair values according to measurement category

With the exception of derivative financial instruments and other financial investments measured at fair value, financial assets and liabilities are measured at amortised cost. Due to the predominantly short-term nature of trade receivables, other assets and liabilities and cash and cash equivalents, the carrying amounts as at the reporting date do not deviate significantly from the fair values.

The fair values of financial liabilities measured at amortised cost correspond to the cash values of debt-related payments based on current interest rate yield curves (Level 2 in accordance with IFRS 13).

The derivative financial instruments measured at fair value are interest rate hedges. Here the fair value is equivalent to the cash value of future net payments expected to be received from hedging transactions (Level 2 in accordance with IFRS 13) based on current interest rate yield curves.

Changes in the value of interest rate hedges measured at fair value in profit or loss in the amount of €2,968 thousand (previous year: €2,629 thousand) are reported under other financial income.

RISK MANAGEMENT

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

MARKET RISKS

Liquidity risk

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

A short-term credit line of €150,000 thousand may be used if required. As at 31 December 2017, this credit line had not been used. The credit line is partially secured.

The contractually agreed future interest and principle repayments of the original financial liabilities and derivative financial instruments are as follows at 31 December 2017:

in € thousand	Carrying amounts 31.12.2017	Cash flows 2018	Cash flows 2019 – 2022	Cash flows from 2023
Bank loans and overdrafts	**1,546,672**	27,533	724,224	794,915

The amounts relate to all contractual commitments existing as at the reporting date. The variable interest payments from interest rate hedges were determined on the basis of the most recently defined interest rates prior to 31 December 2017. The majority of the trade payables and other financial liabilities reported at the end of the financial year will fall due in 2018.

Credit and default risk

There are no significant credit risks in the Group. The trade receivables recognised as at the reporting date were predominantly paid up to the date of preparation of the financial statements. During the reporting year, write-downs of rent receivables of €876 thousand (previous year: €1,112 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totalled €15,542 thousand as at the reporting date (previous year: €13,878 thousand).

Currency and measurement risk

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

With respect to the measurement risk of investment properties, please refer to the sensitivity analysis in section "2. Investment Properties".

Interest rate risk

A sensitivity analysis was implemented to determine the effect of potential interest rate changes. Based on the financial assets and liabilities subject to interest rate risk as at the reporting date, this shows the effect of a change on the Group's equity. As at the reporting date, interest rate risks existed only for credit borrowed and the associated interest rate hedges. An increase in the market interest rate of 100 basis points would lead to an increase in equity (before taxes) of €10,498 thousand (previous year: €12,893 thousand). The vast majority of loan liabilities have fixed interest terms. As at the reporting date, loans totalling €195,951 thousand (previous year: €200,813 thousand) were hedged using derivative financial instruments.

Capital management

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

in € thousand	31.12.2017	31.12.2016
Equity	2,574,855	2,240,707
Equity ratio (%)	55.6	54.5
Net financial debt	1,440,093	1,381,535

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

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

24. EARNINGS PER SHARE

	2017	2016
Group shareholders' portion of profits / losses (€ thousand)	134,333	221,757
Weighted number of no-par-value shares issued	58,248,007	53,945,536
BASIC EARNINGS PER SHARE (€)	**2.31**	**4.11**

Group shareholders' portion of profits / losses (€ thousand)		221,757
Adjustment of interest expense for the convertible bond (€ thousand)		2,152
Profits / losses used to calculate the diluted earnings per share (€ thousand)		223,909
Weighted number of no-par-value shares issued		53,945,536
Weighted adjustment of potentially convertible no-par-value shares		3,217,503
Average weighted number of shares used to determine the diluted earnings per share		57,163,039
DILUTED EARNINGS PER SHARE (€)		**3.92**

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

Due to the full conversion of the convertible bond into shares by the time of its scheduled expiry on 20 November 2017, there were no more warrants as at 31 December 2017. As a result, the diluted earnings per share for the financial year correspond to the basic earnings per share. The diluted earnings for the previous year were calculated by taking the average number of shares outstanding and adding the number of warrants granted in connection with the convertible bond. It was anticipated that the convertible bonds would be exchanged for shares in full. The profits / losses were adjusted accordingly for interest expense and tax effects.

OTHER FINANCIAL OBLIGATIONS

There are other financial obligations of €81.1 million arising from service contracts.

There are financial obligations of €0.1 million which will arise in 2018 in connection with investment measures in our shopping centers.

In addition, as at the reporting date, other financial obligations in the amount of €0.5 million consisted of the rental of office space and car leases.

HEADCOUNT

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

EVENTS AFTER THE REPORTING DATE

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

THE SUPERVISORY BOARD AND EXECUTIVE BOARD

SUPERVISORY BOARD

The Supervisory Board of Deutsche EuroShop AG is composed of nine members. As at 31 December 2017, the following members with membership of other statutory supervisory boards and membership of comparable supervisory bodies of business enterprises in Germany or other countries made up the Supervisory Board:

Reiner Strecker, Wuppertal, Chairman
Personally liable partner, Vorwerk & Co. KG, Wuppertal
- akf Bank GmbH & Co. KG, Wuppertal

Karin Dohm, Kronberg im Taunus, Deputy Chairwoman
Global Head of Government & Regulatory Affairs, Deutsche Bank AG, Frankfurt
- Deutsche Bank Europe GmbH, Frankfurt (Chair)
- Deutsche Bank Luxembourg S.A., Luxembourg
- Deutsche Holdings (Luxembourg) S.a.r.l., Luxembourg (until 24.02.2017)
- Ceconomy AG (formerly Metro AG), Dusseldorf

Thomas Armbrust, Reinbek
Member of Management, CURA Vermögensverwaltung G.m.b.H., Hamburg
- ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chair)
- TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chair)
- Platinum AG, Hamburg (Chair)
- Paramount Group Inc., New York, USA
- Verwaltungsgesellschaft Otto mbH, Hamburg

Beate Bell, Cologne
Managing partner, immoAdvice GmbH, Cologne
- Hochtief AG, Essen

Manuela Better, Munich
Member of the Board of Management, Deka Bank Deutsche Girozentrale, Frankfurt and Berlin
- Deka Investment GmbH, Frankfurt (Deputy Chair)
- Deka Immobilien GmbH, Frankfurt (Deputy Chair)
- Deka Immobilien Investment GmbH, Frankfurt (Deputy Chair)
- Landesbank Berlin Investment GmbH, Berlin (Deputy Chair)
- S Broker AG & Co. KG, Wiesbaden (Deputy Chair)
- S Broker Management AG, Wiesbaden (Deputy Chair)
- WestInvest Gesellschaft für Investmentfonds mbH, Dusseldorf (Deputy Chair)
- DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg
- RSU Rating Service Unit GmbH & Co. KG, Munich (Speaker for the General Meeting)

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

- Douglas GmbH, Dusseldorf (Chair)
- Douglas Holding AG, Hagen / Westphalia (until 15.03.2017)
- Thalia Bücher GmbH, Hagen / Westphalia (since 26.01.2017)
- ENCAVIS AG, Hamburg (since 18.05.2017)
- Axxum Holding GmbH, Wuppertal (since 30.05.2017)
- Püschmann GmbH & Co. KG, Wuppertal (since 30.05.2017)
- Con-Pro Industrie-Service GmbH & Co. KG, Peine (since 30.05.2017)
- Noventic GmbH, Hamburg (since 06.09.2017)
- Perma-tec GmbH & Co. KG, Euerdorf (since 30.05.2017)
- Ferdinand Bilstein GmbH & Co. KG, Ennepetal (since 01.01.2018)

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

- DDR Corp. Inc., Beechwood, USA
- Peek & Cloppenburg KG, Dusseldorf
- Sonae Sierra Brasil S.A., São Paulo, Brazil
- Verwaltungsgesellschaft Otto mbH, Hamburg

Klaus Striebich, Besigheim
Managing Director Leasing, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg (until 31.12.2017)
Managing Director, RaRe Advise Klaus Striebich (since 01.01.2018)

- MEC Metro-ECE Centermanagement GmbH & Co. KG, Dusseldorf (Chairman)
- Unternehmensgruppe Dr. Eckert GmbH, Berlin

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

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

EXECUTIVE BOARD

Wilhelm Wellner, Hamburg, CEO

Olaf Borkers, Hamburg, Member of the Executive Board

The remuneration of the Executive Board totalled €1,113 thousand (previous year: €1,045 thousand), which includes performance-related compensation in the amount of €642 thousand (previous year: €587 thousand).

The outgoing CEO, Claus-Matthias Böge, is to receive a total of €1,712 thousand under the Long-Term Incentive 2010, which covered the period to 30 June 2015. Since 2016, this amount has been paid at the start of each year in five equal instalments, finishing in 2020. An old-age pension contribution of €83 thousand for Mr Böge was recognised under expenditure in the financial year (previous year: €54 thousand).

On 1 July 2015, the term of a Long-Term Incentive (LTI 2015) commenced, a reserve for which amounting to €96 thousand existed during the reporting year.

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

CORPORATE GOVERNANCE

The Declaration of Conformity with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Public Companies Act) has been issued jointly by the Supervisory Board and the Executive Board, and was made available to shareholders via publication on the Internet in November 2017.

OTHER DISCLOSURES

In line with section 160 (1) no. 8 AktG, we give notice that the following investments and changes to voting rights have been registered to our Company in conformity with the duty of disclosure in accordance with section 21 of the Wertpapierhandelsgesetz (WpHG – Securities Trading Act). The disclosures were taken from the latest notice by those subject to reporting requirements. It should be noted that the number of voting rights might have since changed within the respective thresholds, with no reporting obligation arising:

Shareholder	Shareholding report as at	Event ... (in %)	New voting share (in %)	of which held as treasury shares (in %)	of which indirectly attributable (in %)
Alexander Otto	28.05.2015	... exceeds threshold (15)	17.33	0.65	16.68
Johannes Schorr	08.02.2016	... exceeds threshold (3)	3.37	1.12	2.25
State Street Corporation, Boston, MA, United States of America	08.02.2017	... exceeds threshold (3)	3.03	0.00	3.03
BlackRock, Inc., Wilmington, DE, United States of America	17.11.2017	... falls below threshold (5)	4.82	0.00	4.82*
AROSA Vermögensverwaltungsgesellschaft m.b.H., Hamburg	15.12.2017	... exceeds threshold (15)	15.05	0.00	15.05

* we were also notified by BlackRock, Inc. of a securities lending transaction (0.49%) and contracts for differences (0.59%)

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

The total fees invoiced by the auditor for the consolidated financial statements for financial year 2017 amounted to €306 thousand (previous year: €295 thousand), of which €302 thousand (previous year: €291 thousand) related to auditing services. Other audit-related services were also provided by the auditor in the amount of €4 thousand (previous year: €4 thousand).

RELATED PARTIES FOR THE PURPOSES OF IAS 24

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

Fees for service contracts with the ECE Group totalled €16,934 thousand (previous year: €14,470 thousand). This amount was partially offset by income from lease agreements with the ECE Group in the amount of €6,899 thousand (previous year: €6,779 thousand). Receivables from ECE were €4,367 thousand, while liabilities were €36 thousand.

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

Hamburg, 11 April 2018

Deutsche EuroShop AG
The Executive Board

Wilhelm Wellner Olaf Borkers

SHAREHOLDINGS

List of shareholdings in accordance with section 313 (2) of the Handelsgesetzbuch (HGB – German Commercial Code) as at 31 December 2017:

Company name and domicile	Interest in equity
Fully consolidated companies:	
DES Verwaltung GmbH, Hamburg	100%
DES Management GmbH, Hamburg	100%
DES Shoppingcenter GmbH & Co. KG, Hamburg *	100%
A10 Center Wildau GmbH, Hamburg	100%
Main-Taunus-Zentrum KG, Hamburg	52.01%
Forum Wetzlar KG, Hamburg	65%
Objekt City-Point Kassel GmbH & Co. KG, Hamburg *	100%
Stadtgalerie Hameln GmbH & Co. KG, Hamburg *	100%
Altmarkt-Galerie Dresden GmbH & Co. KG, Hamburg *	100%
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co.KG, Hamburg	74%
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	99.99%
CASPIA Investments Sp. z o.o., Warsaw, Poland	100%
City-Point Beteiligungs GmbH, Hamburg	100%
Olympia Brno s.r.o., Prague, Czech Republic	100%
Joint ventures:	
Allee-Center Magdeburg KG, Hamburg	50%
Stadt-Galerie Passau KG, Hamburg	75%
CAK City Arkaden Klagenfurt KG, Hamburg	50%
Saarpark Center Neunkirchen KG, Hamburg	50%
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna, Austria	50%
Immobilienkommanditgesellschaft FEZ Harburg, Hamburg	50%
Einkaufs-Center Arkaden Pécs KG, Hamburg	50%
Associates:	
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna, Austria	50%
Investees:	
Ilwro Holding B.V., Amsterdam, Netherlands **	33.33%

* For these companies, exemption from the disclosure obligation in accordance with section 264b HGB was made use of.
** As at 31 December 2017, the Company reported equity of €118 thousand and a loss of €32 thousand.

INDEPENDENT AUDITOR'S REPORT

Issued to Deutsche EuroShop AG, Hamburg

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

OPINION

We have audited the consolidated financial statements of Deutsche EuroShop AG, Hamburg and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31 December 2017, the consolidated income statement, the statement of comprehensive income, the statement of changes in equity, the consolidated cash flow statement for the financial year from 1 January 2017 to 31 December 2017 as well as the notes to the consolidated financial statements, including a summary of relevant accounting methods. We have also audited the group management report of Deutsche EuroShop AG for the financial year from 1 January 2017 to 31 December 2017. In accordance with the provisions of German law, we have not audited the content of the statements listed under "Other information" in the group management report.

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

- the enclosed consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the supplementary provisions of German law required to be applied under section 315e (1) HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2017 as well as its results of operations for the financial year from 1 January 2017 to 31 December 2017 in accordance with these requirements; and

- the enclosed group management report as a whole provides a suitable understanding of the Group's position. This group management report is consistent with the consolidated financial statements in all material respects, complies with the provisions of German law and suitably presents the opportunities and risks of future development. Our opinion on the group management report does not extend to the content of the statements listed under "Other information" in the group management report.

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

BASIS FOR OPINION

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

Furthermore, in accordance with article 10 (2) point f) EU AR, we hereby declare that we have not provided any prohibited non-audit services pursuant to article 5 (1) EU AR.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements and group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significant impact in our audit of the consolidated financial statements for the financial year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

We identified the following as key audit matters:

1. Measurement of investment properties
2. Recognition and measurement of deferred taxes
3. Acquisition of 100% of the shares of Olympia Brno s.r.o., Prague, Czech Republic

1. MEASUREMENT OF INVESTMENT PROPERTIES

Matter

Deutsche EuroShop AG reports investment properties totalling €3,924.2 million in its consolidated financial statements as at 31 December 2017 and holds a participating interest in further material investment properties through its stakes in joint ventures and associates. The shopping center properties held as investment property are measured at fair value in accordance with IAS 40. In financial year 2017, income from this measurement of €19.7 million was recognised in the income statement. In addition, the profit / loss of equity-accounted joint ventures and associates includes a measurement gain of €4.4 million.

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

The disclosures provided by Deutsche EuroShop AG on the measurement of investment properties are included in the sections "Significant accounting policies and valuation methods / Investment properties" and "2. Investment properties" of the notes to the consolidated financial statements.

Auditor's review

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

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

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

2. RECOGNITION AND MEASUREMENT OF DEFERRED TAXES

Matter

Deutsche EuroShop AG reports deferred tax liabilities totalling €439.8 million in its consolidated financial statements as at 31 December 2017. The recognition and measurement of deferred taxes in the consolidated financial statements of Deutsche EuroShop AG take account of complex tax matters in connection with property companies under the legal form of commercial partnerships.

The disclosures provided by Deutsche EuroShop AG on the determination and measurement of deferred taxes are included in the sections "Significant accounting policies and valuation methods / Deferred taxes" and "10. Deferred taxes" of the notes to the consolidated financial statements.

Auditor's review

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

3. ACQUISITION OF 100% OF THE SHARES OF OLYMPIA BRNO S.R.O., PRAGUE, CZECH REPUBLIC

Matter

With effect from 31 March 2017, the Deutsche EuroShop Group acquired all the shares of Olympia Brno s.r.o., Prague, Czech Republic (OCB). OCB is the owner of the Olympia shopping centre located in Brno in the Czech Republic. The acquisition was reported as a business combination in accordance with IFRS 3. A purchase price allocation was carried out at the time of the acquisition, as part of which the shopping centre was measured at a fair value of €374.0 million. Including deferred taxes, this resulted in goodwill totalling €53.9 million.

This was the Group's main transaction in financial year 2017 and its recognition in the consolidated financial statements of Deutsche EuroShop AG involves decisions based on personal judgement that have a material effect on the consolidated financial statements.

The disclosures provided by Deutsche EuroShop AG on the transaction are included in the sections "Basis of consolidation and consolidation principles / Acquisitions during the financial year" and "1. Intangible assets and property, plant and equipment" of the notes to the consolidated financial statements as well as in the sections "Results of operations, "Financial position" and "Net assets" of the group management report.

Auditor's review

We are satisfied that the acquired assets and liabilities constitute a business and that the transaction represents a business combination. As part of our audit of the purchase price allocation we inspected the acquisition agreements and other relevant documentation and verified the identification of individual assets and liabilities. We acknowledged the recognition of the fair value of the shopping centre as a material asset on the basis of the valuation report of the external appraiser appointed by Deutsche EuroShop AG. In doing so, we examined the appraisal at the time of the acquisition on 31 March 2017 in terms of its appropriateness, consistency and correct implementation of measurement methods. We verified the validity of the input factors used (leased space and rental income) by means of samples. We acknowledged the projected values and parameters (rental income, future vacancy rates, management, maintenance and administrative costs and interest rates) used in the valuation and verified the suitability of the decisions based on personal judgement and estimates by means of comparison with values observable on the market. In addition, we gained an idea of the condition and occupancy rate of the shopping centre by means of an inspection and discussions with centre management. In performing the audit, we consulted internal specialists in the field of real estate valuation. We are also satisfied with the requirements for the recognition of goodwill within the scope of the purchase price allocation. We evaluated the appropriateness and completeness of the disclosures on the business combination in the notes to the consolidated financial statements.

OTHER INFORMATION

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

- the separately published declaration on corporate governance referred to in the "Declaration on corporate governance" section of the group management report;
- the other sections of the annual report, with the exception of the audited consolidated financial statements and group management report as well as our auditor's report;
- the responsibility statement in accordance with section 297 (2) sentence 4 HGB for the consolidated financial statements and responsibility statement in accordance with section 315 (1) sentence 5 HGB for the group management report.

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

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

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

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

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

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

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. In addition, they are responsible for recognising the ability to continue as a going concern on the going concern basis of accounting, unless factual or legal elements prevent them from doing so.

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

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

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

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

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

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

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

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

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

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

OTHER APPLICABLE LEGAL REQUIREMENTS

OTHER DISCLOSURES ACCORDING TO ARTICLE 10 EU AR

We were elected as auditor by the Annual General Meeting on 28 June 2017. We were appointed by the Chairman of the Audit Committee on 9 August 2017. We have audited the consolidated financial statements of Deutsche EuroShop AG over a continuous period since the 2005 financial year.

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

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Christoph Hyckel.

Hamburg, 11 April 2018

BDO AG
Wirtschaftsprüfungsgesellschaft

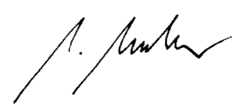
(signed) Reese
Auditor

(signed) Hyckel
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, 11 April 2018



Wilhelm Wellner

Olaf Borkers

2017

SERVICE

GLOSSARY

Adverstising value equivalence
Index number for the assessment of the monetary value of an editorial article. It is based on the advertising rate of the medium.

Annual financial statement
Under German (HGB) accounting principles, the annual financial statements consist of a company's balance sheet, profit and loss account, the notes to the financial statements and the manage ment report. The annual financial statements of a public company are prepared by its executive board, audited by a certified public accountant (in Germany: Wirtschaftsprüfer) and adopted by the super visory board.

Benchmark
A standard of comparison, e.g. an index which serves as a guideline.

Cash flow per share (CFPS)
The cash flow per share is calculated by dividing the cash flow by the number of shares issued by a company. The cash flow per share is taken as the basis for calculating the price / cash flow ratio.

Class of assets
Division of the capital and real estate market into different classes of assets or asset segments.

Consumer price index
Also called the cost-of-living index, this is calculated in Germany by the Federal Statistical Office on a monthly basis. The CPI is the most important statistical indicator of a change in prices; the price of a basket of goods during a given period is compared with the price of the same basket during the base year. This change is also known as the inflation rate.

Core
Designation of a real estate investment and / or individual properties as well as the name of an investment style. The term refers to the relationship between risk and return. Core designates mature, transparent, sufficiently large markets or high-quality, wellsituated properties that are fully let on a long-term basis to tenants with strong credit ratings. Other return / risk categories are valueadded and opportunistic.

Corporate governance
The rules for good, value-driven corporate management. The objective is to control the company's management and to create mechanisms to oblige executives to act in the interests of their shareholders.

Covenants
A clause in a loan agreement which pertains to and contractually defines the binding warranties to be adhered to by the borrower during the term of a loan.

Coverage
Information provided on a listed public company by banks and financial analysts in the form of studies and research reports.

DAX
Germany's premier equity index. The composition of the DAX is established by Deutsche Börse AG on the basis of the share prices of the 30 largest German companies listed in the Prime Standard in terms of market capitalisation and market turnover.

Discounted-cashflow-modelL (DCF)
Method for the assessment of companies which is used to determine the future payments surplusses and discount them to the valuation date.

Dividend
The share of the distributed net profit of a company to which a shareholder is entitled in line with the number of shares he or she holds.

EBIT
Earnings before interest and taxes.
DES calculation: EBT excluding net finance costs and measurement gains / losses (also see the consolidated income statement).

EBT
Earnings before Taxes.

EBT (excluding measurement gains / losses)
DES calculation: EBT less measurement gains / losses (including at-equity profit / loss) and less the deferred taxes included in at-equity profit / loss.

E-commerce
Direct commercial relationship between supplier and buyer via the internet including the provision of services.

EPRA
European Public Real Estate Association: EPRA is an Amsterdam-based organisation that represents the interests of the major European real estate companies in the public sphere and supports the development and market presence of European real estate corporations.

EPRA earnings
EPRA earnings represent sustained operating earnings and thus lay the foundation for a real estate company's ability to pay a dividend. To calculate this, the profit / loss for the year is adjusted to reflect any income components that have no sustained, recurring impact on operational performance. The DES calculation is performed using the currently valid version of the EPRA Best Practice Recommendations, which can be found at http://www.epra.com/regulation-and-reporting/bpr/

EPRA NAV
EPRA NAV measures the net asset value of a company based on a business model with a long-term focus. To do so, Group equity is adjusted for assets and liabilities that are unlikely to be realised if held over the long term. The DES calculation is performed using the currently valid version of the EPRA Best Practice Recommendations, which can be found at http://www.epra.com/regulation-and-reporting/bpr/

Fair value
The Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

Food court
Catering area of a shopping center, in which different vendors sell food at stations about a common seating area.

Free cash flow
The surplus cash generated from operating activities recognised in the profit and loss account. This expresses a company's internal financing power, which can be used for investments, the repayment of debt, dividend payments and to meet funding requirements.

Funds from operations (FFO)
Inflow of funds from operations used to finance our ongoing investments in portfolio properties, scheduled repayments on our bank loans and the annual distribution of dividends.
DES calculation: Consolidated profit after adjustment for measurement gains / losses (including at-equity profit / loss), the non-cash expense of conversion rights and deferred tax expense.

Gearing
Ratio which shows the relationship between liabilities and equity.

Hedge accounting
Financial mapping of two or more financial instruments that hedge one another.

ifo business climate index
The ifo Business Climate Index is an important forward indicator for economic development in Germany. In order to calculate the index, the ifo Institute asks approximately 7.000 companies every month for their assessment of the economic situation and their short-term corporate planning.

Interest rate swap
Exchange of fixed and variable interest pay able on two nominal amounts of capital for a fixed period. By means of an interest rate swap, interest rate risks may be controlled actively.

International financial reporting standards (IFRS)
International Financial Reporting Standards are based on International Accounting Standards (IASs). Since 1 January 2005, listed companies have been required to apply IFRSs. IASs / IFRSs focus on the decision-usefulness of accounts. The key requirement with regard to the annual financial statements is fair presentation that is not qualified by aspects of prudence or risk provision.

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

Mall
Row of shops in a shopping center.

Market capitalisation
The current quoted price for a share multiplied by the number of shares listed on the stock.

MDAX
German mid-cap index comprising the 50 most important securities after the DAX members. exchange. Market capitalisation is calculated for individual companies, sectors, and entire stock markets, thus enabling comparisons bet ween them.

Measurement gains / losses
DES calculation: Measurement gains / losses comprise unrealised changes in the market value of properties held as a financial investment (investment properties) before taxes. In the case of fully consolidated companies, the portion of the company that does not belong to the Group is deducted. Measurement gains / losses of associates and joint ventures accounted for using the equity method are contained in the at-equity profit / loss.

Measurement gains / losses (including at-equity profit / loss)
DES calculation: Measurement gains / losses plus the measurement gains / losses included in at-equity profit / loss.

Multi channeling
Using a combination of online and offline communication tools in marketing.

Net asset value (NAV)

The value of an asset after deduction of liabilities. With regard to shares, the NAV constitutes their intrinsic value. The net net asset value (NNAV) is calculated by deducting deferred taxes from the NAV.

Net finance costs

Net finance costs at DES comprise the following income statement items: Share of the profit or loss of associates and joint ventures accounted for using the equity method, interest expense and income, the share of profit attributable to limited partners, income from investments and all other financial income and expenditure.

Peer-group

A share price performance benchmark consisting of companies from similar sectors, put together on the basis of individual criteria.

Performance

The term performance describes the percentage appreciation of an investment or a securities portfolio during a given period.

Retail space

Space in a building and / or an open area that is used for sales by a retail operation and that is accessible to customers. Service areas required for operational and legal purposes are not taken into account, nor are stairways or shop windows. The retail space is part of the leasable space of a business.

Roadshow

Corporate presentations to institutional in vestors.

Savings ratio

Share of savings of the income available in households.

Subprime

Mortgage loan to borrower with a low degree of creditworthiness.

TecDAX

The successor to the NEMAX 50, comprising the 30 largest German listed technology securities in terms of market capitalisation and market turnover.

Volatility

Statistical measure for price fluctuations. The greater the fluctuations in the price of a security, the higher its volatility.

Xetra

An electronic stock ex-change trading system that, in contrast to floor trading, uses and open order book, thus increasing market transparency. The trading hours are currently 9,00 a.m. to 5,30 p.m.

LEGAL

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DISCLAIMER

Information on wording: Wherever any terms indicating the male gender only (he, him, etc.) have, in the interests of simplicity, been used in this Annual Report, such references should be construed as referring equally to the female gender. **Author contributions:** Sections of text bearing an author's name do not necessarily reflect the views of Deutsche EuroShop AG. The authors in question are responsible for the content of the texts. **Trademarks:** All trademarks and brand or product names mentioned in this Annual Report are the property of their respective owners. This applies in particular to DAX, MDAX, SDAX, TecDAX and Xetra, which are registered trademarks and the property of Deutsche Börse AG. **Rounding and rates of change:** Percentages and figures stated in this report may be subject to rounding differences. The prefixes before rates of change are based on economic considerations: improvements are indicated by a plus (+); deteriorations by a minus (–). **Forward-looking statements:** This Annual Report contains forward-looking statements based on estimates of future developments by the Executive Board. The statements and forecasts represent estimates based on all of the information available at the current time. If the assumptions on which these statements and forecasts are based do not materialise, the actual results may differ from those currently being forecast. **Publications for our shareholder:** Annual Report (in English and German), Quarterly Statement 3M 2017, Quarterly Statement 9M 2017 and Interim Report H1 2017 (in English and German). **Online Annual Report:** The Deutsche EuroShop Annual Report can be downloaded in PDF format or accessed as an interactive online report at deutsche-euroshop.com.
This Annual Report is also available in German. In the event of conflicts the German-language version shall prevail.

FINANCIAL CALENDAR 2018

January

11.01. – 12.01.	Oddo MidCap Forum, Lyon
16.01.	Kepler Cheuvreux GCC, Frankfurt

February

12. – 13.02.	Roadshow Dublin, M.M. Warburg
22.02.	Oddo BHF German Conference, Frankfurt

March

05.03.	Preliminary Results 2017
21. – 23.03.	Roadshow USA, Berenberg
27.03.	Commerzbank German Real Estate Forum, London

April

11.04.	Audit Commitee meeting, Hamburg
12.04.	HSBC European Real Estate Conference, Frankfurt
12.04.	Roadshow Munich, Berenberg
13.04.	Roadshow Dusseldorf, Cologne, Bankhaus Lampe
25.04.	Supervisory Board meeting, Hamburg
27.04.	Publication of the Annual Report 2017

May

15.05.	Quarterly Statement 3M 2017
17.05.	Roadshow Kopenhagen, equinet
23.05.	Berenberg European Conference, Tarrytown
29.05.	Kepler Cheuvreux German Property Day, Paris
30.05.	Kempen & Co European Property Seminar, Amsterdam

June

08.06.	Deutsche Bank dbAccess Conference, Berlin
19.06.	Roadshow London, Societe Generale
28.06.	Annual General Meeting, Hamburg
28.06.	Supervisory Board meeting, Hamburg

August

14.08.	Halbjahresfinanzbericht 2018
29.08.	Berenberg Real Estate Seminar, Helsinki
30.08.	Commerzbank Sector Conference, Frankfurt

September

04. – 06.09.	EPRA Annual Conference, Berlin
24.09.	Goldman Sachs & Berenberg German Conference, Munich
25.09.	Baader Investment Conference, Munich
28.09.	Societe Generale Pan European Real Estate Conference, London
28.09.	Supervisory Board meeting, Hamburg

October

08. – 10.10.	Expo Real, Munich
23.10.	Roadshow Madrid, M.M. Warburg
24.10.	Roadshow Paris, Natixis

November

14.11.	Quarterly Statement 9M 2017
20.11.	DZ Bank Equity Conference, Frankfurt
29.11.	Supervisory Board meeting, Hamburg

December

03.12.	Berenberg European Conference, Pennyhill

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

MULTI-YEAR OVERVIEW

in € million	2008	2009	2010	2011	2012 [5]	2013 [5]	2014 [5]	2015 [5]	2016 [5]	**2017 [5]**
Revenue	115.3	127.6	144.2	190.0	178.2	188.0	200.8	202.9	205.1	**218.5**
EBIT	98.1	110.7	124.0	165.7	151.6	165.8	177.5	176.3	178.6	**192.4**
Net finance costs	-49.4	-55.9	-60.2	-79.1	-62.1	-34.1	-39.8	-2.1	-13.9	**-35.1**
Measurement gains / losses	38.3	-14.8	33.1	50.1	13.9	56.0	77.0	220.6	116.8	**8.6**
EBT	87.0	40.1	97.0	136.7	103.4	187.6	214.7	394.7	281.5	**165.8**
Consolidated profit	68.9	34.4	-7.8	99.0	122.5	171.0	177.4	309.3	221.8	**134.3**
FFO per share (€)	1.38	1.40	1.35	1.61	1.68	2.08	2.23	2.29	2.41	**2.54**
Earnings per share (€) [1]	1.96	0.88	-0.17	1.92	2.36	3.17	3.29	5.73	4.11	**2.31**
Equity [2]	977.8	1,044.4	1,441.5	1,473.1	1,606.1	1,642.4	1,751.2	2,061.0	2,240.7	**2,574.9**
Liabilities	1,029.1	1,067.8	1,522.1	1,752.0	1,741.5	1,752.5	1,741.0	1,790.6	1,873.8	**2,052.1**
Total assets	2,006.8	2,112.1	2,963.6	3,225.1	3,347.6	3,394.9	3,492.2	3,851.6	4,114.5	**4,627.0**
Equity ratio (%) [2]	48.7	49.5	48.6	45.7	48.0	48.4	50.1	53.5	54.5	**55.6**
Gearing in % [2]	105	102	106	119	108	107	99	87	84	**80**
Cash and cash equivalents	41.7	81.9	65.8	64.4	161.0	40.8	58.3	70.7	64.0	**106.6**
Net asset value [3]	942.8	1,006.9	1,361.1	1,427.3	1,538.9	1,650.4	1,789.4	2,110.6	2,332.6	**2,668.4**
Net asset value per share (€) [3]	27.43	26.63	26.36	27.64	28.53	30.59	33.17	39.12	43.24	**43.19**
Dividend per share (€)	1.05	1.05	1.10	1.10	1.20	1.25	1.30	1.35	1.40	**1.45 [4]**

[1] undiluted
[2] incl. non controlling interests
[3] since 2010: EPRA
[4] proposal
[5] at-equity consolidation

QUARTERLY FIGURES 2017

in € million	Q1.17	Q2.17	Q3.17	Q4.17
Revenue	50.7	55.1	55.2	57.5
EBIT	44.3	48.2	36.3	63.6
Net finance costs	-9.1	-10.9	-10.1	-5.0
Measurement gains / losses	-0.7	-1.5	-1.4	12.2
EBT	34.5	35.8	36.3	59.2
Consolidated profit	27.5	28.7	29.0	49.1
EPS (€) [1]	0.50	0.49	0.50	0.8

[1] undiluted