DES Deutsche EuroShop

DES

ANNUAL REPORT

13

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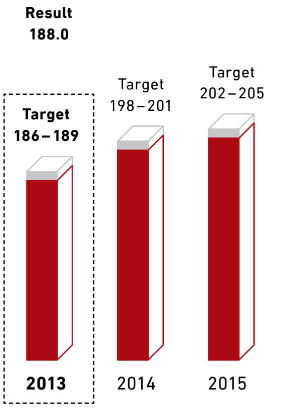
This document is a excerpt of our annual report 2013 to be published on the website of Deutsche Börse (ERS, Exchange Reporting System). You will find a complete annual report on www.deutsche-euroshop.com/ir.

Deutsche EuroShop Overview

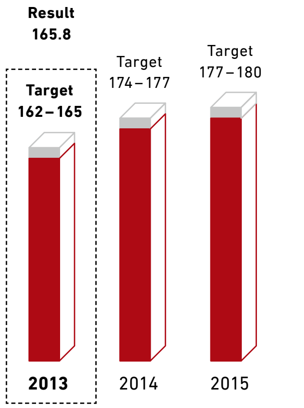
KEY DATA IN € MILLION	2013	2012	DIFFERENCE
Revenue	188.0	178.2	6%
EBIT	165.8	151.6	9%
Net finance costs	-34.1	-62.1	45%
Measurement gains / losses	56.0	13.9	302%
EBT	187.6	103.4	81%
Consolidated profit	171.0	122.5	40%
FFO per share (€)	2.08	1.68	24%
Earnings per share (€) [1]	3.17	2.36	34%
Equity [2]	1,642.4	1,606.1	2%
Liabilities	1,752.5	1,741.5	1%
Total assets	3,394.9	3,347.6	1%
Equity ratio (%) [2]	48.4	48.0	
LTV-ratio (%)	43	41	
Gearing (%) [2]	107	108	
Cash and cash equivalents	40.8	161.0	-75%
Net asset value (EPRA)	1,650.4	1,538.9	7%
Net asset value per share (€, EPRA)	30.59	28.53	7%
Dividend per share (€)	1.25 [3]	1.20	4%

[1] undiluted
[2] incl. non controlling interests
[3] proposal

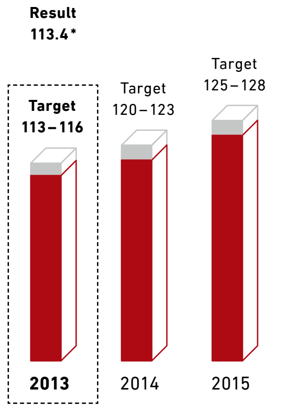
REVENUE IN € MILLIONS



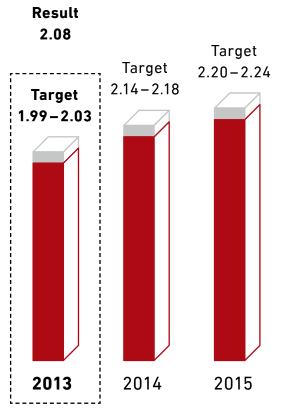
EBIT IN € MILLIONS



EBT excluding valuation IN € MILLIONS



FFO per share IN €



* Adjusted for sale proceeds

Editorial

Dear Readers,

Many of us will have done it at some point: browsed, clicked and purchased online. A few days – if not a few hours – later, the doorbell rings, and it's the friendly courier. We open the parcel, and there it is: the item we ordered. It is just as we imagined it. And it was a real bargain, too.

There's no doubt that e-commerce has benefits for all of us – provided everything works out as in this ideal scenario. Of course, in reality, I may well end up sending back items that I have ordered, because I don't like them or they are unsuitable. Or it may turn out to be too much effort for the delivery company to send the goods up to the third floor, so I have to collect my package from a branch instead. And because I'm not the only one picking up or returning a package, there is quite a long queue. It can be a real hassle.

Yet the inexorable rise of online shopping continues. But does this trend mean that physical retailers will disappear within a few years, so that the space currently used for our shopping centers will no longer be needed?

Claus-Matthias Böge, CEO

In recent times, we have had many discussions with investors about questions like these regarding the potential impact of the e-commerce boom. And we are sure that you, too, would like to know how secure our business model is. In this annual report, we would like to give you a closer insight into the current developments.

And right from the outset, I can tell you that, yes, things are happening in retail! But it was ever thus. The old German saying, "Handel ist Wandel" – "trade is change" – is more relevant today than ever. We are confident that we are well-positioned with our portfolio, currently made up of 19 shopping centers. And we see not only risks, but also opportunities.

Customers and visitors should be offered the best of both worlds. An increasing number of retailers are pushing ahead with a blend of online and traditional, physical retailing, known as multi-channel marketing. So for instance, you pick out the item of clothing you want in the store, try it on in your size and then have it sent in the colour of your choice either to your home or to the store, where you can pick it up at your leisure and look it over again. Alternatively, you place your order online and have the item sent to a store near you, where you can see it and try it on. If you don't like it, you don't have to wait in a queue to return it: just leave it in the shop and perhaps look at something else.

There is no doubt in my mind that the online world will never replace a good old shopping spree with family and friends, or the pleasure of finding something completely by chance.

In addition to this and other topics, you will as usual find detailed information on the past financial year in this annual report. And of course we also take a look ahead and give you our forecasts for our business up until 2015.

If you have any questions, praise or criticism regarding this report, your comments are always very welcome.

For the time being, however, I hope that you find it both an enjoyable and interesting read!

Best regards

Claus-Matthias Böge
CEO

“We have ideas that we would like to put into practice.”

Interview with the Executive Board

CLAUS-MATTHIAS BÖGE
CEO

OLAF BORKERS
MEMBER OF THE EXECUTIVE BOARD

In this Executive Board interview, Claus-Matthias Böge and Olaf Borkers explain the highlights of financial year 2013, which included not only the pleasing operating profit but also the newly introduced Kapitalanlagegesetzbuch (KAGB – German Capital Investment Code), changes in the portfolio, the flood disaster at the start of June, measurement gains, the dividend policy and plans for further growth.

Interview: Nicolas Lissner, photos: Christian Schmid

THE RESTRUCTURING OF THE GROUP WAS A MAJOR FOCUS IN FINANCIAL YEAR 2012. WERE YOU ABLE TO FOCUS MORE ON DEUTSCHE EUROSHOP'S ACTUAL BUSINESS AGAIN IN 2013?

CLAUS-MATTHIAS BÖGE: Yes, we were. The optimisation of the Group structure has been largely completed. I certainly do find shopping centers more interesting than taxes – and a lot more fun.

OLAF BORKERS: But we will always keep the tax issue in the back of our minds in everything we do.

CLAUS-MATTHIAS BÖGE: In fact, I need to qualify my first statement, because another issue caused us some concern in the second half of the year, and only a short time ago: the new Kapitalanlagegesetzbuch (KAGB – German Capital Investment Code), which entered into force on 22 July 2013.

The KAGB constitutes extensive regulation of investment managers and their investment funds, and it affects self-managed investment funds as well as external managers of investment funds. In principle, the regulations can also impact structures like Deutsche EuroShop: companies that acquire and hold real estate.

However, our structure as a holding company, our activities and the strategy we have pursued to date mean that the KAGB should not apply to Deutsche EuroShop, which was confirmed in writing by the Federal Financial Supervisory Authority at the end of March this year.

LET'S TURN TO ISSUES THAT WE ALL ENJOY TALKING ABOUT: SHOPPING CENTERS AND LEASING. HOW HAS OPERATING BUSINESS PERFORMED?

OLAF BORKERS: Like clockwork. We are very pleased. To be more specific, we budgeted sales of €186 million to €189 million and we hit €188.0 million exactly, which represented an increase of over 5%. We anticipated earnings before interest and taxes (EBIT) of between €162 million and €165 million; at €165.8 million, they were actually slightly above the forecast range and rose by over 9% year on year.

We allowed for earnings before taxes (EBT) without measurement gains / losses of between €113 million and €116 million. At €129.2 million, they were also significantly above the forecast range and 41% higher year on year, thanks to a gain on disposal.

There is no guarantee that the value of real estate will carry on rising.

We initially expected funds from operations to fall within a range of €1.99 to €2.03 per share. By the end of the year, we had increased the forecast to €2.06 to €2.09, and the actual figure was €2.08.

YOU JUST MENTIONED A GAIN ON DISPOSAL. CAN YOU GIVE US ANY DETAILS?

CLAUS-MATTHIAS BÖGE: At the end of August, we sold our 33% stake in the Galeria Dominikanska in Wroclaw, Poland, which was our smallest shareholding. This enabled us to further optimise our portfolio, and importantly, we were able to generate a profit of €15.8 million.

HAVE THERE BEEN OTHER CHANGES IN THE PORTFOLIO?

CLAUS-MATTHIAS BÖGE: Yes, on 1 May we invested €132 million and purchased our partner's 33% stake in the Altmarkt-Galerie in Dresden. We now have full ownership of this excellent shopping center, which has around 200 shops and attracts over 16 million visitors every year.

We should also mention that we added the Herold-Center in Norderstedt to our portfolio on 1 January 2013, and it made a significant contribution to our growth in the previous financial year.

TALKING OF DRESDEN, HOW DID THE DES SHOPPING CENTERS LOCATED IN THE CITIES AFFECTED BY THE TERRIBLE FLOODING IN JUNE SURVIVE THE DISASTER?

OLAF BORKERS: There was no danger of flooding in the Altmarkt-Galerie in Dresden and its underground garage. Luckily, the flood disaster of 2002 did not repeat itself in the centre of Dresden.

We were particularly pleased with the value increases of the Altmarkt-Galerie in Dresden, the Rhein-Neckar-Zentrum and the City-Galerie Wolfsburg.

Passau was one of the first cities to be affected by the flooding. Historical high-water marks that hadn't been breached for hundreds of years were exceeded by metres rather than centimetres. Disaster alerts were raised. As a result, the Stadtgalerie remained closed on 4 June, but water damage in the shopping center was averted thanks to the unstinting work of the on-site technicians.

In Dessau-Roßlau, some of the bridges to the city centre were closed for safety reasons. This situation had a detrimental effect on sales at the Rathaus-Center, since accessibility was considerably reduced from the north, south and east. The center itself is located at one of the highest points in the city centre, so there was no serious danger of flooding. There was also no threat from groundwater, since the center has a strong protective sub-floor layer.

Fortunately, the Allee-Center in Magdeburg also escaped the main impact of the disaster: here it was mainly the flooded access paths that affected business in the center. For a short time, groundwater penetrated the car park in the basement, so traffic routing had to be changed. But no other major damage was observed.

CLAUS-MATTHIAS BÖGE: Fundraising campaigns were quickly launched in the centers affected by the flooding and space was given to aid organisations in order to support campaigns such as "Nachbarn in Not" (neighbours in need). We contributed financially to these spontaneous solidarity groups for those affected by the flooding via our property companies.

LET'S GO BACK TO THE RESULTS FOR THE FINANCIAL YEAR. WHAT DO YOU FEEL ARE THE KEY THINGS TO MENTION?

OLAF BORKERS: The financial results were positively affected by the sale of the stake in the Wroclaw shopping center and at €56 million, the measurement gain was also very high. We were particularly pleased with the value increases of the Altmarkt-Galerie in Dresden, the Rhein-Neckar-Zentrum and the City-Galerie Wolfsburg. The average value increase across all centers was 1.9%.

CLAUS-MATTHIAS BÖGE: And as I always emphasise: there is no guarantee that the value of real estate will carry on rising. Even though the returns for comparable shopping centers in current transactions are sometimes significantly below the average return for our portfolio (5.97%), we feel we are well positioned with the rather conservative approach of the independent appraisers.

Of course, we are happy about the increase of 34 percent

In any case, we are focusing more on the development of the funds from operations, which is a cash-based indicator, because this is all we can use for a dividend payment, investments in the portfolio and servicing debt. Earnings per share can also include measurement gains from valuation that only exist on paper.

OLAF BORKERS: I agree with Mr Böge on this. There is also one-off tax income as a result of the Group restructuring. We therefore had several special factors that cannot be expected every year in this form.

This also puts the "record consolidated profit" of €171 million or €3.17 per share into perspective slightly. Of course, we are happy about the increase of 34%, but we shouldn't use this as a benchmark for the future.

STILL: FFO ALSO POSTED A STRONG INCREASE OF 24%. HOW ARE SHAREHOLDERS BENEFITING FROM THIS ONCE AGAIN VERY GOOD RESULT?

CLAUS-MATTHIAS BÖGE: Together with the Supervisory Board, we have slightly altered our dividend policy. We are intending to increase the dividend by 5 cents each year up to €1.40 by the 2017 distribution. This enables us to achieve reliable predictability for the participation of our shareholders in our operating profit as it increases further.

WHAT CAN SHAREHOLDERS EXPECT FROM DEUTSCHE EUROSHOP IN 2014?

OLAF BORKERS: We are planning to invest around €19 million in order to keep our shopping centers in a good condition. No refinancing arrangements are scheduled for this year, but we are already discussing the topics for 2015 with our banks. The dividend is to rise to €1.30 per share in line with the planning we have just presented.

CAN WE ALSO LOOK FORWARD TO GROWTH IN THE PORTFOLIO?

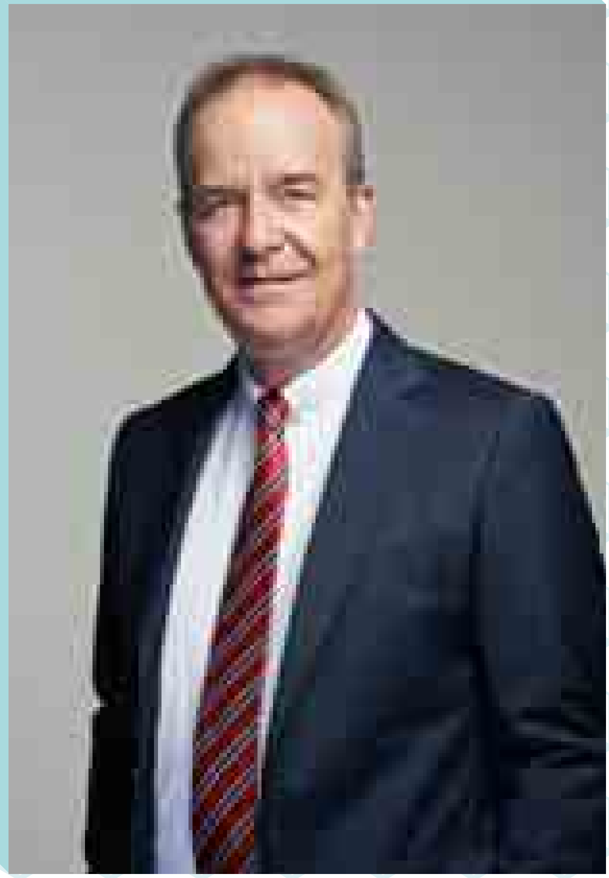
CLAUS-MATTHIAS BÖGE: I think so. We still have three opportunities to make our portfolio grow: the purchase of new shopping centers, extensions of centers that are already in the portfolio, and finally stake increases for centers that we do not yet fully own.

For all three options, we have ideas that we would like to put into practice. You'll have to wait and see.

THANK YOU FOR TALKING TO US!

CLAUS-MATTHIAS BÖGE
CEO

After successfully qualifying as a bank clerk and completing a business administration degree, Mr. Böge began his professional career in 1987 at the Düsseldorf-based Privatbankhaus Trinkaus & Burkhardt in Mergers & Acquisitions. His work, for which he was made a Prokurist (authorised signatory) in 1989, focused on advising small and medium-sized companies on buying and selling companies and equity interests. In 1990, Mr. Böge was appointed to the management of KST Stahltechnik GmbH, a subsidiary of the Aus trian industrial plant construction group VA Technologie AG, where he was responsible for the fi nancial control, personnel, legal, tax and administration departments. In autumn 1993, Mr. Böge moved to ECE Projektmanagement G.m.b.H. & Co. KG in Hamburg, the European market leader for the development, realisation, leasing and longterm management of shopping centers. It was here that he first became fascinated with the world of shopping centers. In addition to a series of management positions at subsidiaries in the ECE group, his work focused on concept planning, financing and ongoing profi tability optimisation of property investments. Mr. Böge joined the Executive Board of Deutsche EuroShop AG in October 2001. He is married and has two children.



OLAF BORKERS
Member of the Executive Board

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

Report of the Supervisory Board

Dear Shareholders,

During financial year 2013, the Supervisory Board performed the duties incumbent on it according to the law and the Articles of Association and closely followed the performance of Deutsche EuroShop AG. The strategic orientation of the Company was coordinated with the Supervisory Board, and the status of the strategy implementation was discussed at regular intervals. The Supervisory Board monitored and advised the Executive Board on its management of the business, and the Executive Board informed us regularly, promptly and in detail of business developments.

On the day of the Annual General Meeting in 2013, Dr Jörn Kreke ended his eleven-year membership of the Company's Supervisory Board on grounds of age. Through all these years, he closely supervised and supported the development of Deutsche EuroShop AG. The Supervisory Board thanked Dr Kreke for his dedication and wished him all the best.

Focus of advisory activities

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

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

We considered the development of the portfolio properties, specifically their turnover trends, the accounts receivable and occupancy rates, and the Company's liquidity position. As the mandates of six members of the Supervisory Board expired in 2013 or will expire in 2014, we discussed our succession ideas and made preparations for the Board's future composition.

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

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

Meetings

Four scheduled Supervisory Board meetings took place during financial year 2013. The only absences were recorded at the meetings held on 20 June 2013 and 26 November 2013: one member of the Supervisory Board was excused from attending each meeting.

At the first scheduled meeting, on **23 April 2013**, the Supervisory Board's annual review of efficiency was completed and the agenda for the Annual General Meeting was approved. We selected the auditor, who was proposed to the shareholders for election. In relation to the audit of the annual financial statements, we once again attached great importance to the explanations of the Executive Board and those of the auditor on the real estate appraisals. In addition, the Executive Board explained the financial, accounting and tax impact on the Group of the corporate restructuring undertaken in 2012. The Executive Board also reported on the conclusion of efforts to restructure the investment structure in the Main-Taunus-Zentrum and on the progress made on the sale of the investment in the Galeria Dominikanska in Poland. The Executive Board also presented the possibility of acquiring the stake (33%) in the Altmarkt-Galerie in Dresden. The Executive Board explained the possible negative repercussions that implementation of the European AIFMD via the KAGB might have for Deutsche EuroShop.

At the constituent meeting on **20 June 2013 following the Annual General Meeting**, we elected members by open ballot to various functions on the Supervisory Board and its committees. The following were elected and returned to office:

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

The Executive Board then reported on the sale of the stake in Galeria Dominikanska. We approved the sale unanimously.

The Executive Board also reported on the acquisition of the 33% stake in the Altmarkt-Galerie in Dresden, which had already been approved and carried out.

At the third meeting on **25 September 2013**, the Executive Board reported again on the occupancy situation of the property in Pécs and on a restructuring concept for the center. At this meeting we approved a new €150 million credit line to replace the existing credit line, which was due to expire in early 2014. A discussion also took place regarding the question of whether the Company falls within the scope of the Kapitalanlagegesetzbuch (KAGB – German Capital Investment Code) in force since July 2013. The Executive Board shared with us its view that the Company should be excluded from the scope of the KAGB and reported that a formal application had been submitted to the Federal Financial Supervisory Authority. We agree with the Executive Board's assessment and assume that the Federal Financial Supervisory Authority will also confirm this view.

At the last meeting on **26 November 2013**, the Executive Board reported on preparations for a possible expansion of the properties in Danzig and Hamburg-Harburg. We also held extensive discussions on the projections for the past financial year and the Company's medium-term performance planning as presented by the Executive Board. The Company's future dividend policy was also discussed, and a decision was taken to increase the dividend proposal to the shareholders for the 2013–2016 financial years by €0.05 each year. In the absence of the Executive Board we discussed the future composition of the Supervisory Board and examined in detail the status of preparations required for this change.

Committees

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

During the reporting period, the Executive Committee of the Supervisory Board and the Audit Committee met on 12 April 2013.

Financial statements of Deutsche EuroShop AG and the Group for the period ending 31 December 2013

At the Audit Committee meeting on 15 April 2014 and the Supervisory Board meeting on 23 April 2014, 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 2013, as well as the management report and group management report for financial year 2013.

The Audit Committee also discussed the quarterly financial reports with the Executive Board in conference calls on 14 May, 12 August and 11 November 2013. The Capital Market Committee did not meet in 2013.

Corporate Governance

In November 2013, together with the Executive Board, we issued an updated declaration of conformity in relation to the recommendations of the government commission pursuant to section 161 of the Aktiengesetz (German Public Companies Act – AktG) and made this permanently available on the Deutsche EuroShop AG website. A separate report on the implementation of the German Corporate Governance Code is included in this Annual Report. The members of the Supervisory Board and the Executive Board declared in writing at the beginning of 2014 that no conflicts of interest had arisen.

Manfred Zaß

Chairman of the Supervisory Board

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 20 June 2013 – 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 15 April 2014 and the Supervisory Board meeting on 23 April 2014 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 €1.25 per share.

The Company's success in financial year 2013 was the result of its sustainable, long-term strategy and the dedication shown by the Executive Board and our employees, for which the Supervisory Board would like to express its particular gratitude.

Hamburg, 23 April 2014

Manfred Zaß, Chairman

Members of the Supervisory Board

Name	Manfred Zaß (Chairman)	Dr. Michael Gellen (Deputy Chairman)	Thomas Armbrust
Born:	1941	1942	1952
Place of residence:	Königstein im Taunus	Cologne	Reinbek
Nationality:	German	German	German
End of appointment:	2015 Annual General Meeting	2014 Annual General Meeting	2014 Annual General Meeting
Committee activities:	Chairman of the Executive Committee, Member of the Audit Committee, Chairman of the Capital Market Committee	Member of the Executive Committee	Member of the Executive Committee, Member of the Audit Committee, Deputy Chairman of the Capital Market Committee
Membership of other statutory supervisory boards:	–	–	C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman) Platinum AG, Hamburg (Chairman) TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman) Verwaltungsgesellschaft Otto mbH, Hamburg
Membership of comparable supervisory bodies of business enterprises in Germay or other countries:	–	–	ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chairman)
Profession:	Banker	Independent lawyer	Member of Management, CURA Vermögensverwaltung G.m.b.H., Hamburg
Key positions held:	1965 – 2002: DekaBank Deutsche Girozentrale, Frankfurt of which: 1980 – 1999: Member of the Executive Board 1999 – 2002: Chairman of the Executive Board until 2005: Deutsche Börse AG, Frankfurt, Deputy Chairman of the Supervisory Board 2008 – 2009: Hypo Real Estate Group AG, Unterschleißheim, Member of the Supervisory Board	1971 – 1983: Deutsche Bank AG, Düsseldorf, Frankfurt 1984 – 1995: Deutsche Centralbodenkredit-AG, Cologne, Member of the Executive Board 1995 – 1997: Europäische Hypothekenbank AG, Luxembourg, Member of the Executive Board 1997 – 2000: Deutsche Bank AG, Frankfurt, Managing Director 2001 – 2003: DB Real Estate GmbH, Frankfurt, Managing Director	until 1985: Auditor and tax advisor 1985 – 1992: Gruner + Jahr AG & Co KG, Hamburg, Director of Finance since 1992: Member of Management of CURA Vermögensverwaltung G.m.b.H., Hamburg (Family Office of the Otto Family)
Relationship to majority / major shareholders:	none	none	Shareholder representative of the Otto family
Deutsche EuroShop securities held as at 31 December 2013:	10,000	0	

Members of the Supervisory Board

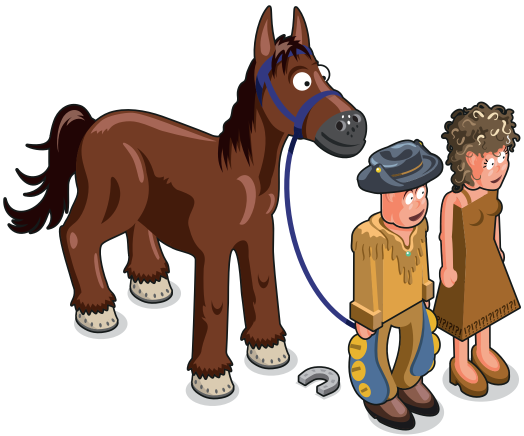
Continuation

Name	Karin Dohm	Dr. Henning Kreke	Alexander Otto
Born:	1972	1965	1967
Place of residence:	Kronberg im Taunus	Hagen / Westphalia	Hamburg
Nationality:	German	German	German
End of appointment:	2017 Annual General Meeting	2018 Annual General Meeting	2018 Annual General Meeting
Committee activities:	Chairwoman of the Audit Committee / Financial Expert	–	–
Membership of other statutory supervisory boards:	–	–	Verwaltungsgesellschaft Otto mbH, Hamburg
Membership of comparable supervisory bodies of business enterprises in Germay or other countries:	–	–	Peek & Cloppenburg KG, Düsseldorf
Profession:	Head of Group External Reporting, Deutsche Bank AG, Frankfurt	Chairman of the Executive Board, DOUGLAS HOLDING AG, Hagen / Westphalia	CEO, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg
Key positions held:	1991 – 1997: Studied business and economics in Münster, Zaragoza (Spain) and Berlin 2002: Steuerberaterexamen (German tax advisor exam) 2005: Wirtschaftsprüferexamen (German auditor exam) 1997 – 2010: Deloitte & Touche GmbH, Berlin, London (UK), Paris (France) 2010 – 2011: Deloitte & Touche GmbH, Berlin, Partner Financial Services since 2011: Deutsche Bank AG, Frankfurt, Head of Group External Reporting	Studied business (BBA and MBA) at the University of Texas at Austin, USA Doctorate (political science) from the University of Kiel, Kiel 1993 until today: DOUGLAS HOLDING AG, Hagen / Westphalia of which 1993-1997: Executive assistant 1997-2001: Member of the Executive Board since 2001: Chairman of the Executive Board	Studied at Harvard University and Harvard Business School, Cambridge, USA 1994 until today: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg since 2000: Chief Executive Officer
Relationship to majority / major shareholders:	none	none	Major shareholder
Deutsche EuroShop securities held as at 31 December 2013:	0	0	5,247,124

Reiner Strecker	Klaus Striebich	Dr. Bernd Thiemann
1961	1967	1943
Wuppertal	Besigheim	Münster
German	German	German
2017 Annual General Meeting	2017 Annual General Meeting	2014 Annual General Meeting
Mitglied des Kapitalmarktausschusses	–	–
akf Bank GmbH & Co. KG, Wuppertal	MEC Metro-ECE Centermanagement GmbH & Co. KG, Düsseldorf (Chairman of the Advisory Board) Unternehmensgruppe Dr. Eckert GmbH, Berlin	Deutsche Pfandbriefbank AG, Unterschleißheim (Chairman) Hypo Real Estate Holding AG, Unterschleißheim (Chairman) M.M. Warburg & Co. KGaA, Hamburg (Deputy Chairman) Wave Management AG, Hamburg (Deputy Chairman) IVG Immobilien AG, Bonn VHV Vereinigte Hannoversche Versicherung a.G., Hanover VHV Lebensversicherung AG, Hannover Hannoversche Direktversicherung AG, Hanover
–	–	Würth Gruppe, Künzelsau (Deputy Chairman) Würth Finance International B.V., Amsterdam (The Netherlands)
Managing Partner, Vorwerk & Co. KG, Wuppertal	Managing Director Leasing, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg	Management consultant
1981 – 1985: Studied business in Tübingen 1986 –1990: Commerzbank AG, Frankfurt 1991 – 1997: STG-Coopers & Lybrand Consulting AG, Zurich (Switzerland) 1998 – 2002: British-American Tobacco Group, Hamburg, London (UK), Auckland (New Zealand) 2002 – 2009: British-American Tobacco (Industrie) GmbH, Hamburg, Member of the Executive Board for Finance and IT 2009 until today: Vorwerk & Co. KG, Wuppertal since 2010: Personally liable / managing partner	Studied business in Mosbach 1990: Kriegbaum Gruppe, Böblingen, Assistant to the Management Board 1992 until today: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg since 2003: Managing Director Leasing	1976 – 1991: NORD / LB Norddeutsche Landesbank Girozentrale, Hanover of which 1976 – 1981: Member of the Executive Board 1981 – 1991: Chairman of the Executive Board 1991 – 2001: DG Bank Deutsche Genossenschaftsbank AG, Frankfurt, Chairman of the Executive Board
none	Member of the Management Board of Verwaltung ECE Projektmanagement G.m.b.H., Hamburg (Alexander Otto (major shareholder) is the Chairman of the Management Board)	none
3,975	20,500	6,597

Declaration on
Corporate Governance

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



Objectives and strategy

Corporate governance focuses on investments in high-quality shopping centers in city centres and well-established locations that have the potential to appreciate steadily over time. Another important investment objective is to generate high surplus liquidity from long-term leases of shopping center space which can then be distributed to shareholders in the form of annual dividends. To achieve these objectives, the Company diversifies its risk by investing in shopping centers in a number of European regions; the main focus is on Germany. Indexed, revenue-based commercial rents guarantee the desired high return.

The Company invests in shopping center project developments at an early stage and can invest up to 10 percent of its equity as part of joint ventures.

Financing for new investments should be balanced, and the Group's long-term debt-to-equity ratio must not exceed 55%. When taking out or extending loans, interest rates must be locked in for an extended period of time with the goal of keeping the duration (average fixed interest period) at over five years.

Profitable portfolio with a stable value

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

Seize opportunities, maximise value

In line with our buy and hold strategy, we consistently place greater importance on the quality and yield of our shopping centers than on our portfolio's rate of growth. We monitor the market continuously and act as buyers when an opportunity arises. Short decision-making channels and considerable flexibility in terms of potential investment and financing structures enable us to adapt to any competitive situation. At the same time, we are committed to optimising the value of our portfolio's existing properties.

Differentiated rental system

One key component of our leasing concept is a differentiated rental system. 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. The rent our lessees pay is dependent on their sector and turnover. Indexed minimum rents (based on the consumer price index) provide a guaranteed minimum level of income for Deutsche EuroShop AG during economic slowdowns.

The concept of shopping as an experience

We have outsourced center management to an experienced external partner, Hamburg-based ECE Projektmanagement GmbH & Co. KG (ECE). ECE has been developing, planning, implementing, leasing and managing shopping centers since 1965. With 189 shopping centers currently under management, the company is Europe's market leader in this segment. We consider professional center management to be the key to the success of a shopping center. Not only does it ensure uniform opening hours and a consistently friendly, bright, safe and clean shopping atmosphere, it also makes shopping an experience with occasionally extraordinary presentations of merchandise, promotions and exhibitions. The 500,000 to 600,000 people who visit our 19 centers on average every day are fascinated by the variety of sectors represented but also by our wide range of car shows, casting shows, fashion shows and attractions for children. These transform shopping centers into marketplaces where something new and spectacular is always on offer.

Working methods of the Executive and Supervisory Boards

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

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

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

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

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

Corporate Governance 2013

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 13 May 2013. 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.

Working methods of the Executive and Supervisory Boards

The Supervisory and Executive Boards performed their statutory duties in financial year 2013 in accordance with the applicable laws and the Articles of Association. The strategic orientation of the Company was coordinated between the Executive Board and the Supervisory Board, and the progress of strategy implementation was discussed at regular intervals. The Executive Board informed the Supervisory Board regularly, promptly and in detail of business developments and the risk situation. Detailed information on the main areas of focus of the Supervisory Board's activities in the 2013 financial year can be found in its report on pages 14 to 19.

In financial year 2013, there were no advisory or other contracts for work or services in existence between members of the Supervisory Board and the Company.

Composition and diversity

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

Thus, Dr Henning Kreke succeeded his father Dr Jörn Kreke in office after his election to the Supervisory Board at the Annual General Meeting on 20 June 2013. The goals regarding the Board's composition are to be adhered to in 2014 as well.

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 determination of the Group's strategic orientation and management of the Group, planning, and the establishment and implementation of risk management.

The Executive Board of Deutsche EuroShop AG currently comprises two members.

Claus-Matthias Böge

Born 13 February 1959
First appointment: 2001
Appointment ends: 2015

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

Olaf Borkers

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

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

Supervisory Board

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

The Supervisory Board has established the notification and reporting duties to be met by the Executive Board and has formed an **Executive Committee** (which simultaneously serves as a nomination committee), an **Audit Committee** and a **Capital Market Committee**, each comprising three people.

The members of the Supervisory Board are:

Manfred Zaß, Chairman
Dr. Michael Gellen, Deputy Chairman
Thomas Armbrust
Karin Dohm
Dr. Jörn Kreke (until 20 June 2013)
Dr. Henning Kreke (as of 20 June 2013)
Alexander Otto
Reiner Strecker
Klaus Striebich
Dr. Bernd Thiemann

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

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

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

Shareholdings

EXECUTIVE BOARD

As at 31 December 2013, the Executive Board held a total of 13,000 shares, less than 1% of Deutsche EuroShop AG's share capital.

SUPERVISORY BOARD

As at 31 December 2013, the Supervisory Board held a total of 5,308,996 shares, more than 1% of Deutsche EuroShop AG'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 2013 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act):

		Date	Share price in €	Number
Claus-Matthias Böge	Sale	03.05.2013	33.63	6,000
Carlotta Böge	Sale	03.05.2013	33.30	2,500
Thomas Armbrust	Purchase	24.06.2013	29.64	3,600
Annette Armbrust	Purchase	24.06.2013	29.49	1,250
Gabriele Cattarius-Armbrust	Purchase	24.06.2013	29.44	600
Klaus Striebich	Purchase	24.06.2013	29.55	500
AROSA Vermögensverwaltungsgesellschaft m.b.H.	Purchase	25.06.2013	29.91	60,000
AROSA Vermögensverwaltungsgesellschaft m. b. H.	Purchase	26.06.2013	29.93	1,000

Relationships with shareholders

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

Deutsche EuroShop AG 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 Chairwoman of the Audit Committee commissions the auditor of the annual financial statements, as elected by the Annual General Meeting. The stricter requirements for auditor independence are met in this process.

Outlook

The composition of the Supervisory Board will continue to change in 2014 in line with the recommendations and requirements of the Corporate Governance Code.

Declaration of conformity

In November 2013, 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 2013 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 13 May 2013), 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 (Code Section 3.8).**
  The Executive and Supervisory Boards of Deutsche EuroShop AG have acted in a responsible manner, managing and supervising the Company in line with the principles of creating enterprise value ever since the Company was established, preceding the official introduction of corporate governance guidelines. The Company therefore takes the view that the agreement of a deductible is not necessary, in particular as this has no effect on the level of the insurance premium.

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

- **There is no stipulated age limit for members of the Executive Board (Code Section 5.1.2).**
  The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Executive Board. An age limit could force the retirement of a suitably qualified and successful Executive Board member.

- **There is no stipulated age limit for members of the Supervisory Board (Code Section 5.4.1).**
  The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Supervisory Board. An age limit could force the retirement of a suitably qualified and successful Supervisory Board member. Therefore, there is no stipulated age limit, though members should not be much older than 70 years of age.

- **The remuneration of the Supervisory Board does not include any performance-based elements (Code Section 5.4.6).**
  The Company believes that fixed remuneration for members of the Supervisory Board best reflects the Company's business model. The selection of shopping centers to be acquired and held and the quality of long-term leases represent the key factors determining the Company's long-term success.

- **The consolidated financial statements are published within 120 days of the end of the financial year (Code 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, 28 November 2013

The Executive Board and the Supervisory Board
Deutsche EuroShop AG

Group Management Report

Basic information about the Group

GROUP BUSINESS MODEL, TARGETS AND STRATEGY

Deutsche EuroShop AG is the only public company in Germany to invest solely in shopping centers in prime locations. On 31 December 2013, the Company held investments in 19 shopping centers in Germany, Austria, Poland and Hungary. The Group generates its reported revenue from rental income on the floor space that it leases in the shopping centers.

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

The Company's registered office is in Hamburg. Deutsche EuroShop is a public company under German law. The individual shopping centers are managed as separate companies and, depending on the share of nominal capital owned, are either fully consolidated or accounted for using the equity method. More information on indirect or direct investments is provided in the notes to the consolidated financial statements.

TARGETS AND STRATEGY

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

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 range of sources, and external financing may not exceed 55% of long-term Group liabilities. As a general rule, long-term interest rates are fixed when loans are taken out or renewed. The aim is to keep duration (i.e. average fixed interest rate period) at over five years.

HIGH-YIELD, STABLE PORTFOLIO

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

SEIZING OPPORTUNITIES AND MAXIMISING VALUE

In line with our 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 processes and considerable flexibility regarding potential investments and financing structures allows Deutsche EuroShop to react to all competitive situations. At the same time, the Group's management is committed to 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 rental rates 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. When the economy is weak, Deutsche EuroShop's revenue is protected from falling below a lower threshold (based on the consumer price index).

SHOPPING EXPERIENCE CONCEPT

Deutsche EuroShop has outsourced center management to an experienced external partner: ECE Projektmanagement GmbH & Co. KG (ECE), based in Hamburg. ECE has been designing, planning, building, renting and managing shopping centers since 1965. The company is currently the European market leader, with 189 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 friendly, bright, safe and clean environment, the center management can employ unusual displays, promotions and exhibitions to make shopping an experience. Between 500,000 and 600,000 shoppers come to the 19 DES centers every day, where they are impressed not only by the range of sectors represented, but also by promotional activities including car, talent and fashion shows and a wide range of activities for children. As a result, the shopping centers become market places where there is always something new on offer.

MANAGEMENT SYSTEM, RESEARCH AND DEVELOPMENT

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. The indicators are revenue, EBT excluding valuation gains / losses and FFO.

The Supervisory Board supervises and advises the Executive Board in its management activities in accordance with the provisions of German company law and the rules of procedure. It appoints the members of the Executive Board and significant 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. The Supervisory Board is also authorised to amend the Articles of Association in line with new legal provisions that become binding on the Company, as well as to resolve changes to the Articles of Association that only relate to the wording without a resolution of the Annual General Meeting.

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

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

Economic review

MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

Germany's gross domestic product (GDP) rose by 0.4% in 2013, according to the German Federal Statistical Office's calculations. The German economy continued to benefit from strong foreign trade and stable domestic demand. The labour market remained strong in the year under review. On average, 2.95 million people were registered as unemployed during the year, putting the unemployment rate at 6.9%. Consumer prices in Germany rose by an average of 1.5% versus 2012. Domestic demand was mainly driven by private household spending, which rose for the third year in a row.

In 2013, gross pay per employee rose by 1.3% according to the German Federal Statistical Office. In an environment marked by high employment and low interest rates, the propensity to consume continued to rise, and the savings rate dropped to 10.0% of disposable income in 2013 (2012: 10.3%). The last time the savings rate was lower was in 2001 (9.5%). Private consumer spending, which accounted for 57.5% of GDP, rose by a nominal 2.5% in 2013 (real: +0.9%). We anticipate a similar trend in 2014. The federal government forecasts that the German economy will grow by 1.8% in 2014.

According to provisional calculations from the German Federal Statistical Office, German retail sales posted nominal growth of 1.4% and real growth of 0.1% year-on-year. The German Retail Federation (HDE) forecasts that retail sales will increase by 1.5% in Germany in 2014. After price adjustments, this amounts to a stagnation, with prices on a par with 2013.

The expansion of online trading remains the main focus of attention in terms of sales growth in the stationary retail sector. According to figures from the German Retail Federation (HDE), online sales grew a further above-average 12% to around €33.1 billion. HDE anticipates that online sales will continue to climb in 2014, rising to €38.7 billion – an increase of approximately 17% year-on-year. Competition with online retailers is already intensifying in some sectors. For example, online transactions accounted for well over one quarter of total Christmas sales from consumer electronics, toys and books in 2013.

Since disposable income growth is muted or stagnant, there is very limited scope for sales growth in the stationary retail sector. As many customers see leisure and the experience as important factors when shopping, more floor space will need to be dedicated to staging shopping experiences than to the straight sale of goods. With ancillary costs rising, notably with the increased renewable energy levy (EEG), retailer margins will come under further pressure. Meanwhile, investments are expected to deliver ever-higher returns.

The centers' competitive position is determined both by business in the relevant city centers and – in the case of the Billstedt-Center Hamburg and the Herold-Center in Norderstedt – by the presence of other shopping centers in neighbouring districts of Hamburg. The city center locations also have to compete with other regional centers. For example, the city centers of Dortmund, Mannheim and Braunschweig are serious rivals to the Allee-Center in Hamm, the Rhein-Neckar-Zentrum in Viernheim and the City-Galerie in Wolfsburg, respectively.

There is additional competition for city center retail in the form of growing numbers of factory and designer outlets on greenfield sites outside the city limits. Development projects are currently underway for new outlet centers close to the Hamm and Dessau centers, while an existing outlet complex in Wolfsburg is being extended.

RETAIL SECTOR

Based on calculations from Jones Lang LaSalle, rental turnover on retail spaces leased in Germany in 2013 decreased by 17% to 492,000 m^2. Rental spaces in excess of 1,000 m^2 accounted for 12% of rental contracts. Demand for smaller retail premises of under 250 m^2 remained high, accounting for 53% of all leases.

With 39% of rented floor space, textile retailers were the most significant demand group. General clothing and women's clothing were the dominant segments within this group. Second place went to the catering and food industry at 21%; health and beauty took third place with 12%.

REAL ESTATE MARKET

Transaction volumes rose by 21% to €30.7 billion according to figures from Jones Lang LaSalle, meaning that Germany's commercial real estate investment market continued to grow in 2013. Retail real estate accounted for just under 26% of transactions. Investments in German shopping centers totalled €2.8 billion in 2013. This came close to the €3.0 billion posted in 2012, but does not reflect demand, which far exceeded the range of suitable properties available for sale. More than one third of all commercial real estate investment in euros went into shopping centers in 2013, compared with 40% in 2012.

As real estate investors continued to focus on security in 2013, top returns on shopping center investments remained at record-high levels in Germany. According to figures from Jones Lang LaSalle, top returns came in at 4.70% in 2013, down slightly year-on-year (4.75%).

SHARE PRICE PERFORMANCE

Deutsche EuroShop shares started the year at €31.64. In the first four months, share prices hovered between €30.50 and €32.00 before reaching a new record-high in mid-May, with an Xetra closing price of €34.48 on 20 May 2013. Stock markets then lost ground and Deutsche EuroShop shares dropped down to €29.45 on 24 June. The share price hit a year-to-date low shortly after the dividend distribution. In the ensuing weeks, share prices moved within a slightly broader range of €30.50 to €33.20. The share price closed the year up at €31.83, which represented a gain of 4.5% including dividends (2012: +32.7%).

EVALUATION OF THE FINANCIAL YEAR

The Executive Board of Deutsche EuroShop is satisfied with the past financial year. Growth was boosted by the acquisition of the Herold-Center in Norderstedt on 1 January 2013. The acquisition of third-party interests in the Altmarkt-Galerie in Dresden on 1 May 2013 also pushed up earnings.

In May 2013, we adjusted the forecasts published in the Annual Report 2012. Target revenue was revised to between €186 million and €189 million and came in at €188.0 million (2012: €178.2 million) on the reporting date, corresponding to an increase of 5.5%. Earnings before interest and taxes (EBIT) were forecast at between €162 million and €165 million, and actual EBIT was slightly above both the forecast range and the 2012 results at €165.8 million, an improvement of 9.4% (2012: €151.6 million). We expected earnings before taxes (EBT) excluding valuation gains / losses (including at-equity investments) of €113 to €116 million. At €129.2 million, EBT came in well above the forecast range, due to €15.8 million in exceptional proceeds from sales, representing an improvement of 41% year-on-year (2012: €95.1 million). Funds from operations (FFO) also exceeded the forecast, coming in at €2.08 per share (forecast: €1.99 to €2.03 per share).

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

COURSE OF BUSINESS

As reported on previous occasions, the amendments to the International Accounting Standards regarding the permissibility of proportional consolidation of our joint ventures have been approved, but the changes only became mandatory as at 2014. Nevertheless, as previously announced, we have chosen to recognise these companies using the equity method from 1 January 2013 pursuant to IAS 31.

Consequently, the share in the revenue and costs of these companies will no longer be included in the consolidated financial statements. Instead, only the at-equity earnings of these shopping centers will be reported under net finance costs. The change will affect four joint ventures previously reported using the proportional method.

The change in the accounting method has entailed a restatement of the 2012 annual financial statements, which also affects the figures provided by way of comparison in this report. Details of the changes to the 2012 consolidated financial statements can be found in the notes (changes in accounting policies).

In addition, Stadt-Galerie Passau KG and Immobilien KG FEZ Harburg – which were previously included in the consolidated financial statements under a voting agreement – are now recognised as at-equity joint ventures from 1 January 2013. The voting agreements were terminated by mutual agreement at the end of 2012.

FINANCIAL POSITION

Deutsche EuroShop can look back on another successful financial year. Revenue and profit advanced significantly versus 2012. The acquisition of the Herold-Center in Norderstedt on 1 January 2013 boosted earnings considerably, as did the sale of our one-third interest in Galeria Dominikanska in Breslau. The acquisition of third-party interests in Altmarkt-Galerie Dresden and the subsequent consolidation of the center have also allowed us to optimise the Group's legal structure.

Net assets and our financial structure remain solid. Favourable refinancing arrangements have made a positive contribution to earnings.

Revenue rose by 5.5% to €188.0 million, while consolidated profit came to €171.0 million (2012: €122.5). Earnings per share came in at €3.17 compared with €2.36 in 2012. Operating profit per share advanced 28% from €1.36 to €1.74.

Valuation gains improved considerably in 2013 to €56.0 million, up from €13.9 million in 2012. The valuation gains on equity-accounted joint ventures came to €2.4 million, up €8.4 million versus 2012 (€–6.0 million). Earnings before tax climbed around 36% year-on-year to €129.2 million (2012: €95.1 million). After adjustments for the proceeds of the sale of the interest in Ilwro Sp.zo.o (Galeria Dominikanska) totalling €15.8 million, earnings before tax were up around 19% at €113.4 million.

The EPRA net asset value per share rose by 7.2% from €28.53 to €30.59.

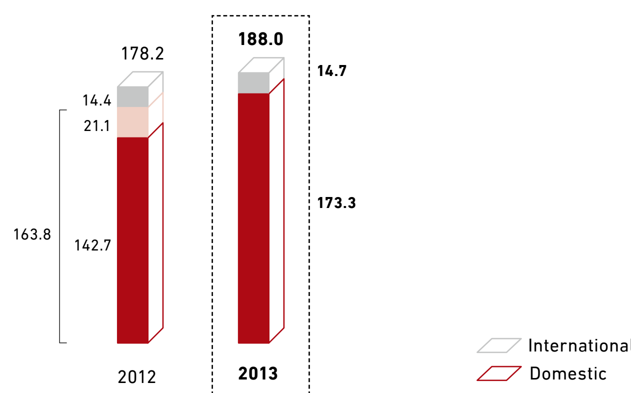
RESULTS OF OPERATIONS

Revenue in the German retail trade (excluding the vehicle trade) rose by a nominal 1.4% over the reporting year, while the revenue of the tenants in our German shopping centers slipped 0.1%. In contrast, tenants in foreign properties posted revenue growth of 3.3%.

CONSOLIDATED REVENUE UP 5.5%

Consolidated revenue was up 5.5%, from €178.2 million to €188.0 million, in the financial year. The Herold-Center in Norderstedt, which was acquired on 1 January 2013, and the Altmarkt-Galerie Dresden, which was fully consolidated from 1 May 2013, contributed significantly to revenue growth. Meanwhile, revenue from the Stadt-Galerie in Passau and the Phoenix-Center in Hamburg are no longer recognised due to the switch to at-equity reporting in the year under review. These two properties generated revenue totalling €21.1 million in 2012.

REVENUE € MILLION



For ten properties, the rise in revenue was largely due to index-related rental increases. Renovation work at the Rhein-Neckar-Zentrum and one-off effects in the A10 Center saw revenues fall slightly. Overall, comparable revenue rose by 1.4% (1.3% in domestic, 2.4% international) on a like-for-like basis over the reporting year.

REVENUE IN € THOUSAND	31.12.2013	31.12.2012	Difference	Change in %
Main-Taunus-Zentrum, Sulzbach	33,646	33,184	462	1.4
A10 Center, Wildau	20,216	20,646	-430	-2.1
Rhein-Neckar-Zentrum, Viernheim	17,382	17,654	-272	-1.5
Altmarkt-Galerie, Dresden	16,129	0	16,129	
Herold-Center, Norderstedt	13,199	0	13,199	
Billstedt-Center, Hamburg	11,366	11,040	326	3.0
Allee-Center, Hamm	10,194	9,975	219	2.2
City-Galerie, Wolfsburg	9,647	9,290	357	3.8
Forum, Wetzlar	9,164	8,992	172	1.9
City-Arkaden, Wuppertal	9,016	8,929	87	1.0
Rathaus-Center, Dessau	8,291	8,166	125	1.5
City-Point, Kassel	8,141	7,934	206	2.6
Stadt-Galerie, Hameln	6,891	6,889	2	0.0
Phoenix-Center, Hamburg	0	12,003	-12,003	
Stadt-Galerie, Passau	0	9,101	-9,101	
Total domestic	**173,282**	**163,803**	**9,478**	**5.8**
Galeria Baltycka, Danzig	14,489	14,017	472	3.4
Caspia	216	341	-125	-36.7
Total international	**14,705**	**14,358**	**347**	**2.4**
Overall total	**187,987**	**178,161**	**9,825**	**5.5**

VACANCY RATE REMAINS STABLE AT UNDER 1%

As in previous years, the vacancy rate for retail spaces remained stable at under 1%. At €0.6 million (2012: €0.6 million) or 0.3% of revenue (2012: 0.4%), write-downs for rent losses remained at a very low level.

INCREASE IN PROPERTY OPERATING AND ADMINISTRATIVE COSTS

Property operating costs were down €1.5 million year-on-year at €8.5 million (2012: €10.0 million), while property administrative costs increased by €0.8 million to €9.3 million (2012: €8.5 million). The lower property operating costs were mainly linked to a sharp decline in maintenance costs (down €2.6 million) in the year under review. However, the savings were offset by higher non-allocable ancillary costs. Property operating costs were also affected by the first-time consolidation of certain properties in 2013 (Herold-Center from 1 January 2013 and Altmarkt-Galerie from 1 May 2013) and the deconsolidation of other properties (Passau and Hamburg-Harburg). Higher property administration costs were also linked to the four properties. Overall, the cost ratio came in at 9.5% of revenue (2012: 10.4%).

OTHER OPERATING INCOME AND EXPENSES

Other operating income came to €2.8 million, slightly higher than in the previous year (€2.7 million), while other operating expenses fell significantly, down €3.5 million to €7.3 million (2012: €10.8 million). The decrease resulted from an exceptional real estate transfer tax of €2.9 million incurred in connection with the restructuring of the Group in 2012 and lower ancillary financing costs.

MARKED IMPROVEMENT IN NET FINANCE COSTS

Net finance costs improved significantly, up €28.0 million to €–34.1 million (2012: €–62.1 million). The improvement reflected the proceeds of the sale of the interest in Ilwro Sp.zo.o (Galeria Dominikanska) amounting to €15.8 million, the effects of the new accounting method and the first-time consolidation of the Altmarkt-Galerie in Dresden.

Interest income was on a par with the previous year at €0.4 million. The deconsolidation of the Passau and Hamburg-Harburg centers generated interest expenses totalling €5.8 million, which brought interest expenses to €57.8 million – an increase of €0.5 million year-on-year. The first-time consolidation of the Altmarkt-Galerie in Dresden from 1 May 2013 created an exceptional charge arising from the derecognition of a cumulative valuation gain / loss previously recognised in equity for an interest rate hedge (swap) to the value of €6.8 million and offset by current earnings of €2.3 million from the value of the swap up to the reporting date. The net charge arising from the swap therefore came to €4.5 million in 2013. The interest expenses will be offset by corresponding income until 2018.

Earnings from at-equity investments climbed considerably, up €12.7 million to €27.0 million (2012: €14.3 million). The improvement also reflects a marked hike in valuation gains, which were up €2.4 million year-on-year at €8.4 million (2012: €−6.0 million). The change in accounting methods also affected these figures.

The profit share for third-party shareholders increased by €0.6 million from €15.3 million to €15.9 million.

CHANGES IN VALUATION GAINS / LOSSES

Valuation gains were up €42.0 million year-on-year at €56.0 million (2012: €13.9 million). The average value of Group properties after ongoing investments advanced 2.1%; valuation gains came in at between 0.0% and 4.8%.

Valuation of the portfolio properties led to valuation gains of €60.5 million. The share of valuation gains attributable to third-party shareholders amounted to €4.5 million in the reporting year (2012: €18.7 million).

ANOTHER SIGNIFICANT CHANGE IN TAX POSITION

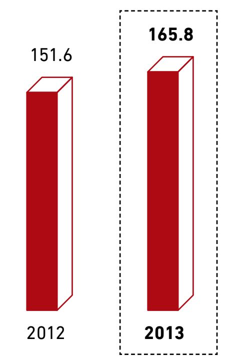
Taxes on income and earnings amounted to €16.6 million compared to tax income of €19.1 million in 2012. Deferred trade tax provisions totalling €49.1 million were released in 2012. In 2013, deferred trade tax provisions were reduced by a further €12.6 million when another company met the criteria for the extended trade tax deduction. Meanwhile, allocations for deferred income taxes generated expenses of €28.7 million during the year under review. Tax expense for income tax payments amounted to €2.4 million (Germany: €1.5 million, international: €0.9 million) in the year under review.

€ THOUSAND	31.12.2013	31.12.2012	Difference	Change in %
Allee-Center, Magdeburg	7,945	7,762	183	2.4
Phoenix-Center, Hamburg	6,144	0	-6,144	100
Stadt-Galerie, Passau	6,938	0	6,938	100
Altmarkt-Galerie, Dresden	5,636	16,096	-10,460	-65.0
City-Arkaden, Klagenfurt	5,890	5,635	255	4.5
Árkád, Pécs	3,487	3,577	-90	-2.5
Others	676	678	-2	-0.3
Revenue	**36,716**	**33,748**	**2,969**	**8.8**
Property operating costs	-1,739	-1,415	-324	
Property management costs	-1,904	-2,079	175	
Net operating income	**33,073**	**30,253**	**2,820**	
Other operating income	65	204	-139	
Other operating expenses	-322	-906	584	
Earnings before interest and taxes (EBIT)	**32,816**	**29,551**	**3,265**	
Interest income	19	40	-21	
Interest expense	-8,147	-9,110	963	
Net finance costs	**-8,127**	**-9,070**	**942**	
Valuation gains / losses	**2,410**	**-6,029**	**8,439**	
Earnings before tax (EBT)	**27,099**	**14,453**	**12,646**	
Taxes on income and earnings	-76	-107	32	
Share in the profit / loss of joint ventures	**27,024**	**14,346**	**12,678**	

SIGNIFICANT INCREASE IN CONSOLIDATED PROFIT

Earnings before interest and taxes (EBIT) climbed 9.4%, from €151.6 million to €165.8 million, in the year under review. At €187.6 million, earnings before taxes (EBT) were 81% higher than in the previous year (€103.4 million) for the reasons given above. Consolidated profit amounted to €171.0 million, up 40% against 2012 (€122.5 million).

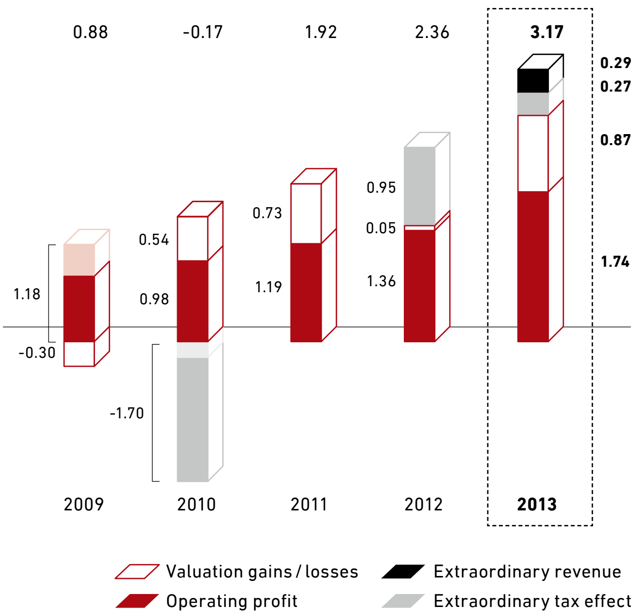
EBIT — € MILLION



STRONG OPERATIONS DRIVE EARNINGS PER SHARE

Earnings per share (consolidated net profit per share) amounted to €3.17 in the reporting year, compared with €2.36 in 2012, an increase of 34% Of this amount, €1.74 was attributable to operations (2012: €1.36) and €0.87 to valuation gains / losses (€0.05). Earnings per share were also boosted by €0.27 in tax income (2012: €0.95) and proceeds from sales at €0.29 in 2013.

EARNINGS PER SHARE — €, UNDILUTED



€ PER SHARE	2013	2012
Consolidated net profit	**3.17**	**2.36**
Valuation in accordance with IAS 40	-1.03	-0.27
Valuation gains / losses for equity-accounted companies	-0.04	0.12
Deferred taxes	0.20	0.10
Tax income from past years	-0.27	-0.95
Proceeds from sales	-0.29	0.00
EPRA* earnings	**1.74**	**1.36**
Weighted no. of shares in thousands	53,946	51,935

* European Public Real Estate Association

FUNDS FROM OPERATIONS (FFO) UP 24%

Funds from operations (FFO) are used to finance our ongoing investments in portfolio properties, scheduled repayments on our long-term bank loans and the distribution of dividends. During the year under review, FFO of €112.0 million was generated (2012: €87.0 million). The FFO per share rose by 24% from €1.68 to €2.08.

€ THOUSAND	2013	2012
Consolidated profit	171,043	122,484
Proceeds from sales	-15,799	0
Valuation gains / losses	-55,982	-13,934
Valuation gains / losses for equity-accounted companies	-2,410	6,029
Bond conversion expense	940	0
Deferred taxes	14,208	-27,545
FFO	112,000	87,034
FFO per share	**2.08 €**	**1.68 €**

DIVIDEND PROPOSAL: €1.25 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 18 June 2014 that a dividend of €1.25 per share be distributed for the financial year 2013, an increase of 4% or €0.05 year-on-year. An estimated €0.40 per share of the dividend will be deductible 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 to raise equity, as well as the credit and capital markets to borrow funds. Within the Group, both the individual property companies and Deutsche EuroShop AG borrow from banks and serve as bond issuers. Deutsche EuroShop's credit standing has been shown to be advantageous when negotiating loan terms. The Group can also arrange its financing independently and flexibly.

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

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

FINANCING ANALYSIS: IMPROVED INTEREST RATE CONDITIONS

As at 31 December 2013, Deutsche EuroShop Group reported the following key financial data:

€ MILLION	**2013**	2012	Change
Total assets	**3,394.9**	3,347.6	+47.3
Equity (including third-party interests)	**1,642.4**	1,606.1	+36.3
Equity ratio (%)	**48.4**	48.0	0.4
Net financial liabilities	**1,445.9**	1,306.6	+139.3
Loan to value ratio (%)	**43**	41	2

At €1,642.4 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€1,428.9 million) and the equity of the third-party shareholders (€213.4 million), was €36.3 million higher than in the previous year. At 48.4%, the equity ratio was up slightly year-on-year.

FINANCIAL LIABILITIES IN € THOUSAND	**2013**	2012
Convertible bond	**93,556**	91,943
Non-current bank loans and overdrafts	**1,295,996**	1,184,360
Current bank loans and overdrafts	**97,207**	191,298
Total	**1,486,759**	**1,467,601**
Cash and cash equivalents	**-40,810**	**-161,006**
Net financial liabilities	**1,445,949**	**1,306,595**

Current and non-current financial liabilities rose from €1,467.6 million to €1,486.8 million in the year under review, an increase of €19.2 million. At the same time, cash and cash equivalents dropped €120.2 million, pushing net financial liabilities up €139.4 million, from €1,306.6 million to €1,445.9 million. Following the takeover of the Altmarkt-Galerie Dresden and its subsequent consolidation, financial liabilities added €187.1 million, while loans amounting to €109.9 million were deconsolidated. Meanwhile, loans amounting to €59.7 million were repaid.

During the year under review, 13 existing loans taken out to finance the Main-Taunus-Zentrum were replaced by a new loan in the amount of €220.0 million. Whereas the average residual maturity when the loans were replaced was 0.9 years with average interest at 3.88%, the new loan was taken out for 10 years at an interest rate of 2.99%. As a result, we have again significantly improved the maturity and interest rate structure of our loan portfolio.

The net financial liabilities existing at the end of the year are used exclusively to finance non-current assets. As a result, 43% of non-current assets were financed by loans in the year under review.

The Group has access to a credit line in the amount of €150 million until end-2016. As at the balance sheet date, €77.0 million had been drawn down.

Net debt finance terms (including the convertible bond) as at 31 December 2013 remained fixed at 3.88% p.a. (2012: 4.25% p.a.) for an average residual maturity of 7.0 years (6.4 years). Deutsche EuroShop maintains credit facilities with 21 banks, all of which are German banks.

LOAN STRUCTURE AS AT 31 DECEMBER 2013	AS % OF LOAN	€ MILLION	AVERAGE RESIDUAL MATURITY (YRS)	AVERAGE INTEREST RATE
Up to 1 year	6.4	95.2	1.0	1.67
1 to 5 years	25.2	372.5	3.4	3.88
5 to 10 years	62.3	924.4	7.9	3.72
Over 10 years	6.1	91.0	13.7	5.07
Total	**100.0**	**1,483.1**	**7.0**	**3.88**

Of 19 loans across the Group, 12 are subject to credit covenants with the financing banks. This includes a total of 18 different covenants on debt service cover ratios (DSCRs), interest cover ratios (ICRs), changes in rental income and the loan to value ratio (LTV). All conditions were met. Based on the budgeted figures, compliance with the covenants may also be assumed in the current financial year.

Scheduled repayments amounting to €18.2 million will be made from current cash flow during the 2014 financial year. Over the period from 2015 to 2018, average annual repayments will be around €17.0 million.

No loans are due to expire in 2014. One loan in the amount of €61.9 million is due for renewal in 2015 and another €77.0 million loan is due for renewal in 2016. The convertible bond must be repaid in 2017 if the bond holders have not made use of their conversion rights by then. Another loan in the amount of €72.0 million is due for renewal in 2018.

Short and long-term financial liabilities totalling €1,486.8 million were recognised in the balance sheet at the reporting date. The difference between the total and the amounts stated here is €3.7 million, which relates to deferred interest and repayment obligations that were settled at the beginning of 2014.

INVESTMENT ANALYSIS: INVESTMENTS ABOVE PREVIOUS YEAR'S LEVEL

Investments made during the 2013 financial year amounted to €89.4 million, compared with €197.4 million in the previous year. After adjustments for cash and cash equivalents acquired, the consolidation of Altmarkt-Galerie Dresden contributed €59.4 million. Ongoing investments in portfolio properties amounted to €18.1 million. Other investments came to €1.1 million.

LIQUIDITY ANALYSIS: HIGHER LIQUIDITY DUE TO FINANCING

The Group's operating cash flow of €129.8 million (2012: €99.8 million) comprises the amount generated by the Group for shareholders through the leasing of shopping center floor space after deduction of all costs. It primarily serves to finance the dividends of Deutsche EuroShop AG and payments to third-party shareholders.

Cash flow from operating activities amounted to €99.3 million (2012: €121.9 million) and comprises operating cash flow and changes in receivables, other assets, other liabilities and provisions. The decline was primarily due to the payment of tax liabilities.

Cash flow from financing activities fell from €178.9 million to €–136.8 million. Cash outflows from financial liabilities totalling €59.7 million essentially reflected the repayment of a credit line used in 2012. Dividends paid to shareholders totalled €64.7 million. Dividend payments to third-party shareholders came to €12.3 million.

Cash and cash equivalents dropped by €120.2 million in the year under review to €40.8 million (2012: €161.0 million).

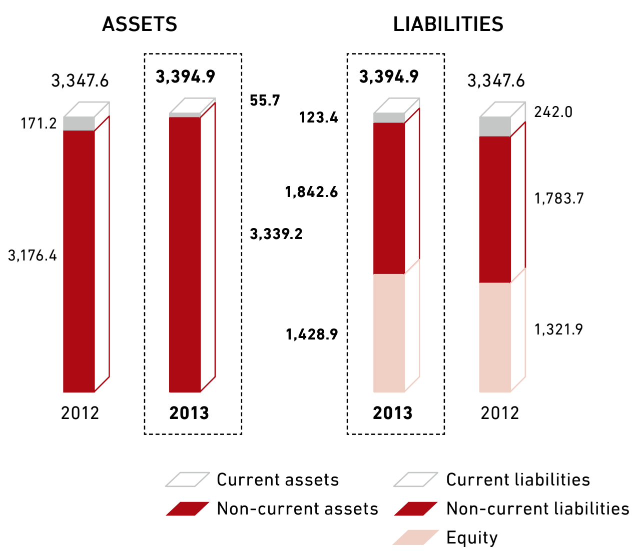
NET ASSETS

BALANCE SHEET ANALYSIS

The Group's total assets increased by €47.3 million from €3,347.6 million to €3,394.9 million.

€ THOUSAND	2013	2012	Change
Current assets	55,698	171,160	-115,462
Non-current assets	3,339,165	3,176,400	162,765
Current liabilities	123,353	241,958	-118,605
Non-current liabilities	1,842,561	1,783,688	58,873
Equity	1,428,949	1,321,914	107,035
Total assets	**3,394,863**	**3,347,560**	**47,303**

BALANCE SHEET STRUCTURE € MILLION



Any inconsistencies in the total are due to rounding

MARKED DROP IN CURRENT ASSETS

At the end of the year, current assets amounted to €55.7 million, down €115.5 million compared to the previous year (2012: €171.2 million). The reduction was exclusively due to lower cash and cash equivalents as at the reporting date. By contrast, trade receivables advanced €1.8 million year-on-year to €5.6 million (€3.8 million). Other assets slipped €0.1 million, from €6.4 million to €6.3 million.

Cash and cash equivalents amounted to €40.8 million on the reporting date, down €120.2 million year-on-year (€161.0 million). There was also a time deposit as at the balance sheet date, which was recognised under other financial investments.

NON-CURRENT ASSETS INCREASED AS A RESULT OF INVESTMENT

Non-current assets rose by €162.8 million, from €3,176.4 million to €3,339.2 million, in the year under review.

Investment properties gained €138.0 million. The Altmarkt-Galerie contributed €392.7 million, which was offset by cash disposals totalling €333.4 million from the deconsolidation of the Passau and Hamburg-Harburg properties. Costs of investments in portfolio properties amounted to €18.1 million. The revaluation of our property portfolio resulted in valuation gains of €60.5 million.

At-equity investments increased by €20.4 million from €321.5 million to €341.9 million. The recognition of the Passau and Hamburg-Harburg investments generated an addition of €148.9 million, which was offset by a €134.6 million reduction due to the first-time consolidation of Altmarkt-Galerie from 1 May 2013. The difference between the share in the earnings and losses resulted in a €6.1 million gain in at-equity investments.

Other non-current assets increased by €4.4 million net versus 2012.

CURRENT LIABILITIES DOWN

Current liabilities fell by €118.6 million, from €242.0 million to €123.4 million, largely due to lower short-term bank loans and liabilities (down €94.1 million) and a decline in tax liabilities (down €23.2 million).

Other current liabilities declined €1.3 million in net terms.

NON-CURRENT LIABILITIES UP DUE TO FINANCING

Non-current liabilities rose by €58.9 million, from €1,783.7 million to €1,842.6 million. The increase was essentially driven by the first-time consolidation of Altmarkt-Galerie Dresden and deconsolidations (€73.7 million). Non-current liabilities advanced €113.3 million in total. Deferred tax liabilities also rose, up €18.0 million to €198.5 million. At €213.4 million, third-party interests in the equity of the property companies was up €70.8 million year-on-year due to deconsolidations. Other liabilities slipped €1.6 million to €41.1 million (2012: €42.7 million), largely due to interest rate swap measurements.

EQUITY

At €1,428.9 million, Group equity was up €107.0 million against the previous year (€1,321.9 million).

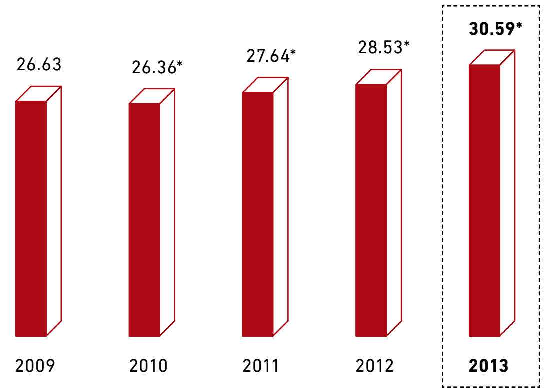
The change in equity over the year under review primarily comprises the difference between consolidated profit at €171.0 million and the €64.7 million paid as a dividend in June 2013.

EPRA NET ASSET VALUE FURTHER INCREASED

Net asset value (NAV) amounted to €1,650.4 million or €30.59 per share as at 31 December 2013, compared with €1,538.9 million or €28.53 per share in 2012. Net asset value per share was therefore 7.2% higher year-on-year.

€ THOUSAND	31.12.2013	31.12.2012
Equity	1,428,949	1,321,914
Deferred taxes	198,491	180,525
Negative swap values	30,760	49,496
Resulting deferred taxes	-7,762	-13,057
EPRA NAV	1,650,438	1,538,878
EPRA NAV per share	**30.59 €**	**28.53 €**

NET ASSET VALUE PER SHARE €



*EPRA NAV

EPRA also recommends that an EPRA NNNAV (triple NAV) be calculated, which should roughly correspond to the liquidation value of the company. This adjusts the EPRA NAV to take account of hidden liabilities or undisclosed reserves resulting from the market valuation of bank loans and overdrafts, as well as deferred taxes. As at 31 December 2013, EPRA NNNAV amounted to €1,377.7 million, compared with €1,250.3 million in 2012. EPRA NNNAV per share was therefore €25.54 (2012: €23.18), which corresponds to an increase of 10.2%.

€ THOUSAND	31.12.2013	31.12.2012
EPRA NAV	1,650,438	1,538,878
Negative swap values	-30,760	-49,496
Negative present value of bank loans and overdrafts	-62,862	-89,522
Total deferred taxes	-179,080	-149,607
EPRA NNNAV	1,377,736	1,250,253
EPRA NNNAV per share	**25.54 €**	**23.18 €**

OVERALL COMMENT BY THE EXECUTIVE BOARD ON THE ECONOMIC SITUATION

The past financial year confirmed that Deutsche EuroShop Group has a successful business model. We have again managed to meet our original expectations.

Report on events after the balance sheet date

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

Outlook

The economic review produced by the federal government predicts positive growth for Germany in 2014, although economic imbalances are expected to persist within the eurozone. Gross domestic product (GDP) is forecast to grow by 1.8%. Growth is likely to be driven by sustained strong domestic demand and a sharp rise in exports. The unemployment rate is set to remain at the current level while inflation will be modest. Economic activity could rise slightly – to 42.1 million in employment – and salaries may increase slightly. The German Retail Federation (HDE) predicts that retail sales will advance by 1.1%.

The Stability and Growth Pact adopted by the EU member states in 2012 and associated debt brake have essentially eliminated government investment in some countries, meaning that no significant growth is expected in the foreseeable future in southern EU member states.

The global economy remains very delicate. Although the financial market turbulence experienced in 2013 has largely abated, many market participants and the general population are not yet convinced that the crisis is over.

Consequently, global demand for capital investments that retain their value remains strong, particularly in financially strong countries such as Germany. With interest rates low, life insurance companies in particular are still seeking real estate investment opportunities that will meet the long-term expectations of policyholders. This is keeping demand for real estate at record levels, in contrast to a merely limited supply side. Retail property in particular remains attractive to many institutional investors, leading to very high transaction prices and correspondingly low anticipated returns for core properties. We monitor developments on the real estate market closely. As in the past, we will only make new investments if the return that is achievable over the long term bears a reasonable relation to the investment risks.

OUTLOOK GOOD FOR OUR SHOPPING CENTERS

We predict that our shopping centers will continue to perform well. The occupancy rate across all our shopping centers is currently expected to remain at around 99%. At the end of 2013, the occupancy rate for all types of space was 98.6%, on a par with 2012 (98.6%). The occupancy rate for retail space stood steady at 99.5%. The remaining vacancies consisted largely of office and storage space.

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

AGREED TRANSACTIONS ARE THE FOUNDATION FOR REVENUE AND EARNINGS PLANNING

The Deutsche EuroShop Group's revenue and earnings planning for 2014 and 2015 does not include the purchase or sale of any properties. The results of the annual valuation of our shopping centers and exchange rate factors are not included in our planning since they are not foreseeable.

Forecasts about the future revenue and earnings situation of our Group are based on 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 sales in the retail sector that would prevent a large number of retailers from meeting their obligations under existing leases.

REVENUE SET TO RISE BY 6% IN 2014

We anticipate that revenue will increase by around 6% to between €198 and €201 million in the 2014 financial year. The figures will be boosted by revenue from the Altmarkt-Galerie, which will be included in the full-year figures for the first time. In the 2015 financial year, revenue is likely to rise slightly to between €202 million and €205 million.

FURTHER GROWTH IN EARNINGS IN THE NEXT TWO YEARS

Earnings before interest and taxes (EBIT) amounted to €165.8 million in 2013. According to our forecast, EBIT will come in at between €174 million and €177 million (up 6%) in the current financial year. EBIT should increase again to between €177 million and €180 million in 2015 (up 2%).

Earnings before tax after adjustments for the exceptional proceeds from the sale of Galeria Dominikanska in Breslau (EBT excluding valuation gains) came to €113.4 million. We expect to achieve EBT of between €120 million and €123 million in 2014 (an increase of 7%) and €125 to €128 million in 2015 (up 4%).

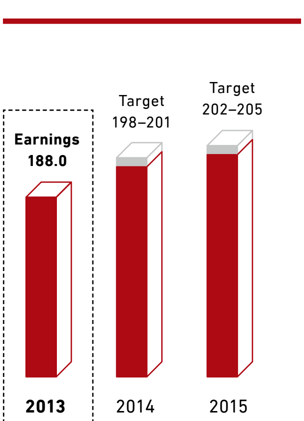
FFO UP SLIGHTLY

Funds from operations (FFO) amounted to €2.08 per share in the year under review. We expect this figure to come to between €2.14 and €2.18 in 2014 (+4%) and between €2.20 and €2.24 (+3%) in 2015.

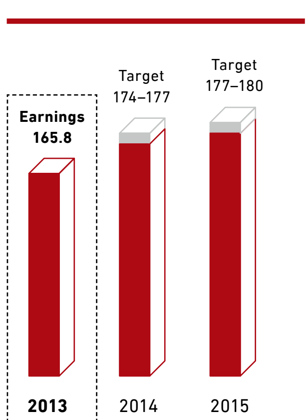
DIVIDEND POLICY

We intend to maintain our long-term, reliable dividend policy and anticipate that we will be able to pay dividends at €1.30 per share in 2014 and €1.35 in 2015 to our shareholders.

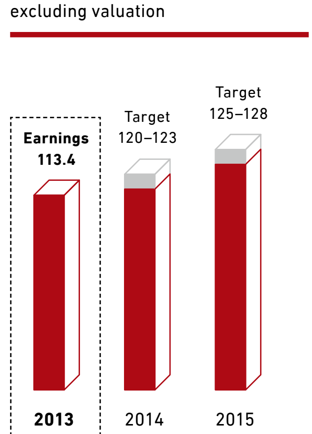
REVENUE € MILLION



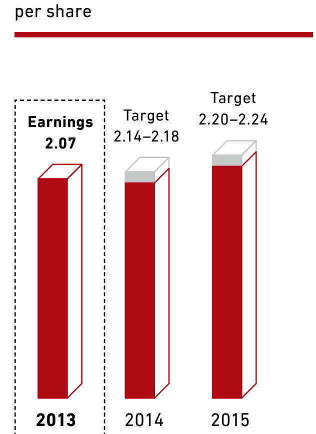
EBIT € MILLION



EBT excluding valuation € MILLION



FFO per share €



* Adjusted for sale proceeds

Risk report

PRINCIPLES GOVERNING THE RISK MANAGEMENT SYSTEM AND GROUP-WIDE INTERNAL CONTROL SYSTEM

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

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

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

KEY FEATURES

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

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

2. Centers under construction
   - Pre-leasing levels
   - Construction status
   - Budget status

In accordance with IFRS 8.12, segment reporting is presented as a geographical breakdown: domestic and international.

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

FINANCIAL STATEMENT PREPARATION PROCESS

Preparation of the financial 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 the auditing activities, the auditor of the consolidated financial statements performs process-independent auditing work, also with respect to financial reporting.

ADVICE ON LIMITATIONS

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

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

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

PRESENTATION OF MATERIAL INDIVIDUAL RISKS

CYCLICAL AND MACROECONOMIC RISKS

The German economy posted moderate growth in 2013. According to data published by the German Federal Statistical Office, GDP rose by 0.4% after price, seasonal and calendar adjustments (2012: 0.7%). Strong experts and robust domestic demand were the main growth drivers. The federal government forecasts GDP growth of 1.8% in Germany in 2014.

The labour market remained relatively strong. Employment was at a record high of 42.0 million. The annual average unemployment rate for the active population was 6.9% in 2013 (2012: 6.8%). The unemployment rate is expected to fall slightly in 2014.

In contrast, gross domestic product (GDP) in the eurozone fell by 0.4%. However, economic developments varied considerably from one EU member state to another. Southern European countries are still struggling with high debt-to-GDP ratios and a lack of competitiveness. To date, they have been unable to reduce debt levels significantly. Unemployment is at a record high of 12% in the eurozone. At around 50%, youth unemployment in countries such as Greece and Spain is particularly worrying. However, the eurozone economy should pick up in 2014 – the World Bank forecasts that economic output will rise by 1.1%.

Inflation slowed year-on-year in 2013. Germany and the eurozone posted identical inflation rates: 1.5%. Energy and food prices remained the main price drivers.

Economic imbalances within the eurozone will persist. The Stability and Growth Pact adopted by the EU member states in 2012 and associated debt brake have essentially eliminated government investment, meaning that no significant growth is expected in the foreseeable future in southern EU member states.

Deutsche EuroShop AG is not as strongly affected by short-term economic developments as other sectors are in terms of its business model – long-term, inflation-proofed leasing of retail space – and the associated risks. However, in light of the sovereign debt crisis, we cannot rule out the possibility of a change in economic conditions that would impact Deutsche EuroShop AG's business.

Past experience has demonstrated that by locating our shopping centers in prime locations and by ensuring broad sector diversification within the centers, we can achieve commercial success even under difficult economic conditions.

MARKET AND SECTOR RISKS

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

Revenue in the stationary retail sector saw nominal growth of 1.4% and 0.1% in real terms (2012: 1.9% nominal growth; down 0.3% in real terms). The German Retail Federation (HDE) predicts nominal retail sales growth of 1.5% to €439.7 billion in 2014.

The Internet and online trading are now established economic factors. Stationary retailers need to address the issues and challenges that this situation has created. The growth and success of e-commerce will result in a gradual structural change within stationary retail as retailers respond with different pricing models, special promotional offers and particularly by building up their own online presence. However, in the medium term, retailers will need to reconsider their network of locations. Properties in prime locations could benefit from this development.

Online trading advanced 12% to €33.1 billion in 2013. The German Retail Federation anticipates a further 17% rise in 2014 to €38.7 billion.

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

Deutsche EuroShop AG is not as strongly affected by short-term economic developments as other sectors are in terms of its business model – long-term, inflation-proofed leasing of retail space – and the associated risks. Long-term trends such as the growing impact of e-commerce on stationary retail will affect our business in the medium term, however. Past experience has demonstrated that by locating our shopping centers in prime locations and by ensuring broad sector diversification within the centers, we can achieve commercial success even during periods of stagnation. Provided that stationary retailers review their networks in response to the rise of online trading and focus on strong locations, our prime shopping center locations could emerge even stronger from the structural changes.

RISK OF RENT LOSS

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

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

COST RISK

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

VALUATION RISK

The value of a property is essentially determined by its capitalised earnings value, which in turn depends on factors such as the level of annual rental income, the underlying location risk, the evolution of long-term capital market rates and the general condition of the property. A reduction in rental income or a deterioration of the location risk necessarily results in a lower capitalised earnings value. The appreciation of the properties is therefore also significantly influenced by a variety of macroeconomic or regional factors as well as developments specific to the property that can neither be foreseen nor influenced by the Company. The factors described are taken into account in the annual market valuations of our portfolio properties by independent appraisers. Changes in value are recognised in the income statement of the consolidated financial statements in accordance with the requirements of IAS 40 and may thus increase the volatility of the consolidated profit.

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. A risk could arise if the Hungarian forint or the Polish zloty were to plummet against the euro such that tenants were no longer able to pay what would then be considerably higher rents denominated in foreign currency.

FINANCING AND INTEREST RATE RISKS

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

The possibility cannot be completely excluded that, due for example to a deterioration in the Company's results of operations, banks may not be prepared to provide refinancing or to extend credit lines. We monitor the interest rate environment closely so as to be able to react appropriately to interest rate changes with alternative financing concepts or hedging if necessary. With average interest rates at 3.88% (2012: 4.25%), this does not currently present a significant risk within the Group, particularly since the most recent refinancing was concluded at lower interest rates than the original financing and the current average interest rate.

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

RISK OF DAMAGE

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

IT RISK

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

PERSONNEL RISK

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

LEGAL RISK

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

EVALUATION OF THE OVERALL RISK POSITION

On the basis of the monitoring system described, Deutsche EuroShop 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.

Remuneration report

The remuneration rules of Deutsche EuroShop AG were last reviewed by the Supervisory Board in 2010 and amended to comply with the Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG – German Act on the Appropriateness of Executive Board Remuneration) and the Corporate Governance Code.

REMUNERATION SYSTEM FOR THE EXECUTIVE BOARD

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

As a performance-related remuneration component, the bonus is dependent on the long-term performance of the company. It is based on the weighted average over the financial year and the two previous financial years. Group EBT (excluding valuation gains / losses) for the financial year is taken into account at a weighting of 60% in the basis of calculation, that of the previous financial year at 30% and that of the financial year before that at 10%. Mr Böge receives 0.5% of the calculation basis as a bonus and Mr Borkers receives 0.2%. with the amount of the bonus limited to 150% of the basic annual remuneration.

The non-performance-related basic annual remuneration is €300,000 for Mr Böge and €168,000 for Mr Borkers. In addition, Mr Böge is expected to receive a bonus of €450,000 and Mr Borkers €231,000 for financial year 2013. The final amount of the bonus will only be available after approval of the consolidated financial statements by the Supervisory Board; the bonus will be paid following approval.

Should the results of operations and net assets of the Company deteriorate during the term of the respective employment contracts to such an extent that further payment of this remuneration becomes unreasonable, the rules of section 87 (2) of the AktG will apply. In such a case, the Supervisory Board decides at its own discretion on the extent to which 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 shall be entitled to a settlement in the amount of the annual remuneration outstanding up to the end of the agreed contractual term, but limited to an amount equivalent to a maximum of two annual remunerations (basic annual remuneration plus bonus). The annual remuneration amount is determined on the basis of the average annual remuneration for the previous financial year and the probable annual remuneration for the current financial.

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

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

Between 1 July 2010 and 31 December 2013, the market capitalisation of the Company rose to €1,717.1 million (end-2012: €1,706.8 million), an increase of €733.6 million against 1 July 2010 (end-2012: €723.3 million) The present value of the potential entitlement to the long-term incentive arising therefrom was €1.302 million at year-end (31 December 2012: €1.272 million). An allocation to the provision of €306,000 (2012: €305,000) was included for this purpose during the financial year.

REMUNERATION OF THE EXECUTIVE BOARD 2013

The remuneration of the Executive Board totalled €1.237 million, which can be broken down as follows:

€ THOUSAND	Non-performance-related remuneration	Performance-related remuneration	Ancillary benefits	Total	Total Previous year
Claus-Matthias Böge	300	447	80	**827**	829
Olaf Borkers	168	230	12	**410**	364
	468	**677**	**92**	**1,237**	**1,193**

In addition to the prospective bonuses for the financial year, the performance-related remuneration also includes the difference between the prospective and final bonuses for the previous year (€ –4,000).

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

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

REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is based on section 8 (4) of the Articles of Association of Deutsche EuroShop AG. In accordance with the Articles of Association, the remuneration amounts to €50,000 for the chairman, €37,500 for the deputy chairman and €25,000 for each of the other members of the Supervisory Board. Committee membership is not 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 2013

The remuneration of the members of the Supervisory Board came to €312,000 in the period under review, which can be broken down as follows:

€ THOUSAND	2013	2012
Manfred Zaß	59.50	59.50
Dr. Michael Gellen	44.62	44.62
Thomas Armbrust	29.75	29.75
Karin Dohm	29.75	13.98
Dr. Jörn Kreke	13.94	29.75
Dr. Henning Kreke	15.81	0
Alexander Otto	29.75	29.75
Reiner Strecker	29.75	13.98
Klaus Striebich	29.75	13.98
Dr. Bernd Thiemann	29.75	29.75
Including 19% value added tax	**312.37**	**265.06**

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

MISCELLANEOUS

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

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

Acquisition reporting

Deutsche EuroShop shares are traded on the Frankfurt Stock Exchange and other exchanges. As at 31 December 2013, 9.73% of shares were owned by Alexander Otto (2012: 9.57%).

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

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

The Executive Board is authorised, with the Supervisory Board's approval, to issue, until 15 June 2016, convertible bonds with a total nominal value of up to €200,000,000 and a maximum term of 10 years and to grant the holders of the respective, equally privileged, bonds conversion rights to new no-par value shares in the Company up to a total of 10,000,000 shares (€10.0 million), as detailed in the terms and conditions for convertible bonds ("Bond conditions"; "Conditional capital 2011"). The convertible bonds may also pay a variable rate of interest, in which case, as with a participating bond, the interest may be dependent in full or in part on the level of the Company's dividend. In November 2012, Deutsche EuroShop issued a convertible bond with a five-year term and a nominal value of €100,000,000, for which some 2.9 million no-par shares are currently reserved in conditional capital.

A change-of-control arrangement has been agreed with two employees. Under this arrangement, if and insofar as the Company informs them that they will no longer be employed in their current positions, these employees will have a special right of termination with a notice period of one month up to the end of the quarter, which will be valid for 12 months from the date the change of control takes effect.

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

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

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

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

Declaration on corporate governance (section 289a HGB)

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

Hamburg, 15. April 2014

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	31.12.2013	31.12.2012 after adjustment	01.01.2012 after adjustment
ASSETS				
Non-current assets				
Intangible assets	1.	**8**	16	20
Property, plant and equipment	2.	**413**	112	137
Investment properties	3.	**2,962,163**	2,824,133	2,596,131
Investments accounted for using the equity method	4.	**341,907**	321,534	326,699
Other financial assets	5.	**34,519**	30,293	27,815
Other non-current assets	6.	**155**	312	459
Non-current assets		**3,339,165**	**3,176,400**	**2,951,261**
Current assets				
Trade receivables	7.	**5,595**	3,772	4,912
Other current assets	8.	**6,293**	6,382	14,207
Other financial investments	9.	**3,000**	0	0
Cash and cash equivalents	10.	**40,810**	161,006	57,613
Current assets		**55,698**	**171,160**	**76,732**
Total assets		**3,394,863**	**3,347,560**	**3,027,993**

EQUITY AND LIABILITIES IN € THOUSAND	Note	31.12.2013	31.12.2012 after adjustment	01.01.2012 after adjustment
EQUITY AND LIABILITIES				
Equity and reserves				
Issued capital		53,945	53,945	51,631
Capital reserves		961,970	961,987	890,482
Retained earnings		413,034	305,982	250,928
Total equity	**11.**	**1,428,949**	**1,321,914**	**1,193,041**
Non-current liabilities				
Financial liabilities	12.	1,389,552	1,276,303	1,185,613
Deferred tax liabilities	13.	198,491	180,525	210,587
Right to redeem of limited partners		213,422	284,176	280,078
Other liabilities	18.	41,096	42,684	32,288
Non-current liabilities		**1,842,561**	**1,783,688**	**1,708,566**
Current liabilities				
Financial liabilities	12.	97,207	191,298	97,962
Trade payables	14.	3,351	2,135	2,389
Tax liabilities	15.	1,357	24,569	5,913
Other provisions	16.	6,804	12,495	8,281
Other liabilities	17.	14,634	11,461	11,841
Current liabilities		**123,353**	**241,958**	**126,386**
Total equity and liabilities		**3,394,863**	**3,347,560**	**3,027,993**

Consolidated income statement

€ THOUSAND	Note	2013	2012 after adjustment
Revenue	19.	187,987	178,161
Property operating costs	20.	-8,452	-9,983
Property management costs	21.	-9,323	-8,502
Net operating income (NOI)		**170,212**	**159,676**
Other operating income	22.	2,837	2,733
Other operating expenses	23.	-7,285	-10,830
Earnings before interest and taxes (EBIT)		**165,764**	**151,579**
Income from investments	24.	16,688	1,400
Interest income		448	500
Interest expense		-57,827	-63,066
Other financial expenses		-4,550	0
Income from the disposal of financial assets		23	0
Share of the profit or loss of associates and joint ventures accounted for using the equity method	25.	27,024	14,346
Profit / loss attributable to limited partners	26.	-15,939	-15,271
Net finance costs		**-34,133**	**-62,091**
Measurement gains / losses	**27.**	**55,982**	**13,934**
of which excess of identified net assets acquired over cost of acquisition in accordance with IFRS 3 €0 thousand (previous year: €4,410 thousand)			
Earnings before taxes (EBT)		**187,613**	**103,422**
Income tax expense	28.	-16,570	19,062
Consolidated profit		**171,043**	**122,484**
Earnings per share (€), basic	32.	3.17	2.36
Earnings per share (€), diluted	32.	3.05	2.35

Consolidated statement of comprehensive income

€ THOUSAND	Note	2013	2012 after adjustment
Consolidated profit		**171,043**	**122,484**
Items which under certain conditions will be reclassified to the income statement in future periods:			
Changes in cash flow hedge	11., 30.	**11,217**	-12,073
Change in investments accounted for using the equity method	11.	**7,519**	-2,395
Change due to IAS 39 measurement of investments	4., 11., 30.	**3,606**	2,478
Disposal due to IAS 39 measurement of investments	11., 30.	**-15,799**	0
Deferred taxes on changes in value offset directly against equity	11., 13.	-5,354	1,344
Total earnings recognised directly in equity		**1,189**	**-10,646**
Total profit		**172,232**	**111,838**
Share of Group shareholders		172,232	111,838

Consolidated cash flow statement

€ THOUSAND	Note	2013	2012
Profit after tax		**171,043**	**122,484**
Expenses / income from the application of IFRS 3	27.	0	-5,289
Income from the disposal of shareholdings	24.	-15,822	0
Profit / loss attributable to limited partners	26., 27.	20,431	33,946
Depreciation of intangible assets and property, plant and equipment	1., 2.	65	40
Unrealised changes in fair value of investment property	26.	-60,539	-36,518
Net loss from derivatives		4,550	0
Other non-cash income and expenses		1,662	484
Profit / losses of joint ventures and associates	25., 31.	-5,849	2,984
Expenses from investment activities to be allocated to the cash flow	27.	64	9,198
Deferred taxes	28.	14,208	-27,545
Operating cash flow		**129,813**	**99,784**
Changes in receivables	6., 7., 8., 30.	-1,402	-128
Change in other financial investments	16.	-3,000	0
Changes in current provisions	14., 15., 17.	-29,657	22,871
Changes in liabilities	18., 30.	3,642	-667
Cash flow from operating activities		**99,396**	**121,860**
Payments to acquire property, plant and equipment / investment properties	2., 3.	-18,491	-11,735
Expenses from investment activities to be allocated to the cash flow		-64	-9,198
Payments to acquire shareholdings in consolidated companies and business units		-59,438	-176,250
Inflows / outflows to / from the financial assets		-600	-210
Cash flow from investing activities		**-78,593**	**-197,393**
Outflow from the repayment of financial liabilities	12.	-59,739	190,684
Contributions of Group shareholders	11., 29.	0	66,198
Payments to limited partners	29.	-12,285	-21,161
Payments to Group shareholders	11., 29.	-64,735	-56,795
Cash flow from financing activities		**-136,759**	**178,926**
Net change in cash and cash equivalents		**-115,956**	**103,393**
Cash and cash equivalents at beginning of period		**161,006**	**57,613**
Changes in the financial resources fund due to consolidation changes		-4,240	0
Cash and cash equivalents at end of period		**40,810**	**161,006**

Statement of changes in equity

€ THOUSAND	Note	Number of shares out-standing	Share capital	Capital reserves	Other retained earnings	Statutory reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
01.01.2012		**51,631,400**	**51,631**	**890,482**	**262,538**	**2,000**	**9,715**	**-23,325**	**1,193,041**
IAS 8 Amendment					-3,136			3,136	
01.01.2012 after amendment		51,631,400	51,631	890,482	259,402	2,000	9,715	-20,189	1,193,041
01.01.2012 after adjustment		**51,631,400**	**51,631**	**890,482**	**259,402**	**2,000**	**9,715**	**-20,189**	**1,193,041**
Total earnings recognised directly in equity					-1,968		2,478	-11,156	-10,646
Consolidated profit					122,484				122,484
Total profit					120,516	0	2,478	-11,156	111,838
Dividend payments	11.				-56,795				-56,795
Bond conversion right	12.			7,140					7,140
Capital increase		2,314,136	2,314	64,365					66,679
Other changes					11				11
31.12.2012		**53,945,536**	**53,945**	**961,987**	**323,134**	**2,000**	**12,193**	**-31,345**	**1,321,914**
01.01.2013		**53,945,536**	**53,945**	**961,987**	**323,134**	**2,000**	**12,193**	**-31,345**	**1,321,914**
Total earnings recognised directly in equity				0	5,034		-12,193	8,348	1,189
Consolidated profit					171,043				171,043
Total profit			0	0	176,077	0	-12,193	8,348	172,232
Dividend payments	11.				-64,735				-64,735
Other changes				-17	-445				-462
31.12.2013		**53,945,536**	**53,945**	**961,970**	**434,031**	**2,000**	**0**	**-22,997**	**1,428,949**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR 2013

GENERAL DISCLOSURES

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

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

The consolidated financial statements of Deutsche EuroShop AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code). They are based on the premise of a going concern. All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as of 31 December 2013 have been applied.

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

Amounts are mainly presented in thousands of €.

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

The consolidated financial statements as at 31 December 2013 were approved by the Audit Committee of the Supervisory Board on 15 April 2014 and are expected to be approved at the Supervisory Board's financial statements review meeting on 23 April 2014. Until the consolidated financial statements are adopted there is still a possibility that they may be amended.

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

The annual financial statements of the consolidated companies were prepared as at 31 December 2013, the reporting date of the consolidated financial statements.

BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

BASIS OF CONSOLIDATION

SUBSIDIARIES

The consolidated financial statements include all subsidiaries in which Deutsche EuroShop AG directly or indirectly holds a majority of voting rights.

As at 31 December 2013, the basis of consolidation comprised, in addition to the parent company, twelve (previous year: 12) fully consolidated domestic and foreign subsidiaries.

Suspension of the voting trust agreement with two property companies

A voting trust agreement was in place with a co-shareholder of Immobilien Kommanditgesellschaft FEZ Harburg and Stadt-Galerie Passau KG until 31 December 2012 which granted Deutsche EuroShop controlling interest of these companies. These voting trust agreements were terminated by mutual agreement at midnight on 31 December 2012. As a result, Deutsche EuroShop no longer has the necessary majority voting interest. The two companies in which Deutsche EuroShop AG holds a 50% and 75% stake respectively, were previously fully consolidated. After their deconsolidation they were also switched to the equity-accounted method as of 1 January 2013, with the result that the following asset and liability items from the consolidated balance sheet are no longer shown:

€ THOUSAND	
Investment properties	333,370
Receivables and other assets	1,114
Cash and cash equivalents	2,812
Provisions	124
Financial liabilities	109,872
Other liabilities	581
Minority interests	77,666

The fair value of disposed net assets was accounted for as "investments accounted for using the equity method".

Withdrawal of Deutsche EuroShop AG from DB 12 Immobilienfonds 12 Main-Taunus-Zentrum KG, Hamburg

As of 31 December 2012, Deutsche EuroShop withdrew as a limited partner from DB Immobilienfonds 12 Main-Taunus-Zentrum KG (DB 12 KG). As compensation, Deutsche EuroShop received its limited partnership interest in the Main-Taunus-Zentrum KG, which had previously been held directly via DB 12 KG, plus a proportionate share of cash and cash equivalents in the amount of €1.5 million. DB 12 KG had previously been fully consolidated. The company was deconsolidated on 1 January 2013, with the result that the following asset and liability items from the consolidated balance sheet as of 31 December 2012 are no longer shown:

€ THOUSAND	
Cash and cash equivalents	-2,973
Provisions and liabilities	155
Deconsolidation amount	-2,818

This event did not have an impact on earnings. It increases the Company's direct shareholding in Main-Taunus-Zentrum KG from 5.74% to 52.01%.

Shareholding in Altmarkt-Galerie Dresden KG increased to 100%

With effect from 1 May 2013, Deutsche EuroShop AG acquired 33% of the Altmarkt-Galerie Dresden KG, thus taking its shareholding to 100%. The purchase price was €70.2 million. The property company was fully consolidated as of 1 May 2013. No excess of identified net assets acquired over cost of acquisition resulted from the first-time consolidation. In the whole of 2013 the company posted revenue of €24,540 thousand and a loss of €31,639 thousand. In the period from 1 May to 31 December 2013, turnover amounted to €16,129 thousand and the profit for the year to €28,592 thousand.

€ THOUSAND		Carrying amounts	Fair value
Purchase price		70,216	70,216
Fair value net assets prior to effective control		111,637	111,637
Full amount of consideration		**181,853**	**181,853**
Net assets acquired:			
Property assets	392,735		392,735
Cash and cash equivalents	10,778		10,778
Receivables and other assets	1,342		1,342
Loan liabilities	187,107		187,107
Deferred taxes	21,743		21,743
Provisions	885		885
Other liabilities	13,267	181,853	13,267
Excess of identified net assets acquired over cost of acquisition		**0**	**0**

Sale of Kommanditgesellschaft PANTA Achtundvierzigste Grundstücksgesellschaft GmbH & Co., Hamburg

With effect from 30 September 2013 the shares in Kommanditgesellschaft PANTA Achtundvierzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg were sold for a purchase price of €25 thousand. The previously equity-accounted net asset value of €437 thousand was offset against outstanding obligations to make capital contributions of €435 thousand, resulting in sales proceeds in the amount of €23 thousand. By 30 September 2014 the company generated a net loss amounting to €6 thousand, which is included in the net finance costs.

JOINT VENTURES

Joint ventures in which Deutsche EuroShop AG has a majority of the voting rights together with third parties are accounted for using the equity method. Six companies fall into this category as at the balance sheet date. Please also note the explanations of the "Changes in accounting and valuation methods".

ASSOCIATES

In accordance with IAS 28, where Deutsche EuroShop AG can exercise a significant influence but not control over companies, these are accounted for using the equity method. Five companies fall into this category as at the balance sheet date.

INVESTEES

Investments over which Deutsche EuroShop AG has neither significant influence nor control are measured at fair value, in line with the provisions of IAS 39. These include the investment in Ilwro Holding B.V. Amsterdam, into which the investment in Ilwro Joint Venture Sp zo.o. was incorporated in the year under review.

CONSOLIDATION METHODS

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

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

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

CURRENCY TRANSLATION

The Group currency is the Euro (€).

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

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 that are recognised in income 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 296.91 (previous year: HUF 291.29) and an average rate of HUF 296.92 (previous year: HUF 289.42) were used in the translation of the separate Hungarian financial statements for Einkaufs-Center Arkaden Pécs KG, Hamburg, from forint to euros. A closing rate of PLN 4.1472 (previous year: PLN 4.0822) and an average rate of PLN 4.1975 (previous year: PLN 4.185) were taken as a basis for translating the separate financial statements of the Polish property company.

CHANGES IN ACCOUNTING POLICIES

Switch from the proportionate consolidation method to equity method accounting from 1 January 2013
Joint ventures in which Deutsche EuroShop AG has a majority of the voting rights together with third parties have up until now been proportionately included as joint ventures in the consolidated financial statements. Proportional consolidation is no longer allowed given the adoption of the new IFRS 11. In future, joint ventures will be accounted for using the equity method. Adoption of this standard is compulsory as of 1 January 2014. Regardless of this, we exercised our right as set forth in IAS 31 and switched to equity accounting as of 1 January 2013.

The comparative amounts of fiscal year 2012 have been altered as though in 2012 and in previous periods equity accounting had been applied. This means that the capital market now has a clearer picture of the asset, financial and earnings position of the Group with a view to the upcoming changes induced by IFRS 11.

The transition from proportional to equity accounting has an impact on the structure of our consolidated financial statements. Assets, liabilities, expenses and income are no longer recognised proportionally in the corresponding balance sheet or income statement items.

The following companies are affected by the switch:

- Altmarkt-Galerie Dresden KG, Hamburg (until 30 April 2013)
- Allee-Center Magdeburg KG, Hamburg
- CAK City Arkaden Klagenfurt KG, Hamburg
- EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna
- Einkaufs-Center Arkaden Pécs KG, Hamburg

RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET USING THE EQUITY METHOD AS AT 1 JANUARY 2012

ASSETS IN € THOUSAND	01.01.2012 before adjustment	01.01.2012 adjustment	01.01.2012 after adjustment
ASSETS			
Non-current assets			
Intangible assets	20	0	20
Property, plant and equipment	137	0	137
Investment properties	3,106,832	-510,701	2,596,131
Investments accounted for using the equity method	4,514	322,185	326,699
Other financial assets	27,815	0	27,815
Other non-current assets	459	0	459
Non-current assets	**3,139,777**	**-188,516**	**2,951,261**
Current assets			
Trade receivables	5,606	-694	4,912
Other current assets	15,334	-1,127	14,207
Cash and cash equivalents	64,408	-6,795	57,613
Current assets	**85,348**	**-8,616**	**76,732**
Total assets	**3,225,125**	**-197,132**	**3,027,993**

EQUITY AND LIABILITIES IN € THOUSAND	01.01.2012 before adjustment	01.01.2012 adjustment	01.01.2012 after adjustment
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital	51,631	0	51,631
Capital reserves	890,482	0	890,482
Retained earnings	250,928	0	250,928
Total equity	**1,193,041**	**0**	**1,193,041**
Non-current liabilities			
Financial liabilities	1,335,986	-150,373	1,185,613
Deferred tax liabilities	210,587	0	210,587
Right to redeem of limited partners	280,078	0	280,078
Other liabilities	38,451	-6,163	32,288
Non-current liabilities	**1,865,102**	**-156,536**	**1,708,566**
Current liabilities			
Bank loans and overdrafts	136,163	-38,201	97,962
Trade payables	2,835	-446	2,389
Tax liabilities	5,935	-22	5,913
Other provisions	8,859	-578	8,281
Other liabilities	13,190	-1,349	11,841
Current liabilities	**166,982**	**-40,596**	**126,386**
Total equity and liabilities	**3,225,125**	**-197,132**	**3,027,993**

RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET USING THE EQUITY METHOD AS AT 31. DECEMBER 2012

ASSETS IN € THOUSAND	31.12.2012 before adjustment	31.12.2012 adjustment	31.12.2012 after adjustment
ASSETS			
Non-current assets			
Intangible assets	16	0	16
Property, plant and equipment	112	0	112
Investment properties	3,330,289	-506,156	2,824,133
Investments accounted for using the equity method	4,109	317,425	321,534
Other financial assets	30,293	0	30,293
Other non-current assets	316	-4	312
Non-current assets	**3,365,135**	**-188,735**	**3,176,400**
Current assets			
Trade receivables	4,738	-966	3,772
Other current assets	7,115	-733	6,382
Other financial investments	4,355	-4,355	0
Cash and cash equivalents	167,511	-6,505	161,006
Current assets	**183,719**	**-12,559**	**171,160**
Total assets	**3,548,854**	**-201,294**	**3,347,560**

EQUITY AND LIABILITIES IN € THOUSAND	31.12.2012 before adjustment	31.12.2012 adjustment	31.12.2012 after adjustment
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital	53,945	0	53,945
Capital reserves	961,987	0	961,987
Retained earnings	305,982	0	305,982
Total equity	**1,321,914**	**0**	**1,321,914**
Non-current liabilities			
Financial liabilities	1,463,097	-186,794	1,276,303
Deferred tax liabilities	180,525	0	180,525
Right to redeem of limited partners	284,176	0	284,176
Other liabilities	51,242	-8,558	42,684
Non-current liabilities	**1,979,040**	**-195,352**	**1,783,688**
Current liabilities			
Bank loans and overdrafts	194,137	-2,839	191,298
Trade payables	2,331	-196	2,135
Tax liabilities	24,572	-3	24,569
Other provisions	12,749	-254	12,495
Other liabilities	14,111	-2,650	11,461
Current liabilities	**247,900**	**-5,942**	**241,958**
Total equity and liabilities	**3,548,854**	**-201,294**	**3,347,560**

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT USING THE EQUITY METHOD AS AT 31 DECEMBER 2012

€ THOUSAND	01.01.–31.12.2012 before adjustment	01.01.–31.12.2012 adjustment	01.01.–31.12.2012 after adjustment
Revenue	211,231	-33,070	178,161
Property operating costs	-11,256	1,273	-9,983
Property management costs	-10,547	2,045	-8,502
Net operating income (NOI)	**189,428**	**-29,752**	**159,676**
Other operating income	2,905	-172	2,733
Other operating expenses	-11,316	486	-10,830
Earnings before interest and taxes (EBIT)	**181,017**	**-29,438**	**151,579**
Income from investments	1,400	0	1,400
Interest income	540	-40	500
Interest expense	-72,064	8,998	-63,066
Profit / loss attributable to limited partners	-15,271	0	-15,271
Share of the profit or loss of associates and joint ventures accounted for using the equity method	-589	14,935	14,346
Net finance costs	**-85,984**	**23,893**	**-62,091**
Measurement gains / losses	**8,495**	**5,439**	**13,934**
of which excess of identified net assets acquired over cost of acquisition in accordance with IFRS 3 €4,410 thousand			
Earnings before taxes (EBT)	**103,528**	**-106**	**103,422**
Income tax expense	18,956	106	19,062
Consolidated profit	**122,484**	**0**	**122,484**
Earnings per share (€), basic	2.36	0	2.36
Earnings per share (€), diluted	2.35	0	2.35

RECONCILIATION OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME USING THE EQUITY METHOD AS AT 31 DECEMBER 2012

€ THOUSAND	01.01.–31.12.2012 before adjustment	01.01.–31.12.2012 adjustment	01.01.–31.12.2012 after adjustment
Changes in cash flow hedge	-14,468	2,395	-12,073
Change in investments accounted for using the equity method	0	-2,395	-2,395

APPLICATION OF THE PREVIOUS ACCOUNTING METHOD

The consolidated financial statements were switched to equity accounting from 2012 as permitted by IAS 31. Using the previous accounting method, the companies switched to equity accounting would have been incorporated proportionately in the consolidated financial statements. The balance sheet and income statement for 2013 would then have appeared as follows:

CONSOLIDATED BALANCE SHEET

ASSETS IN € THOUSAND	31.12.2013 before adjustment	31.12.2013 adjustment	31.12.2013 after adjustment
ASSETS			
Non-current assets			
Intangible assets	8		8
Property, plant and equipment	413		413
Investment properties	3,413,203	-451,040	2,962,163
Investments accounted for using the equity method	4,080	337,827	341,907
Other financial assets	34,519		34,519
Other non-current assets	155		155
Non-current assets	**3,452,378**	**-113,213**	**3,339,165**
Current assets			
Trade receivables	6,327	-732	5,595
Other current assets	7,006	-713	6,293
Other financial investments	3,000		3,000
Cash and cash equivalents	44,624	-3,814	40,810
Current assets	**60,957**	**-5,259**	**55,698**
Total assets	**3,513,335**	**-118,472**	**3,394,863**

EQUITY AND LIABILITIES IN € THOUSAND	31.12.2013 before adjustment	31.12.2013 adjustment	31.12.2013 after adjustment
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital	53,945		53,945
Capital reserves	961,970		961,970
Retained earnings	413,034		413,034
Total equity	**1,428,949**	**0**	**1,428,949**
Non-current liabilities			
Financial liabilities	1,505,054	-115,502	1,389,552
Deferred tax liabilities	198,491		198,491
Right to redeem of limited partners	213,422		213,422
Other liabilities	41,096		41,096
Non-current liabilities	**1,958,063**	**-115,502**	**1,842,561**
Current liabilities			
Financial liabilities	98,657	-1,450	97,207
Trade payables	3,495	-144	3,351
Tax liabilities	1,357		1,357
Other provisions	7,074	-270	6,804
Other liabilities	15,740	-1,106	14,634
Current liabilities	**126,323**	**-2,970**	**123,353**
Total equity and liabilities	**3,513,335**	**-118,472**	**3,394,863**

CONSOLIDATED INCOME STATEMENT

€ THOUSAND	01.01.–31.12.2013 before adjustment	01.01.–31.12.2013 adjustment	01.01.–31.12.2013 after adjustment
Revenue	224,027	-36,040	187,987
Property operating costs	-10,081	1,629	-8,452
Property management costs	-11,191	1,868	-9,323
Net operating income (NOI)	**202,755**	**-32,543**	**170,212**
Other operating income	2,899	-62	2,837
Other operating expenses	-7,572	287	-7,285
Earnings before interest and taxes (EBIT)	**198,082**	**-32,318**	**165,764**
Income from investments	16,688	0	16,688
Interest income	467	-19	448
Interest expense	-65,866	8,039	-57,827
Derivative expense	-4,550	0	-4,550
Income from the disposal of financial assets	23	0	23
Share of the profit or loss of associates and joint ventures accounted for using the equity method	428	26,596	27,024
Profit / loss attributable to limited partners	-15,939		-15,939
Net finance costs	**-68,749**	**34,616**	**-34,133**
Measurement gains / losses of which excess of identified net assets acquired over cost of acquisition in accordance with IFRS 3 €0 thousand (previous year: €4,410 thousand)	**58,355**	**-2,373**	**55,982**
Earnings before tax (EBT)	**187,688**	**-75**	**187,613**
Income tax expense	-16,645	75	-16,570
Consolidated profit	**171,043**	**0**	**171,043**

€ THOUSAND	01.01.–31.12.2013 before adjustment	01.01.–31.12.2013 adjustment	01.01.–31.12.2013 after adjustment
Changes in cash flow hedge	18,736	-7,519	11,217
Changes in investments accounted for using the equity mehtod	0	7,519	7,519

REPORTING PRINCIPLES

The following standards and interpretations or amendments to these were applicable for the first time in financial year 2013:

1. Presentation of items of Other comprehensive income (amendment to IAS 1)
2. Employee Benefits (amendments to IAS 19)
3. IFRS 13 Fair Value Measurement
4. Deferred Tax: Realisation of underlying assets (amendment to IAS 12)
5. Hyperinflation and removal of fixed dates of application for first-time adopters (amendment to IFRS 1)
6. Explanatory notes – Offsetting financial assets and financial liabilities (amendment to IFRS 7)
7. Public-sector loans (amendment to IFRS 1)
8. Annual improvements to IFRS 2009-2011
9. IFRIC 20 Accounting for stripping costs in mining

REVISION OF IAS 1: PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME (SINCE 1 JULY 2012)

The amendments to IAS 1 mean that new terminology is now used for the profit and loss account previously called the statement of comprehensive income. The statement of comprehensive income is now called the "income statement and other results". This however is not compulsory. The company has not adopted this new terminology.

The amended IAS 1 continues to allow the income statement and other results to be disclosed in one profit and loss account or in two directly consecutive profit and loss accounts. However, changes to IAS 1 require the grouping of items of Other comprehensive income into two categories:

a) Items which are not subsequently reclassified into the income statement and
b) Items which under certain conditions in the future will be reclassified into the income statement.

Applicable income taxes are to be allocated to Other results items. This does not preclude the possibility of presenting Other results items before tax, however. The changes have been applied retroactively by the Group and the Other results items altered accordingly. Apart from the above-mentioned presentational changes, no consequences for the presentation of the income statement and other earnings arise from the application of the amended IAS 1.

EMPLOYEE BENEFITS, AMENDMENTS TO IAS 19 (SINCE 1 JULY 2012)

The revised version of IAS 19 requires the immediate equity recognition of actuarial gains / losses on pension obligations under Other comprehensive income. The management too may in future no longer apply the expected long-term return on plan assets to the plan assets portfolio. Instead it must apply the discount rate used for the liability. Also, companies must in the future provide more explanatory notes. Among other things, the financing strategy should be described and quantified. Also, a sensitivity analysis is required to clarify the influence of significant parameter changes on the pension liability.

IFRS 13 FAIR VALUE MEASUREMENT (SINCE 1 JANUARY 2013)

IFRS 13 lays down uniform guidelines regarding evaluation at fair value and associated information. The scope of application of IFRS 13 is wide-ranging and covers both financial and non-financial items. IFRS 13 is always used when another IFRS requires or permits valuation at fair value or information on the calculation of fair value is required. This does not apply to share-based remuneration that falls within the scope of IFRS 2 Share-based remuneration, leases that fall within the scope of IAS 17 Leases and evaluations similar to fair value but not fair value (such as net realisable value under IAS 2 Inventories or use value under IAS 36 Impairment of assets).

IFRS 13 defines fair value as the price the reporting entity would receive in a normal transaction between market participants on the capital market (or the most advantageous market) on the measurement date under current market conditions when selling an asset, or would have to pay when transferring a debt. The fair value as per IFRS 13 is the price on the market, regardless of whether this price is directly observable or estimable using another evaluation method. In addition, IFRS 13 contains far-reaching disclosure requirements. IFRS 13 is to be applied prospectively from 1 January 2013.

DEFERRED TAXES: REALISATION OF UNDERLYING ASSETS, AMENDMENTS TO IAS 12
(Date of application: Start of the first financial year on or following the ordinance's entry into effect)

The valuation of deferred tax liabilities and entitlements depends on whether the carrying amount of the asset is realised through use or sale. Real estate that is held as a financial investment at fair value is particularly subject to evaluation issues and especially high discretion. The amendment introduces the rebuttable presumption that such real estate can also be realised by sale. However, this does not apply to assets newly evaluated under IAS 16 or 38.

SEVERE HYPERINFLATION AND REMOVAL OF FIXED DATES OF APPLICATION FOR FIRST-TIME ADOPTERS, AMENDMENTS TO IFRS 1
(DATE OF APPLICATION: START OF THE FIRST FINANCIAL YEAR ON OR FOLLOWING THE ORDINANCE'S ENTRY INTO EFFECT)

Following the amendment, the previously used reference to the date 1. January 2004 as the fixed conversion date has been replaced by the general wording "Date of transition to IFRS". Also, for the first time regulations have been created for cases where companies for some time prior to the changeover were unable to comply with IFRS regulations because the functional currency was highly inflationary (high inflation).

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES, AMENDMENT TO IFRS 7
(SINCE 1 JANUARY 2013)

The amendment introduces comprehensive explanatory notes requirements with the aim of clarifying the way in which netting agreements work.

PUBLIC-SECTOR LOANS, AMENDMENT TO IFRS 1 (SINCE 1 JANUARY 2013)

The amendments relate to public-sector loans at interest rates which are not market interest rates. The amendment means that IFRS first-time adopters are offered a derogation to the full retrospective application of IFRS when accounting for such loans during the transition to IFRS.

ANNUAL IMPROVEMENTS TO IFRS 2009 – 2011 (SINCE 1 JANUARY 2013)

IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS: REPEATED APPLICATION OF IFRS 1 AND INTEREST ON BORROWED CAPITAL

Repeated application of IFRS 1: Clarification of the scope of application. IFRS is also to be applied by companies whose last financial statements did not comply with the IFRS. Interest on borrowed capital: Capitalisation of borrowing costs relating to qualified assets whose activation date was before the transition to IFRS may be continued. After the transition date, only borrowing costs that comply with IAS 23 may be capitalised.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS: PRIOR-PERIOD AMOUNTS

Clarification of when preparation of a third balance sheet at the start of the comparative period and the provision of associated explanatory notes are necessary. The amendments to IAS 1 clarify that a third balance sheet is only required when

(a) a company retroactively applies principles of accounting and valuation or retroactively adjusts or reclassifies balance sheet items and

(b) retroactive modification, adjustment or reclassification significantly affects the information in the third balance sheet.

Moreover, it states that explanatory notes on the third balance sheet are unnecessary.

In the current financial year the Group has carried out a change to its accounting policy which has had a significant impact on the information in the consolidated balance sheet as at 1 January 2012. In accordance with the amended IAS 1, the Group has therefore drawn up a third balance sheet as at 1 January 2012. Explanatory notes that go beyond the requirements of IAS 8 have not been included.

IAS 16 PROPERTY, PLANT AND EQUIPMENT: CLASSIFICATION OF MAINTENANCE / SPARE PARTS

Maintenance devices will be accounted for in the future as per IAS 16.8, unless they are, as expected, used for more than one period. Otherwise they represent inventories.

IAS 32 FINANCIAL INSTRUMENTS: DISCLOSURE AND PRESENTATION

Clarification of IAS 32 35a that the accounting for tax effects for distributions to equity investors and for costs related to an equity transaction must be in accordance with IAS 12. This involves the removal of a redundancy.

IAS 34 INTERIM FINANCIAL REPORTING: TOTAL ASSETS OF THE SEGMENTS

Clarification in IAS 34.16A (iv) with regard to the total assets of the segments in the interim financial reporting. These only need to be represented if the assets of the responsible business instance are available and differ substantially from the value in the accounts for the last financial year.

IFRIC 20 ACCOUNTING OF STRIPPING COSTS IN MINING (SINCE 1 JANUARY 2013)

The interpretation refers exclusively to stripping costs during the dismantling phase of an open cast mine. The wide-ranging accounting treatment of these in practice means that uniform guidelines are required. IFRIC 20 describes the capitalisation requirements for stripping costs and initial or subsequent measurement. Insofar as the benefits of stripping are considered inventories, the associated costs are to be capitalised as inventories (IAS 2). If the stripping results in improved access to the ores or minerals that can be extracted, the cost of extraction may be included as a non-current asset. The interpretation is to be applied to stripping costs incurred at the beginning of the earliest illustrated reporting period or afterwards.

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

In 2013, the IASB issued standards and interpretations of and amendments to existing standards not yet compulsory for consolidated financial statements in this period.

BALANCE SHEET

Amendment / standard	Date of publication	Date of adoption under EU law	Date of application EU
IFRS 10 Consolidated financial statements	12 May 2011	11 December 2012	1 January 2014
IFRS 11 Joint Arrangements	12 May 2011	11 December 2012	1 January 2014
IFRS 12 Disclosures of Interests in Other Entities	12 May 2011	11 December 2012	1 January 2014
IAS 27 Separate Financial Statements	12 May 2011	11 December 2012	1 January 2014
IAS 28 Investments in associates	12 May 2011	11 December 2012	1 January 2014
Details of the recoverable amount for non-financial assets (amendments to IAS 36)	29 May 2013	20 December 2013	1 January 2014
Renovation of derivatives and continuation of accounting for hedging instruments (amendments to IAS 39)	27 June 2013	20 December 2013	1 January 2014
Transitional guidelines (amendments to IFRS 10, IFRS 11 and IFRS 12)	28 June 2012	4 April 2013	1 January 2014
Investment companies (amendments to IFRS 10, IFRS 12 and IAS 27)	31 October 2012	20 November 2013	1 January 2014
Offsetting of financial assets and liabilities (amendments to IAS 32)	16 December 2011	13 December 2012	1 January 2014

The official announcements that did not yet have to be applied in 2013 will be implemented in the year in which their application becomes compulsory for the first time. The effects of these individual amendments are being examined by the Group. Due to the switch of the joint ventures from proportionate consolidation to equity accounting in 2013, no significant impact on the Group is expected from the first-time application of IFRS 11.

The following standards as well as interpretations of and amendments to existing standards were issued by IASB. However, their application was not yet compulsory for the preparation of the consolidated financial statements dated 31 December 2013. Application requires that they are endorsed by the EU within the scope of the IFRS endorsement process.

Amendment / standard	Date of publication	Anticipated date of adoption into EU law	IASB date of application
IFRS 9 Financial Instruments and subsequent amendments (Amendments to IFRS 9 and IFRS 7)	2 November 2009 / 16 December 2011	postponed	–
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19	21 November 2013	Q3 / 2014	1 July 2014
Annual Improvements to IFRSs 2010-2012 Cycle	12 December 2013	Q3 / 2014	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	12 December 2013	Q3 / 2014	1 July 2014
IFRIC Interpretation 21 Levies	20 May 2013	Q2 / 2014	1 January 2014

The official announcements that did not yet have to be applied in 2013 will be implemented in the year in which their application becomes compulsory for the first time. The effects of these individual amendments are being examined by the Group.

SIGNIFICANT ACCOUNTING POLICIES

REVENUE AND EXPENSE RECOGNITION

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

INTANGIBLE ASSETS

Intangible assets relate exclusively to software purchased by Deutsche EuroShop AG. Additions are measured at cost. These are amortised at 20% using the straight-line method over the expected useful life of five years. The method of depreciation and the depreciation period are reviewed annually at the end of each financial year.

PROPERTY, PLANT AND EQUIPMENT

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

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

INVESTMENT PROPERTIES

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

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

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

Averaged across all properties, 10.9% (2012: 11.0%) of rental income is deducted for management and administrative costs, with the result that net income equates to 89.1% (2012: 89.0%) of rental income. Actual management and administrative costs amounted to 9.5% of rental income in the year under review (2012: 10.3%).

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

The discount rate averaged 6.65%, compared with 6.67% in the previous year. It is composed of an average yield of 4.24% on a ten-year German federal government bonds (2012: 4.30%) and an average risk premium of 2.41% (2012: 2.37%). 2,37 %).

On the basis of the expert appraisals, the property portfolio has a net initial yield of 5.97% for financial year 2014, compared with 5.98% in the previous year.

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

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

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

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

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

Details and information on the levels of the fair value of the Group's investment property as at 31 December 2013 are shown below as per IFRS 13:

€ THOUSAND	Level 1	Level 2	Level 3
Investment Properties			2,962,163

No reclassifications between the levels of the hierarchy have been made in the current financial year.

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 the price that would in an orderly transaction between market participants on the measurement date have been received for the sale of an asset or paid for the transfer of a liability. When measuring the fair value it is assumed that the transaction underlying the price is taking place in a main market to which the Group has access. The price is calculated on the basis of the assumptions that market participants would make when determining the price.

When determining fair value, three assessment categories are differentiated in accordance with IFRS 13:

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

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

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

For financial instruments regularly recorded at fair value, a reassessment at the end of the financial year determines whether there has been a regrouping between the hierarchy levels. For financial instruments recognised at amortised cost the fair value is determined on the basis of expected cash flows, using the risk and maturity-congruent reference interest rates prevailing on the balance sheet date.

A. DERIVATIVE FINANCIAL INSTRUMENTS
Derivatives that qualify for hedge accounting in accordance with IAS 39 are used to hedge interest rate risks. These are fixed-rate swaps to limit the interest rate risk of variable interest rate loans, which have terms extending to 2026. The interest rate hedges are recognised at fair value (recurring fair value assessment) under "Other assets" or "Other liabilities". Changes are recognised directly in equity, provided that the conditions of the underlying and hedge transaction are identical. Hedge effectiveness tests are regularly conducted. If the effectiveness between the basic and the hedging transaction is absent, the hedging instrument will be recognised as a derivative in profit or loss at fair value. Present value is calculated based on discounted cash flows using current market interest rates. The final maturities of the interest rate hedges and loan agreements are identical.

B. NON-CURRENT FINANCIAL ASSETS
Non-current financial assets are classified as available for sale and include an investment in a 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 assessment) in line with the provisions of IAS 39. The holding company has sold its major assets in the year under review. The carrying amount of the investment is essentially the pro rata credit balance with banks.

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

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

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

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

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

F. TRADE PAYABLES
Trade payables are recognised at their repayment amount.

G. OTHER LIABILITIES
Other liabilities are recognised at amortised cost.

H. 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
Shares in associates and joint ventures are recorded in the balance sheet at investment cost, altered to reflect changes in the Group's share of the associate's / joint venture's equity after the acquisition date. The Group assesses at each balance sheet date whether there is evidence of a need for impairment in relation to the amortised carrying amounts of the shares. Please also note the explanations of the "Changes in accounting and valuation methods".

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

1. INTANGIBLE ASSETS

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

€ THOUSAND	2013	2012
Costs as at 1 January	**64**	**64**
Additions	4	9
Disposals	-4	-9
as at 31 December	**64**	**64**
Depreciation as at 1 January	**-48**	**-44**
Additions	-11	-12
Disposals	3	8
as at 31 December	**-56**	**-48**
Carrying amount at 1 January	**16**	**20**
Carrying amount at 31 December	**8**	**16**

This item consists mainly of software licences.

2. PROPERTY, PLANT AND EQUIPMENT

OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT

€ THOUSAND	2013	2012
Costs as at 1 January	**205**	**204**
Additions	361	2
Disposals	-36	-1
as at 31 December	**530**	**205**
Depreciation as at 1 January	**-93**	**-67**
Additions	-54	-28
Disposals	30	2
as at 31 December	**-117**	**-93**
Carrying amount at 1 January	**112**	**137**
Carrying amount at 31 December	**413**	**112**

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

3. INVESTMENT PROPERTIES

€ THOUSAND	2013	2012
Carrying amount at 1 January	**2,824,133**	**2,596,131**
Additions	18,127	11,724
Disposals from deconsolidations	-333,370	0
Additions to basis of consolidation	392,735	179,760
Unrealised changes in fair value	**60,538**	**36,518**
Carrying amount at 31 December	**2,962,163**	**2,824,133**

The properties are secured by mortgages. There are land charges in the amount of €1,393,203 thousand (previous year: €1,375,658 thousand). The rental income of the properties valued in accordance with IAS 40 was €187,987 thousand (previous year: €178,161 thousand). Directly associated operating expenses were €17,775 thousand (previous year: €18,485 thousand).

Additions mainly include ongoing investments in portfolio properties.

Disposals from deconsolidations mainly concern the Stadt-Galerie Passau and Immobilienkommanditgesellschaft FEZ Harburg, which on 1 January 2013 were switched to the equity-accounted method.

The increased shareholding in Altmarkt-Galerie Dresden KG means that since 1 May 2013 the company has been fully consolidated and reported as an addition to the basis of consolidation.

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

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

€ THOUSAND	2013	2012
Carrying amount at 1 January	**321,534**	**326,699**
Additions for equity-accounted companies	148,949	0
Deposits / withdrawals	-21,188	-17,117
Share of profit / loss	27,024	14,344
Appreciations / depreciations recognised directly in equity	670	-2,392
Disposals	**-135,082**	**0**
Carrying amount at 31 December	**341,907**	**321,534**

Stadt-Galerie Passau and Immobilienkommanditgesellschaft FEZ Harburg were switched over to the equity-accounted method on 1 January 2013 and are included in the additions.

This item also includes dividend distributions, share in the profits / losses and other equity changes of the companies concerned.

In the year under review the shares in a property company were sold. The increased shareholding in Altmarkt-Galerie Dresden KG means that since 1 May 2013 the company has been fully consolidated and is included under disposals at €134,639 thousand.

5. OTHER FINANCIAL ASSETS

€ THOUSAND	2013	2012
Costs as at 1 January	**15,381**	**15,381**
Additions	34,519	0
Disposals	-15,381	0
as at 31 December	**34,519**	**15,381**
Amortisation / impairment losses and reversals as at 1 January	**14,912**	**12,434**
Reversals of impairment losses	3,606	2,478
Additions	0	0
Disposals	-18,518	0
as at 31 December	**0**	**14,912**
Carrying amount at 1 January	**30,293**	**27,815**
Carrying amount at 31 December	**34,519**	**30,293**

During the reporting year, a reversal of impairment losses, recognised directly in equity, on the stake in Ilwro Joint Venture Sp. z o.o. was made in the amount of of €3,606 thousand.

In the year under review, the investment in Ilwro Joint Venture Sp. zo.o. was included in Ilwro Holding B.V. at fair value and contributions of €620 thousand made.

6. OTHER NON-CURRENT ASSETS

€ THOUSAND	31.12.2013	31.12.2012
Other non-current assets	155	312
	155	**312**

This item consists mainly of the present value of a non-current receivable of €127 thousand (previous year: €282 thousand) belonging to our Polish property company.

7. TRADE RECEIVABLES

€ THOUSAND	31.12.2013	31.12.2012
Trade receivables	6,880	4,760
Allowances for doubtful accounts	-1,285	-988
	5,595	**3,772**

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

8. OTHER CURRENT ASSETS

€ THOUSAND	31.12.2013	31.12.2012
Value added tax receivables	230	43
Deductible withholding tax on dividends / solidarity surcharge	0	136
Interest rate swaps	207	207
Other current assets	5,856	5,996
	6,293	**6,382**

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

RECEIVABLES

€ THOUSAND	Total	Up to 1 year	Over 1 year
Trade receivables	5,595	5,595	0
	(3,772)	(3,772)	(0)
Other assets	6,448	6,293	155
	(6,694)	(6,382)	(312)
	12,043	**11,888**	**155**
Previous year's figure in brackets	(10,466)	(10,154)	(312)

MATURITY OF TRADE RECEIVABLES AND OTHER ASSETS

€ THOUSAND	Carrying amount	Not overdue
Trade receivables	5,595	5,595
	(3,772)	(3,772)
Other assets	6,448	6,448
	(6,694)	(6,694)
	12,043	**12,043**
Previous year's figure in brackets	(10,466)	(10,466)

9. OTHER FINANCIAL INVESTMENTS

€ THOUSAND	31.12.2013	31.12.2012
Time deposits with a term of over 3 months	3,000	0

10. CASH AND CASH EQUIVALENTS

€ THOUSAND	31.12.2013	31.12.2012
Short-term deposits / time deposits	24,378	29,462
Current accounts	16,419	131,531
Cash	13	13
	40,810	161,006

NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

11. EQUITY AND RESERVES

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

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

The notional value of each share is €1.00.

According to Article 5 of the Articles of Association, the Executive Board is still authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to a total of €26,972,768 on one or multiple occasions until 19 June 2018 by issuing no-par-value registered shares against cash and / or non-cash contributions (approved capital 2013).

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

The parent company of the Group, Deutsche EuroShop AG, is reporting an unappropriated surplus of €67,432 thousand. The Executive Board and the Supervisory Board will propose to distribute this amount as a dividend of €1.25 per share at the Annual General Meeting on 18 June 2014.

€64,735 thousand of the previous year's unappropriated surplus of €80,643 thousand was distributed to the shareholders. The dividend paid was €1.20 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). The capital reserves also contain deferred tax assets at the expense of the capital increase amounting to €1,441 thousand.

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

Other total income is divided into the following components:

2013 IN € THOUSAND	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	3,606	0	3,606
Change of investments (AfS) IAS 39	-15,799	0	-15,799
Cash flow hedge	11,217	-2,869	8,348
Investments accounted for using the equity method	7,519	-2,427	5,092
Other	0	-58	-58
	6,543	**-5,354**	**1,189**

2012 IN € THOUSAND	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	2,478	0	2,478
Cash flow hedge	-12,073	917	-11,156
Investments accounted for using the equity method	-2,395	438	-1,957
Other	0	-11	-11
	-11,990	**1,344**	**-10,646**

12. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

€ THOUSAND	31.12.2013	31.12.2012
Non-current bank loans and overdrafts	1,295,996	1,184,360
Current bank loans and overdrafts	97,207	191,298
Bonds	93,556	91,943
	1,486,759	**1,467,601**

Bank loans and overdrafts are recognised at amortised cost on the balance sheet date. The present value of loans is redetermined at the reporting date. To do so, the annuities due up to this date, together with any residual amount according to the redemption schedule are discounted at the reporting date at market rates of interest plus a margin. This recurring fair value measurement is in accordance with Level 2 of the IFRS 13 fair value hierarchy.

The fair value of the bank loans and overdrafts at the reporting date is €1,446,517 thousand (previous year: €1,470,844 thousand).

Bank loans and overdrafts relate to loans raised to finance property acquisitions and investment projects. Land charges on Company properties totalling €1,393,203 thousand (previous year: €1,375,658 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the year under review, €1,531 thousand (previous year: €2,141 thousand) was recognised in income.

Twelve of the 19 loan agreements currently contain arrangements regarding covenants. There are a total of 18 different conditions on different debt service cover ratios (DSCR), interest cover ratios (ICR), changes in rental income, the equity ratio and loan-to-value ratios (LTV). The credit conditions have not to date been breached, and according to the current planning will not be breached in 2014 – 2016 either.

Deutsche EuroShop issued a convertible bond on 14 November 2012. Convertible bonds with a five-year maturity and total value of €100 million were placed. The initial conversion price is €33.79; the coupon is 1.75% per year and is payable semi-annually in arrears. The convertible bonds were issued at 100% of their nominal value of €100,000.00 each and can initially be converted to 2,959,455 shares in Deutsche EuroShop AG in accordance with the conversion ratio and the terms and conditions of the convertible bonds. The proceeds from the issue amounted to €100 million. No conversion rights were exercised by 31 December 2013.

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

13. DEFERRED TAX LIABILITIES

€ THOUSAND	as at 01.01.2013	Utilisation	Reversal	Addition	as at 31.12.2013
Deferred taxes on properties	194,316	0	-14,556	28,666	208,426
Deferred taxes on derivatives	0	0	2,300	-3,799	-1,499
Deferred taxes recognised directly in equity	-13,791	0	5,355	0	-8,436
	180,525	**0**	**-6,901**	**24,867**	**198,491**

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the reporting date, they totalled €220,754 thousand (previous year: €206,012 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €12,329 thousand (previous year: €11,696 thousand).

The deferred tax on derivatives concerns an interest rate swap, which is to be measured through profit and loss following the acquisition of the remaining shares in Altmarkt-Galerie Dresden on 1 May 2013.

The deferred taxes are formed for interest rate swaps, which due to an effective hedging relationship with the underlying transaction are recognised directly in equity.

From 2014 another property company fulfils the conditions for taking advantage of the extended trade tax reduction. For this reason, the previously formed deferred trade tax provisions in the amount of €12,619 thousand can be released.

€ THOUSAND	as at 01.01.2013	Utilisation	Reversal	Addition	as at 31.12.2013
Deferred taxes on domestic companies	153,427	0	-6,901	22,317	168,843
Deferred taxes on foreign companies	27,098	0	0	2,550	29,648
	180,525	**0**	**-6,901**	**24,867**	**198,491**

14. TRADE PAYABLES

€ THOUSAND	31.12.2013	31.12.2012
Construction services	976	418
Other	2,375	1,717
	3,351	**2,135**

15. TAX LIABILITIES

€ THOUSAND	as at 01.01.2013	Utilisation	Reversal	Addition	as at 31.12.2013
Income taxes	12,731	12,646	12	423	496
Real estate transfer tax	11,750	11,210	0	0	540
Real property tax	88	0	0	233	321
	24,569	**23,856**	**12**	**656**	**1,357**

16. OTHER PROVISIONS

€ THOUSAND	as at 01.01.2013	Utilisation	Additions / disposals – consolidation basis	Reversal	Addition	as at 31.12.2013
Maintenance and construction services already performed but not yet invoiced	3,179	2,546	43	553	2,731	2,854
Fees	150	150	0	0	2	2
Other	9,166	7,863	10	506	3,141	3,948
	12,495	**10,559**	**53**	**1,059**	**5,874**	**6,804**

Other provisions contain the present value (€1,069 thousand) of a long-term incentive plan which was contractually agreed between the Executive Board and employees of Deutsche EuroShop AG with effect from 1 July 2010. The term is five years, and the plan is based on the performance of the Company's market capitalisation by 30 June 2015. Please also refer to the details in the remuneration report, which is part of the management report.

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

17. OTHER CURRENT LIABILITIES

€ THOUSAND	31.12.2013	31.12.2012
Value added tax	2,414	3,751
Rental deposits	1,001	895
Service contract liabilities	1,045	404
Debtors with credit balances	685	77
Other	9,489	6,334
	14,634	**11,461**

Other mainly comprises liabilities for heating and ancillary costs, prepaid rent for the following year and tax payments that were not made until the beginning of 2014.

18. OTHER NON-CURRENT LIABILITIES

€ THOUSAND	31.12.2013	31.12.2012
Interest rate swaps	40,481	42,339
Other	615	345
	41,096	**42,684**

In connection with borrowing, interest rate hedges were concluded to hedge against higher capital market interest rates (interest rate swaps). Their present value totalled €40,481 thousand as at the reporting date.

LIABILITIES

€ THOUSAND	Total	Current	Non-current
Financial liabilities	**1,486,759**	97,207	1,389,552
	(1,467,601)	(191,298)	(1,276,303)
Trade payables	**3,351**	3,351	0
	(2,135)	(2,135)	(0)
Other liabilities	**55,730**	14,634	41,096
	(54,145)	(11,461)	(42,684)
of which taxes	**4,080**	4,080	0
	(3,865)	(3,865)	(0)
	1,545,840	**115,192**	**1,430,648**
Previous year's figure in brackets	(1,523,881)	(204,894)	(1,318,987)

NOTES TO THE CONSOLIDATED INCOME STATEMENT

19. REVENUE

€ THOUSAND	2013	2012
Minimum rental income	185,818	174,640
Turnover rental income	1,591	2,571
Other	578	950
	187,987	178,161
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	187,987	178,161

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

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

€ THOUSAND	2013	2012
Maturity within 1 year	194,474	186,576
Maturity from 1 to 5 years	635,747	632,234
Maturity after 5 years	366,143	368,939
	1,196,364	1,187,749

20. PROPERTY OPERATING COSTS

€ THOUSAND	2013	2012
Center marketing	-2,636	-2,590
Operating costs that cannot be passed on	-2,297	-1,277
Maintenance and repairs	-1,462	-4,057
Real property tax	-651	-653
Insurance	-312	-275
Write-downs of rent receivables	-583	-626
Other	-511	-505
	-8,452	-9,983
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-8,452	-9,983

21. PROPERTY MANAGEMENT COSTS

€ THOUSAND	2013	2012
Center management / agency agreement costs	**-9,323**	**-8,502**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-9,323	-8,502

22. OTHER OPERATING INCOME

€ THOUSAND	2013	2012
Income from the reversal of provisions	1,059	692
Exchange rate gains	231	903
Other	1,547	1,138
	2,837	**2,733**

23. OTHER OPERATING EXPENSES

€ THOUSAND	2013	2012
Real estate transfer tax	-22	-2,937
Personnel expenses	-2,153	-2,135
Legal, consulting and audit expenses	-1,238	-1,735
Ancillary financing costs	0	-1,391
Exchange rate losses	-331	-367
Marketing costs	-363	-399
Appraisal costs	-277	-330
Supervisory Board compensation	-312	-265
Write-downs	-65	-40
Other	-2,524	-1,231
	-7,285	**-10,830**

Legal and consulting costs, tax consultant fees and audit expenses include €293 thousand (€328 thousand) in fees for the audit of Group companies.

24. INCOME FROM INVESTMENTS

€ THOUSAND	2013	2012
Income from investments	16,688	1,400

The proceeds from the sale of Ilwro Sp. zo.o. as well as residual distributions for the previous year are recognised.

25. SHARES OF THE PROFIT OR LOSS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

€ THOUSAND	2013	2012
Profit / loss from equity-accounted associates	27,024	14,346

These are the share in the profits / losses of joint ventures and associates in which Deutsche EuroShop AG together with third parties has a majority of the voting rights. These are six shopping centre companies and five smaller property companies.

26. PROFIT / LOSS ATTRIBUTABLE TO LIMITED PARTNERS

€ THOUSAND	2013	2012
Profit / loss attributable to limited partners	-15,939	-15,271

27. MEASUREMENT GAINS / LOSSES

€ THOUSAND	2013	2012
Unrealised changes in fair value	60,538	36,518
Profit / loss attributable to limited partners	-4,492	-18,675
Ancillary acquisitions costs	-64	-9,198
Excess of identified net assets acquired over cost of acquisition in accordance with IFRS 3 (increased shareholdings)	0	5,289
	55,982	13,934

28. INCOME TAX EXPENSE

€ THOUSAND	2013	2012
Current tax expense	-2,362	-8,483
Domestic deferred tax expense	-11,636	28,791
Foreign deferred tax expense	-2,572	-1,246
	-16,570	**19,062**

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 2013, a corporate tax rate of 15% was used for the companies in Germany. In addition, a solidarity surcharge of 5.5% on the calculated corporation tax and, in part, 16.45% in trade tax were recognised.

The respective local tax rates were applied for foreign companies.

Taxes on income and earnings include the reversal of latent trade tax liabilities in the amount of €12.6 million in deferred trade tax liabilities which had been formed in previous years.

TAX RECONCILIATION

Income taxes in the amount of €-16,570 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%.

€ THOUSAND	2013	2012
Consolidated profit before income tax	**187,613**	**103,422**
Theoretical income tax 32.28%	**-60,561**	**-33,379**
Tax rate differences for foreign Group companies	1,226	2,190
Tax rate differences for domestic Group companies	20,568	2,057
Tax-free income / non-deductible expenses	4,705	531
Effect of tax rate changes	12,619	49,357
Aperiodic tax income	4,843	0
Other	30	-1,694
Current income tax	**-16,570**	**19,062**

After fulfilling the requirements of the extended trade tax reduction for one more property company, a portion of the deferred trade tax provisions built up during previous years in the amount of €12,619 thousand could be released. Aperiodic tax income contains a trade tax refund in the amount of €2,334 thousand.

In financial year 2013, the effective income tax rate was 18.1%. This figure does not include the effect from tax rates changes and the aperiodic tax income amounting to €17,462 thousand.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

COMPOSITION OF CASH AND CASH EQUIVALENTS

€ THOUSAND	31.12.2013	31.12.2012
Cash and cash equivalents	**40,810**	**161,006**

OPERATING CASH FLOW

After adjustment of the annual profit for non-cash income and expenses, operating cash flow was €129,813 thousand. All changes to cash flows from net finance costs are allocated to operating activities.

CASH FLOW FROM OPERATING ACTIVITIES

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

Cash outflows from operating activities includes, among others:

- interest income of €0.4 million (previous year: €0.5 million)
- interest expense of €56.1 million (previous year: €62.5 million)
- income taxes paid of €1.8 million (previous year: €1.0 million)
- net allocations to provisions of €4.8 million (previous year: €11.2 million)

CASH FLOW FROM INVESTING ACTIVITIES

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

In the year under review, investments totalling €18.1 million were made in the portfolio properties. In addition, investment in operating and office equipment totalled €0.4 million.

The purchase price for the shares in Altmarkt-Galerie Dresden amounted to €70.2 million and was paid at the end of April 2013. Cash and cash equivalents of €10.8 million were recognised during initial consolidation.

CASH FLOW FROM FINANCING ACTIVITIES

Moreover, loan reductions resulted in a cash outflow in the amount of €59.7 million.

Payments to third-party shareholders include the distributions paid of €12.3 million.

In financial year 2013, a dividend of €64.7 million was paid to the shareholders.

SEGMENT REPORTING

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

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

As the Group's main decision-making body, the Deutsche EuroShop AG Executive Board largely assesses the performance of the segments based on the EBT of the individual property companies. The valuation principles for the segment reporting correspond to those of the Group.

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

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

BREAKDOWN BY GEOGRAPHICAL SEGMENT

€ THOUSAND	Domestic	International	Reconciliation	Total
Revenue	**173,282**	**14,705**	**0**	**187,987**
(previous year's figures)	(163,803)	(14,358)	(0)	**(178,161)**

€ THOUSAND	Domestic	International	Reconciliation	Total
EBIT	**156,577**	**13,435**	**-4,248**	**165,764**
(previous year's figures)	(142,057)	(13,507)	-(3,985)	**(151,579)**

€ THOUSAND	Domestic	International	Reconciliation	Total
Net interest income	**-49,587**	**-3,834**	**-3,958**	**-57,379**
(previous year's figures)	-(56,926)	-(3,881)	-(1,759)	**-(62,566)**

€ THOUSAND	Domestic	International	Reconciliation	Total
Earnings before taxes (EBT)	**155,064**	**7,142**	**25,407**	**187,613**
(previous year's figures)	(90,025)	(7,405)	(5,992)	(103,422)

Profits and losses for equity-accounted companies in the amount of €27,024 thousand are primarily disclosed in the reconciliation statement, of which €19,529 thousand are domestic profit and losses and €7,495 thousand international profit and losses.

€ THOUSAND	Domestic	International	Total
Segment assets	**3,172,348**	**222,515**	**3,394,863**
(previous year's figures)	(3,128,778)	(218,782)	(3,347,560)
of which investment properties	**2,746,320**	**215,843**	**2,962,163**
(previous year's figures)	(2,610,110)	(214,023)	(2,824,133)

Other disclosures

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

CARRYING AMOUNTS, VALUATIONS AND FAIR VALUES ACCORDING TO MEASUREMENT CATEGORY

			Balance sheet amount in line with IAS 39		
€ THOUSAND	Measurement category pursuant to IAS 39	Carrying amount 31.12.2013	Amortised cost	Costs	Fair value recognised in equity
Financial assets					
Non-current financial assets**	AfS	34,519		34,519	
Trade receivables*	LaR	5,595	5,595		
Other assets*	LaR	1,587	1,228		359
Other financial investments*	HtM	3,000	3,000		
Cash and cash equivalents*	LaR	40,810	40,810		
Financial liabilities					
Financial liabilities*	FLAC	1,486,759	1,486,759		
Right to redeem of limited partners*	FLAC	213,422	213,422		
Trade payables*	FLAC	3,351	3,351		
Other liabilities*	FLAC	8,508	8,508		
Interest rate hedges not recognised in profit or loss*	FLAC	31,007			31,007
Interest rate hedges recognised in profit or loss**	FVTPL	9,474			
Aggregated according to measurement category pursuant to IAS 39:					
Loans and receivables (LaR)		47,992	47,633		359
Held to maturity (HtM)		3,000	3,000		
Available for sale (AfS)		34,519	0	34,519	0
Financial liabilities measured at amortised cost (FLAC)		1,743,047	1,712,040		31,007
Financial liabilities measured at fair value in income (FVTPL)		9,474			

* Corresponds to level 1 of the IFRS 7 fair value hierarchy
** Corresponds to level 2 of the IFRS 7 fair value hierarchy

Investments measured using the equity method are reported at fair value. In the year under review, no additional appreciations or depreciations were made as they are already included in the respective subsidiary's net profit or loss for the period.

Trade receivables, other assets as well as cash and cash equivalents and other financial investments with the exception of interest rate swaps – which are recognised at present value – predominantly have short residual terms. The carrying amounts thus correspond to the fair value. The change in the present value of the long-term interest rate swap recognised was €155 thousand (previous year: €140 thousand)

The long-term financial liabilities include obligations from convertible bonds that are measured at amortised cost using the effective interest rate method. Interest expense incurred amounted to €3,363 thousand (previous year: €483 thousand) and is recognised in net finance costs.

		Balance sheet amount in line with IAS 39					
Fair value recognised in income	**Fair value 31.12.2013**	Carrying amount 31.12.2012	Amortised cost	Costs	Fair value recognised in equity	Fair value recognised in income	Fair value 31.12.2012
	34,519	30,293		15,381	14,912		30,293
	5,595	3,772	3,772				3,772
	1,587	1,972	1,482		490		1,972
	3,000	0					0
	40,810	161,006	161,006				161,006
	1,540,073	1,467,601	1,467,601				1,562,787
	213,422	284,176	284,176				284,176
	3,351	2,135	2,135				2,135
	8,508	6,380	6,380				6,380
	31,007	42,339			42,339		42,339
9,474	**9,474**						
	47,992	166,750	166,260		490		166,750
	3,000	0	0				0
	34,519	30,293	0	15,381	14,912		30,293
	1,796,361	1,802,631	1,760,292		42,339		1,897,817
9,474	**9,474**						

Bank loans and overdrafts have short and long-term durations and are recognised at amortised cost. The fair value for Group loans is given in the notes under item 12 "Financial liabilities". In total, interest expense of €57,827 thousand (previous year: €63,066 thousand) is included in net finance costs.

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

Interest on financial instruments, not recognised in profit or loss, is reported as interest income or interest expense. Changes in the value of financial liabilities measured at fair value in profit or loss are reported under Other financial expenses (€4,550 thousand). In the year under review, € 6.849 thousand from Other comprehensive income was transferred to the income statement.

The fair value of the liabilities listed above in level 2 was calculated in accordance with generally accepted valuation methods based on the discounted cash flow method. The interest price and market price parameters applicable on the reporting date were applied.

The profit / loss share of third-party shareholders of €15,939 thousand (previous year: €15,271 thousand) is also included in net finance costs.

Impairment charges on receivables (€583 thousand) are recognised in the property operating costs.

RISK MANAGEMENT

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

MARKET RISKS

LIQUIDITY RISK

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

The contractually agreed future interest and principal repayments of the original financial liabilities and derivative financial instruments are as follows as at 31 December 2013:

€ THOUSAND	Carrying amount 31.12.2013	Cash flows 2014	Cash flows 2015 to 2018	Cash flows from 2019
Convertible bond	93,556	1,750	105,053	0
Bank loans and overdrafts	1,393,203	151,635	481,074	1,142,475

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

CREDIT AND DEFAULT RISK

There are no significant credit risks in the Group. The trade receivables reported on the reporting date were predominantly paid up to the date of preparation of the financial statements. During the reporting year, write-downs of rent receivables of €583 thousand (previous year: €626 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totalled €12,043 thousand (previous year: €10,466 thousand) as at the reporting date.

CURRENCY AND MEASUREMENT RISK

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

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

IN € MILLION	Basis	-0,25%	+0,25%
Rate of rent increases	1.70%	-111.5	116.8
Discount rate	6.65%	104.7	-99.6
Cost ratio	10.90%	9.7	-9.7

INTEREST RATE RISK

A sensitivity analysis was implemented to determine the effect of potential interest rate changes. Based on the financial assets and liabilities subject to interest rate risk on the balance sheet date, this shows the effect of a change on the Group's equity. Interest rate risks arose on the balance sheet date only for credit borrowed the associated interest rate hedges. An increase in the market interest rate of 100 basis points would lead to an increase in equity of €17,444 thousand (previous year: €19,112 thousand). The majority of the loan liabilities have fixed interest terms. On the reporting date, loans totalling €215,500 thousand (previous year: €194,651 thousand) were hedged using derivative financial instruments.

CAPITAL MANAGEMENT

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

€ THOUSAND	31.12.2013	31.12.2012
Equity	**1,642,371**	**1,606,090**
Equity ratio (%)	**48.4**	48.0
Net financial debt	**1,445,949**	**1,306,595**

Equity is reported here including the redemption entitlements of shareholders.

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

31. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Joint ventures in which Deutsche EuroShop AG together with third parties has a majority of the voting rights have previously been proportionately included as joint ventures in the consolidated financial statements. The following companies are affected by the retroactive switch to equity accounting:

- Altmarkt-Galerie Dresden KG, Hamburg (until 30 April 2013)
- Allee-Center Magdeburg KG, Hamburg
- CAK City Arkaden Klagenfurt KG, Hamburg
- EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna
- Einkaufs-Center Pécs KG, Hamburg

Please also note the detailed explanations regarding “Changes in accounting and valuation methods”.

Immobilienkommanditgesellschaft FEZ Harburg KG and Stadt-Galerie Passau KG have also since 1 January 2013 been accounted using the equity method after the voting trust agreement with a co-shareholder was revoked.

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

€ THOUSAND	31.12.2013	31.12.2012
Non-current assets	451,469	506,584
Current assets	5,282	12,565
Non-current liabilities	115,502	195,353
Current liabilities	2,970	5,942
Income	40,024	35,529
Expenses	-13,407	-20,588

In addition, small property companies in which Deutsche EuroShop indirectly or directly has an interest are part of the Group. Deutsche EuroShop exercises a controlling influence over these companies together with other shareholders. However, they are negligible for the assets, financial and earnings position of the Group.

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

€ THOUSAND	31.12.2013	31.12.2012
Non-current assets	8,603	8,551
Current assets	1,490	1,577
Non-current liabilities	0	5,940
Current liabilities	6,025	93
Income	774	826
Expenses	-345	-1,416

32. EARNINGS PER SHARE

	2013	2012
Group shareholders' portion of profits / losses (€ thousand)	171,043	122,484
Weighted number of no-par value shares issued	53,945,536	51,934,893
Basic earnings per share (€)	**3.17**	**2.36**
Group shareholders' portion of profits / losses (€ thousand)	171,043	122,484
Adjustment of interest expense for the convertible bond (€ thousand)	2,277	327
Profits / losses used to calculate the diluted earnings per share (€ thousand)	173,320	122,811
Weighted number of no-par value shares issued	53,945,536	51,934,893
Weighted adjustment of potentially convertible no-par value shares	2,909,710	326,935
Average weighted number of shares used to determine the diluted earnings per share	56,855,246	52,261,828
Diluted earnings per share (€)	3.05	2.35

BASIC EARNINGS PER SHARE:

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

DILUTED EARNINGS PER SHARE:

The diluted earnings are calculated by taking the average number of shares outstanding and adding the number of warrants granted in connection with the convertible bond. 2.9 million warrants existed during the year under review. Due to the fact that the convertible bond was issued mid-year, the warrants issued in connection with the convertible bond were recognised on a pro rata basis in 2012. It is anticipated that the convertible bonds will be exchanged for shares in full. The profits / losses will be adjusted accordingly for interest expense and tax effects.

OTHER FINANCIAL OBLIGATIONS

There are other financial obligations of €81.7 million arising from service contracts.

There are financial obligations of €9.3 million which will arise in 2014 in connection with investment measures in our shopping centers.

OTHER DISCLOSURES

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

EVENTS AFTER THE BALANCE SHEET DATE

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

The Supervisory Board and Executive Board

SUPERVISORY BOARD

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

Manfred Zaß, Königstein / Ts., Chairman
Banker

Dr. Michael Gellen, Cologne, Deputy Chairman
Independent lawyer

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

Karin Dohm, Kronberg / Ts.
Head of Group External Reporting at Deutsche Bank AG, Frankfurt am Main

Dr. Jörn Kreke, Hagen (until 20.06.2013)
Businessman
a) Capital Stage AG, Hamburg
Douglas Holding AG, Hagen/Westphalia (Chairman)
b) Kalorimeta AG & Co. KG, Hamburg
Urbana AG & Co. KG, Hamburg

Dr. Henning Kreke, Hagen (since 20.06.2013)
Chairman of the Executive Board of Douglas Holding AG, Hagen/Westphalia

Reiner Strecker, Wuppertal
Managing Partner of Vorwerk & Co. KG, Wuppertal
b) akf Bank GmbH & Co. KG, Wuppertal

Klaus Striebich, Besigheim
Managing Director Leasing, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg
b) Unternehmensgruppe Dr. Eckert GmbH, Berlin
MEC Metro-ECE Centermanagement GmbH & Co. KG, Düsseldorf

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

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

EXECUTIVE BOARD

Claus-Matthias Böge, Hamburg
Executive Board Spokesman

a) Douglas Holding AG, Hagen/Westphalia (until 28.05.2013)
Bijou Brigitte modische Accessoires AG, Hamburg (Deputy Chairman) (since 25.06.2013)

Olaf G. Borkers, Hamburg
Member of the Executive Board

The remuneration of the members of the Supervisory Board totalled €312 thousand in the period under review (previous year: €265 thousand).

The remuneration of the Executive Board totalled €1,237 thousand (previous year: €1,193 thousand), including performance-related remuneration of €677 thousand (previous year: €650 thousand). This remuneration is due on a short-term basis.

€306 thousand (previous year: €305 thousand) was allocated to the provision for the Executive Board's long-term incentive plan (LTI). Accrued interest was €19 thousand.

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

CORPORATE GOVERNANCE

The Declaration of Conformity with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Public Companies Act) has been issued jointly by the Supervisory Board and the Executive Board, and was made available to shareholders via publication on the Internet in November 2013.

RELATED PARTIES FOR THE PURPOSES OF IAS 24

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

Fees for service contracts with the ECE Group totalled €15,561 thousand (previous year: €16,719 thousand). This amount was partially offset by income from lease agreements with the ECE Group in the amount of €5,655 thousand (previous year: €5,797 thousand). Receivables from ECE were €3,982 thousand, while liabilities were €1,457 thousand.

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

Hamburg, 15 April 2014

Deutsche EuroShop AG
The Executive Board

Claus-Matthias Böge

Olaf Borkers

Other disclosures

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

Shareholder	Shareholding report as at	Event	New voting rights share in %	of which own holdings in %	of which indirectly attributable in %
Benjamin Otto, Hamburg	02.04.2002	Exceeds threshold (5%)	7.74	0.00	7.74
"Bravo-Alpha" Beteiligungs- G.m.b.H., Hamburg	02.04.2002	Exceeds threshold (5%)	7.74	3.71	4.03
Gemeinnützige Hertie-Stiftung, Frankfurt	15.08.2011	Exceeds threshold (3%)	3.02	3.02	0.00
Alexander Otto, Hamburg	14.11.2012	Falls below threshold (10%)	9.57	0.65	8.92
Société Fédérale de Participations et d'Investissement SA / Federale Participatie- en Investeringsmaatschappij NV, Brussels, Belgium	11.01.2013	Exceeds threshold (3%)	3.08	0.00	3.08
Ministry of Finance of the Kingdom of Belgium, Brussels, Belgium	11.01.2013	Exceeds threshold (3%)	3.08	0.00	3.08
Société Fédérale de Participations et d'Investissement SA / Federale Participatie- en Investeringsmaatschappij NV, Brussels, Belgium	08.04.2013	Falls below threshold (3%)	2.93	0.00	2.93
Ministry of Finance of the Kingdom of Belgium, Brussels, Belgium	08.04.2013	Falls below threshold (3%)	2.93	0.00	2.93
BlackRock Advisors Holdings, Inc., New York, USA	30.10.2013	Exceeds threshold (3%)	3.0003	0.00	3.0003
BlackRock International Holdings, Inc., New York, New York, USA	30.10.2013	Exceeds threshold (3%)	3.0003	0.00	3.0003
BR Jersey International Holdings, L.P., St. Helier, Jersey, Channel Islands	30.10.2013	Exceeds threshold (3%)	3,0003	0,00	3,0003
BlackRock Group Limited, London, United Kingdom	14.11.2013	Exceeds threshold (3%)	3.01	0.00	3.01
BlackRock Group Limited, London, United Kingdom	18.11.2013	Falls below threshold (3%)	2.96	0.00	2.96
BlackRock Group Limited, London, United Kingdom	29.11.2013	Exceeds threshold (3%)	3.01	0.00	3.01
BlackRock Group Limited, London, United Kingdom	12.12.2013	Falls below threshold (3%)	2.999	0.00	2.999
BlackRock Group Limited, London, United Kingdom	17.12.2013	Exceeds threshold (3%)	3.002	0.00	3.002

The total fees for the consolidated financial statements for the 2013 financial year amounted to €310 thousand. €293 thousand (previous year: €328 thousand) was for auditor services. The auditor also provided other consultancy services in the amount of €17 thousand.

Shareholdings

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 (2) NOS. 1 TO 4 OF THE HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE) AS AT 31.12.2013:

Company name and domicile	Interest in equity	of which indirect	of which direct	Equity as at 31.12.2013	HGB profit / loss 2013
Fully consolidated companies:				**in EUR**	**in EUR**
DES Verwaltung GmbH, Hamburg	100.00%	–	100.00%	29,240,672.13	2,900,264.83
DES Management GmbH, Hamburg	100.00%	–	100.00%	52,951.03	27,951.03
DES Shoppingcenter GmbH & Co. KG, Hamburg	100.00%	–	100.00%	417,424,414.29	16,067,052.71
A10 Center Wildau GmbH, Hamburg	100.00%		100.00%	86,023,371.98	3,277,515.98
Objekt City-Point Kassel GmbH & Co. KG, Pullach	100.00%	100.00%	–	-24,024,805.44	2,747,557.39
Stadt-Galerie Hameln KG, Hamburg	100.00%	–	100.00%	24,450,503.65	2,349,882.21
Altmarkt-Galerie Dresden GmbH & Co. KG, Hamburg	100.00%	–	100.00%	40,562,836.19	3,345,348.38
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co.KG, Hamburg	74.00%	–	74.00%	40,562,027.75	5,020,995.50
Forum Wetzlar KG, Hamburg	65.00%	–	65.00%	9,888,976.60	2,670,443.33
Main-Taunus-Zentrum KG, Hamburg	52.01%		52.01%	-91,320,990.02	18,122,394.95
				in PLN	**in PLN**
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	99.99%	99.99%	–	564,636,737.01	46,922,149.44
CASPIA Investments Sp. z o.o., Warsaw, Poland	100.00%	100.00%	–	19,878,432.49	760,043.64
Joint ventures:				**in EUR**	**in EUR**
Stadt-Galerie Passau KG, Hamburg	75.00%	–	75.00%	112,787,455.07	4,734,039.77
Allee-Center Magdeburg KG, Hamburg	50.00%	–	50.00%	72,445,194.45	10,429,633.87
Immobilien Kommanditgesellschaft FEZ Harburg, Hamburg	50.00%	–	50.00%	-19,998,292.26	2,237,215.97
CAK City Arkaden Klagenfurt KG, Hamburg	50.00%	–	50.00%	4,748,040.81	1,375,792.60
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna, Austria	50.00%	50.00%	–	-4,646,295.48	1,413,563.79
Einkaufs-Center Arkaden Pécs KG, Hamburg	50.00%	–	50.00%	22,737,326.55	1,646,903.18
Associates:				**in EUR**	**in EUR**
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	50.00%	50.00%		1,832,141.19	-52,639.12
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna, Austria	50.00%	50.00%		795,702.87	32,592.35
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		2,243,204.28	87,408.91
Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		2,793,654.54	349,746.72
City-Point Beteiligungs GmbH, Pullach	40.00%	–	40.00%	27,974.94	2,410.34
Investees:				**in EUR**	**in EUR**
Ilwro Holding B.V., Amsterdam, The Netherlands	33.00%		33.00%	103,555,930.00	15,169,948.00

Auditor's report

We have audited the consolidated financial statements – comprising the balance sheet, statement of comprehensive income, income statement, statement of changes in equity, cash flow statement and the notes – and the group management report prepared by Deutsche EuroShop AG, Hamburg, for the financial year from 1 January 2013 to 31 December 2013. The preparation of the consolidated -financial statements and the group management report in accordance with IFRS as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hamburg, 15 April 2014

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Dyckerhoff Auditor	signed Dr. Probst Auditor

Responsibility statement by the Executive board

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

Hamburg, 15 April 2014

Claus-Matthias Böge

Olaf Borkers

Multi-year overview

€ MILLIONS	2004	2005	2006	2007	2008	2009	2010	2011	2012 [1]	2013 [1]
Revenue	61.4	72.1	92.9	95.8	115.3	127.6	144.2	190.0	178.2	**188.0**
EBIT	49.8	57.5	86.3	78.5	98.1	110.7	124.0	165.7	151.6	**165.8**
Net finance costs	-19.2	-39.3	-41.0	-39.6	-49.4	-55.9	-60.2	-79.1	-62.1	**-34.1**
Measurement gains / losses	8.0	40.0	68.8	39.0	38.3	-14.8	33.1	50.1	13.9	**56.0**
EBT	38.6	68.1	117.7	77.8	87.0	40.1	97.0	136.7	103.4	**187.6**
Consolidated profit	27.7	48.7	100.3	94.2	68.9	34.4	-7.8	99.0	122.5	**171.0**
FFO per share (€)	0.86	0.97	1.08	1.12	1.38	1.40	1.35	1.61	1.68	**2.08**
Earnings per share (€) [2]	0.89	1.55	2.92	2.74	1.96	0.88	-0.17	1.92	2.36	**3.17**
Equity [3]	684.4	787.4	897.9	974.0	977.8	1,044.4	1,441.5	1,473.1	1,606.1	**1,642.4**
Liabilities	685.8	756.1	898.3	1,002.3	1,029.1	1,067.8	1,522.1	1,752.0	1,741.5	**1,752.5**
Total assets	1,370.2	1,543.6	1,796.2	1,976.3	2,006.8	2,112.1	2,963.6	3,225.1	3,347.6	**3,394.9**
Equity ratio (%) [3]	49.9	51.0	50.0	49.3	48.7	49.5	48.6	45.7	48.0	**48.4**
Gearing (%) [3]	100	96	100	103	105	102	106	119	108	**107**
Cash and cash equivalents	150.3	197.2	94.2	109.0	41.7	81.9	65.8	64.4	161.0	**40.8**
Net asset value [4]	686.8	794.5	877.4	925.1	942.8	1,006.9	1,361.1	1,427.3	1,538.9	**1,650.4**
Net asset value per share (€, EPRA) [4]	21.98	23.11	25.53	26.91	27.43	26.63	26.36	27.64	28.53	**30.59**
Dividend per share (€)	0.96	1.00	1.05	1.05	1.05	1.05	1.10	1.10	1.20	**1.25** [5]

[1] equity accounting
[2] undiluted
[3] incl. non controlling interest
[4] since 2010: EPRA
[5] proposal

2013 IN € MILLIONS	Q1 / 2013	Q2 / 2013	Q3 / 2013	Q4 / 2013
Revenue	42.4	46.4	49.3	49.9
EBIT	37.3	39.9	43.3	45.3
Net finance costs	-10.1	-12.5	2.5	-14.0
Measurement gains / losses	-1.4	-1.1	-4.3	62.8
EBT	25.8	26.4	41.5	93.9
Consolidated profit	20.1	21.7	35.4	93.8
EPS in € [2]	0.37	0.40	0.66	1.74

Deutsche EuroShop

www.shoppingcenter.ag