



Key Group Data

2007–2008			
€ million	01.01.-30.06. 2008	01.01.-30.06. 2007	Change
Revenue	55.2	45.6	21%
EBIT	46.0	37.8	22%
Net finance costs	-24.1	-19.7	-22%
EBT	26.3	18.2	45%
Consolidated profit	21.6	13.5	60%
EPS (€)	0.63	0.39	60%
	30.06.2008	31.12.2007	
Equity*	958.1	974.0	-2%
Minorities	1,003.9	1,002.3	0%
Total assets	1,962.0	1,976.3	-1%
Equity ratio (%)*	48.8	49.3	
Gearing (%)*	105	103	
Cash and cash equivalents	60.6	109.0	-44%

* incl. minorities

Key Share Data

Sector/industry group	Financial services/real estate
Share capital	€ 34,374,998.00
Number of shares (no-par value registered shares)	34,374,998
Dividend 2007 (tax-free)	€ 1.05
Share price on 28.12.2007	€ 23.50
Share price on 30.06.2008	€ 24.31
High/low in the period under review	€ 21.67/€ 28.40
Market capitalisation on 31.03.2008	€ 836 million
Prime Standard	Frankfurt and Xetra
OTC trading	Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart
Indices	MDAX, EPRA, GPR 250, EPIX 30, HASPAX
ISIN	DE 000 748 020 4
Ticker symbol	DEQ, Reuters: DEQGn.DE

LETTER FROM THE EXECUTIVE BOARD

Dear Shareholders,
Dear Readers,

Looking back at the first half of 2008, we can honestly say that everything went to plan for Deutsche EuroShop. Galeria Baltycka, which was opened in Gdansk in October 2007, and Stadt-Galerie Hameln, which was opened in March 2008, contributed to the substantial revenue growth of 21% compared with the same period of the previous year. Our revenue in the first six months totalled €55.2 million, up from €45.6 million in 2007.

Our new properties in Gdansk and Hamelin also had a positive effect on our earnings before interest and taxes (EBIT): at €46.0 million, EBIT was 22% higher year-on-year (€37.8 million). In addition to the two new openings, positive currency effects boosted pre-tax profit (EBT) by 45%. In the first six months of 2008, EBT totalled €26.3 million compared with €18.2 million in 2007.

Consolidated profit soared 60% year-on-year to €21.6 million. Earnings per share thus rose to €0.63, of which €0.56 was due to operating profit and €0.07 to measurement gains.

The property and financial crises are currently having a negative impact on the global economy. Together with rising energy and food prices, this has led to sinking consumer confidence and reduced consumer spending in the USA and Europe.

Our centers have also seen new developments: Dresden's Altmarkt-Galerie is set to be expanded by 18,000 m² and 90 shops. Construction is due to begin in 2009 and the opening is planned for autumn 2010. Deutsche EuroShop's share of the investment volume will be roughly €75 million. We will be opening Stadt-Galerie Passau as planned in September 2008. The new shopping center has already been fully let on a long-term basis for a few months now and is set to become an attractive hub in Passau's retail life, offering lettable space of around 27,000 m².

In June, we paid our shareholders a tax-free dividend once again of €1.05 per share for financial year 2007. Following the successful first half of the year, we are retaining our forecast for the current year and remain optimistic that we will also be able to distribute a tax-free dividend of at least €1.05 per share for 2008.

Hamburg, August 2008



Claus-Matthias Böge



Olaf G. Borkers

BUSINESS AND ECONOMIC CONDITIONS

Group structure and operating activities

Operating activities

Deutsche EuroShop is the only public company in Germany that invests solely in shopping centers in prime locations. It currently has investments in 16 shopping centers in Germany, Austria, Poland and Hungary. The Group generated the revenue recognised from rental income for the space let in the shopping centers.

Group's legal structure

Due to its lean personnel structure and its concentration on only one operating segment, the Deutsche EuroShop Group is centrally organised. The Group managing company is Deutsche EuroShop AG. It is responsible for corporate strategy, portfolio and risk management, financing and communication.

The Company's headquarters are in Hamburg. Since its establishment in 2000, Deutsche EuroShop AG has been an Aktiengesellschaft (public company) under German law. The individual shopping centers are managed as separate companies. According to interest in the nominal capital, these are either fully (investment over 50%) or proportionately consolidated (investment up to 50%) as investment properties. The investment in Galeria Dominikanska in Wroclaw is recognised under non-current financial assets (investment 33.3%).

The share capital amounts to €34,374,998 and is composed of €34,374,998 no-par value registered shares. The notional value of each share is €1.00.

Macroeconomic and sector-specific conditions

The German government continues to expect economic growth of 1.7% in Germany this year. Due to the property and financial crises and significantly higher energy and food prices, the last few months have seen consumer confidence fall worldwide and consumer spending sink. This is also the case in Germany, although performance in the country has been comparatively favourable to date. The continued fall in the unemployment rate and higher standard wages have both played a role in this. Overall, however, sluggishness in retail trade has to be expected in 2008.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Results of operations

Revenue growth of 21%

Revenue during the first six months of 2008 totalled €55.2 million, representing a 21% rise year-on-year (€45.6 million). Galeria Baltycka in Gdansk and Stadt-Galerie Hameln, which opened in October 2007 and March 2008 respectively, contributed significantly to this revenue increase. Revenue from existing properties climbed 2.0%.

Slight fall in other operating income

Other operating income did not change materially, falling from €0.6 million to €0.5 million.

Higher operating and administrative costs for property due to new centers

Higher expenses were incurred for the operation of shopping centers due to the two properties in Hameln and Gdansk being opened. The operating and administrative costs for property amounted to €7.5 million as at the reporting date compared with €6.4 million in the same period of the previous year.

Other operating expenses somewhat higher

Other operating expenses rose €0.2 million to €2.2 million.

EBIT climbs 22%

EBIT increased by €8.2 million (+22%) from €37.8 million to €46.0 million. This is chiefly due to contributions to earnings from the two recently opened properties in Gdansk and Hameln.

Net finance costs as expected

Net finance costs amounted to €24.1 million, €4.4 million less than the €19.7 million recorded during the previous year. This results from interest expense due to Galeria Baltycka and Stadt-Galerie Hameln and also from higher profit/loss attributable to minority shareholders. At €1.0 million, income from investments was higher than in the previous half-year (€0.2 million) due to the dividend distributions of our Polish property company (Galeria Dominikanska). The company switched to regular quarterly distributions in Q2 2008.

Currency effects impact measurement gains

Measurement gains rose from €0.2 million to €4.4 million. The change of €4.2 million is attributable exclusively to unrealised currency effects from the Polish and Hungarian property companies.

EBT rises 45%

EBT rose from €18.2 million to €26.3 million. This corresponds to an increase of €8.1 million or 45% compared with the same half of the previous year.

Consolidated profit: €21.6 million = €0.63 earnings per share

Consolidated profit totalled €21.6 million, up by €8.1 million (60%) year-on-year (€13.5 million). Earnings per share rose from €0.39 to €0.63. Of this, €0.56 results from operating profit and €0.07 from measurement gains.

Financial position and net assets

Net assets and liquidity

During the reporting period, the total assets of the Deutsche EuroShop Group decreased by €14.3 million to €1,962.0 million. Property, plant and equipment soared €32.4 million overall. This was firstly attributable to payments for Stadt-Galerie Passau while it was still under construction and Stadt-Galerie Hamelin, which was opened in March. In addition, land was acquired for expanding Altmarkt-Galerie Dresden. Receivables and other assets fell by €5.5 million. During the first half of the year, another €2.9 million was invested in money market fund units (other financial investments). At €60.6 million, cash and cash equivalents were €48.4 million lower than at 31 December 2007.

Equity ratio of 48.8%

The equity ratio including minority interests decreased as a result of the dividend payment from 49.3% to 48.8%.

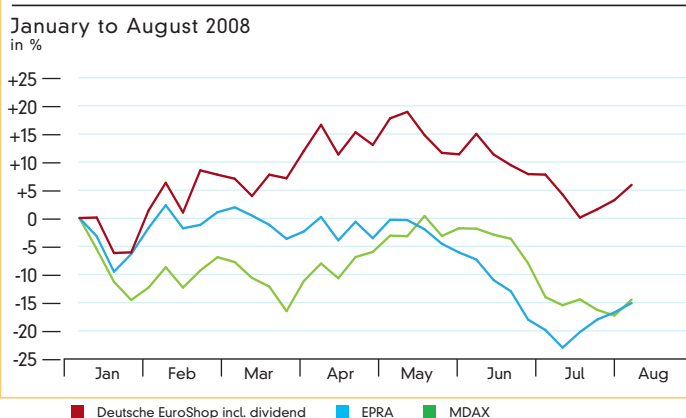
Liabilities

Non-current bank loans and overdrafts increased by €13.6 million to €862.9 million due to further loan payments to finance Stadt-Galerie Passau. Additions to the current profit caused non-current deferred tax liabilities to rise by €4.6 million to €68.9 million. Current bank loans and overdrafts dropped by €6.4 million, primarily due to the repayment of a loan. Overall, bank loans and overdrafts increased from €896.0 million to €903.2 million. Other liabilities and provisions were reduced by €5.0 million.

THE SHOPPING CENTER SHARE

Deutsche EuroShop's share price initially performed well in the first half of the year, reaching its high to date this year at €28.40 on 13 May 2008. In the weeks that followed, the share price fell as the environment worsened – and not just for property shares. The shares closed the end of the reporting period on 30 June 2008 at €24.31. After accounting for the tax-free dividend of €1.05 per share paid on 19 June 2008, this corresponds to an increase of 7.9% in the first half of 2008. During the same period, the MDAX fell by 8.4%. This puts the market capitalisation of Deutsche EuroShop at €836 million at the end of the first six months.

Deutsche EuroShop versus MDAX und EPRA



Roadshows and conferences

In the months from April to June, we showcased Deutsche EuroShop at the conferences of Dresdner Kleinwort in New York and Milan, that of Kempen & Co in Amsterdam and that of Commerzbank in Frankfurt. We also met with numerous analysts and investors at roadshows in the USA, Canada, Switzerland, UK, Ireland, Liechtenstein and Frankfurt, Munich and Hamburg and answered questions on Deutsche EuroShop in detail.

Deutsche EuroShop wins award again for investor relations work

Deutsche EuroShop took first place in the MDAX category of the 2008 Capital Investor Relations Prize, which the German-language business magazine Capital annually awards to companies for the best communication with the financial markets, judging companies on their target group focus, transparency, track record and extra financial reporting. Deutsche EuroShop has now won this well-known prize for the third time in a row. Deutsche EuroShop also emerged the winner in the MDAX category of the 2008 German Investor Relations Prize, which is jointly awarded by Thomson Reuters Extel Surveys, the magazine WirtschaftsWoche and DIRK, the association for professional investor relations in Germany. Over 900 finance and capital market experts voted in the run-up for the company that they believed should be awarded for its outstanding investor relations work.

New recommendation

Close Brothers Seydler Research began coverage of our shares in June, issuing them with a BUY recommendation. At the moment, a total of 22 banks regularly analyse our shares, thereby affording investors a broad range of opinions. Investment recommendations (16) are positive for the most part. There were four neutral and two negative recommendations as at 8 August 2008. Further institutions have indicated that they would like to publish analyses of our shares this year.

REPORT ON POST-BALANCE SHEET DATE EVENTS

No events of particular significance took place following the end of the first half year of 2008.

RISK REPORT

There have been no significant changes since the beginning of the financial year with regard to the risks associated with future business development. In our opinion the Company does not face any risks capable of jeopardising its continued existence. The information provided in the risk report in the consolidated financial statements as at 31 December 2007 is therefore still applicable.

REPORT ON OPPORTUNITIES AND EXPECTED DEVELOPMENTS

Economic conditions

For 2008, the German government is expecting an increase in the growth rate of 1.7%. Economic research institutes forecast a slow-down in the global economy.

Our centers continue to be popular and report high customer frequencies, thanks to the good mix of sectors. This gives us reason to be optimistic about achieving our targets this year.

Expected results of operations and financial position

Another property under construction

Stadt-Galerie in Passau will be opened in September 2008, as planned. All of the retail space has already been let on a long-term basis to well-known retailers.

Investors continue to focus on shopping centers

Interest in shopping centers is still high, even though the number of potential investors has decreased as a result of the subprime crisis. Financial investors relying mainly on a high level of borrowed capital are hardly in a position in these times to procure the necessary financing. Currently, several banks are being highly selective in their lending practices and requiring significantly higher amounts of equity. On the other hand, investors with high equity, such as German open-ended property funds, are once again able to make even larger investments because of large cash inflows. However, it can be said in summary that the overheated phase of the property markets is over and that prices will gradually level off. According to initial reports by major property broker organisations, transaction volumes have suffered a sharp drop during the first six months of the year. We are still optimistic that we will be able to initiate new investments in this environment and meet our investment targets of €150 million to €200 million by the end of the year.

Increase in earnings due to new center

On the basis of the earnings generated in the first six months, we are retaining our forecast for 2008 as a whole: we have set our sights on revenue of between €110 million and €113 million and thus a significant increase (2007: €95.8 million). EBIT is expected to reach €90 million to €92 million (2007: €77.2 million). We are expecting EBT excluding measurement gains to reach €43 million to €45 million (2007: €37.7 million).

We are still optimistic that we will be in a position to pay out a tax-free dividend of at least €1.05 per share for the 2008 financial year.

IFRS CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2008

ASSETS	30.06.2008	31.12.2007	EQUITY AND LIABILITIES	30.06.2008	31.12.2007
€ thousand			€ thousand		
Assets			Equity and liabilities		
Non-current assets			Equity and reserves		
Intangible assets	7	8	Issued capital	34,375	34,375
Property, plant and equipment	176,798	144,353	Capital reserves	546,213	546,213
Investment properties	1,658,255	1,658,200	Retained earnings	265,254	280,210
Non-current financial assets	37,002	32,851	Total equity	845,842	860,798
Other non-current assets	5,430	3,802			
Non-current assets	1,877,492	1,839,214	Non-current liabilities		
			Bank loans and overdrafts	862,891	849,258
Current assets			Deferred tax liabilities	68,855	64,303
Trade receivables	1,027	3,179	Right to redeem of limited partners	112,209	113,249
Other current assets	16,251	21,269	Other non-current liabilities	1,521	540
Other financial investments	6,627	3,681	Non-current liabilities	1,045,476	1,027,350
Cash and cash equivalents	60,563	108,993			
Current assets	84,468	137,122	Current liabilities		
			Bank loans and overdrafts	40,264	46,694
Total assets	1,961,960	1,976,336	Current trade payables	3,543	8,651
			Tax provisions	784	520
			Other provisions	12,011	25,070
			Other non-current liabilities	14,040	7,253
			Current liabilities	70,642	88,188
			Total equity and liabilities	1,961,960	1,976,336

IFRS CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2008

€ thousand	01.04.-30.06. 2008	01.04.-30.06. 2007	01.01.-30.06. 2008	01.01.-30.06. 2007
Revenue	28,310	23,023	55,202	45,643
Other operating income	294	295	531	565
Property operating costs	-1,865	-1,378	-4,078	-3,205
Property management costs	-1,850	-1,748	-3,455	-3,205
Other operating expenses	-1,345	-1,148	-2,187	-2,012
Earnings before interest and taxes (EBIT)	23,544	19,044	46,013	37,786
Income from Investments	1,012	206	1,012	206
Interest income	664	594	1,191	1,014
Interest expense	-11,568	-9,608	-22,339	-19,330
Profit/loss attributable to limited partners	-2,270	-779	-3,955	-1,601
Net finance costs	-12,162	-9,587	-24,091	-19,711
Measurement gains	2,592	303	4,376	154
Profit before tax (EBT)	13,974	9,760	26,298	18,229
Income tax expense	-2,577	-2,570	-4,706	-4,724
Consolidated profit	11,397	7,190	21,592	13,505
Basic earnings per share (€)	0.33	0.21	0.63	0.39
Diluted earnings per share (€)	0.33	0.21	0.63	0.39

STATEMENT OF CHANGES IN EQUITY AS OF 30 JUNE 2008

€ thousand	Share capital	Capital reserves	Other retained earnings	Legal reserve	Total
01.01.2007	22,000	558,588	213,688	2,000	796,276
Cashflow hedge			2,344		2,344
Other changes			1,081		1,081
Total of earnings recognised directly in equity	0	0	3,425	0	3,425
Consolidated profit			13,505		13,505
Total profit	22,000	558,588	230,618	2,000	813,206
Dividend payments			-36,094		-36,094
30.06.2007	22,000	558,588	194,524	2,000	777,112
01.01.2008	34,375	546,213	278,210	2,000	860,798
Cashflow hedge			1,903		1,903
Other changes			-2,357		-2,357
Total of earnings recognised directly in equity	0	0	-454	0	-454
Consolidated profit			21,592		21,592
Total profit	34,375	546,213	299,348	2,000	881,936
Dividend payments			-36,094		-36,094
30.06.2008	34,375	546,213	263,254	2,000	845,842

IFRS CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2008

€ thousand	01.01.-30.06. 2008	01.01.-30.06. 2007
Profit after tax	21,592	13,505
Profit/loss attributable to limited partners	3,955	1,601
Depreciation of property, plant and equipment	5	9
Other non-cash income and expenses	-4,376	781
Deferred taxes	4,551	4,636
Operating cash flow	25,727	20,532
Changes in receivables	7,173	17,419
Changes in current provisions	-12,795	-7,895
Changes in liabilities	2,971	-3,669
Cash flow from operating activities	23,076	26,387
Payments to acquire property, plant and equipment	-32,499	-53,854
Payments to acquire non-current financial assets	-3,899	0
Cash flow from investing activities	-36,398	-53,854
Changes in interest-bearing financial liabilities	16,629	45,930
Payments to Group shareholders	-36,094	-36,094
Payments to minority shareholders	-3,789	-1,895
Changes in other financial investments	-2,947	2,688
Cash flow from financing activities	-26,201	10,629
Net change in cash and cash equivalents	-39,523	-16,838
Cash and cash equivalents at beginning of period	108,993	94,214
Currency related changes	-8,903	-781
Other changes	-4	964
Cash and cash equivalents at end of period	60,563	77,559

DISCLOSURES

Basis of presentation

These financial statements of the Deutsche EuroShop Group as at 30 June 2008 have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The management report for the first six months of 2008 and the abridged financial statements were not audited in accordance with section 317 of the Handelsgesetzbuch (HGB – German Commercial Code) nor were they reviewed by a person qualified to carry out audits. In the opinion of the Executive Board, the interim report for the first six months of 2008 contains all of the necessary adjustments required to give a true and fair view of the results of operations as at the interim report date. The performance of the first six months as at 30 June 2008 is not necessarily an indication of future performance.

The consolidated financial statements were amended to recognise changes in other financial investments, which were still recognised under cash flow from operating activities as at 31 December 2007. In future, this change will be recognised under cash flow from investing activities. The change in presentation is due to the fact that money market fund units purchased as an alternative to term deposits for the purpose of investing in liquid funds over the short term constitute the only item to be recognised under other financial investments.

In the same half of the previous year, the investments of the current year were presented as an expense under measurement gains. In future, they will be recognised over the course of the year as an addition to investment properties.

The accounting policies applied correspond to those used in the last consolidated financial statements as at the end of the financial year. A detailed description of the methods applied was published in the notes to the consolidated financial statements for 2007.

Other disclosures

Dividend

A dividend of €1.05 per share for financial year 2007 was distributed on 20 June 2008.

Stock options

The variable components of the remuneration of the members of the Executive Board and Supervisory Board do not include any stock options or similar securities-based incentive schemes.

Responsibility Statement by the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Hamburg, August 2008



Claus-Matthias Böge



Olaf G. Borkers

FINANCIAL CALENDAR 2008

14.08.	Interim report H1 2008
26.08.	Roadshow Amsterdam, Kempen & Co
27.08.	Roadshow Helsinki, Stockholm, UniCredit
28.08.	Roadshow Copenhagen, UniCredit
10.09.	Grand opening of Stadt-Galerie Passau
06.09.	Hamburg Exchange Convention
17.09.	Roadshow London, Lehman Brothers
18.09.	Supervisory Board meeting, Hamburg
18.09.	Roadshow Paris, MainFirst
23.09.	UniCredit German Investment Conference, Munich
06.–07.10.	Expo Real, Munich
16.10.	Société Générale Pan European Real Estate Conference, London
20.–21.10.	Real Estate Share Initiative, Frankfurt
12.11.	WestLB Deutschland Conference, Frankfurt
14.11.	Interim report Q1–3 2008
19.11.	Roadshow Zurich, DZ Bank
25.11.	Supervisory Board meeting, Hamburg
09.12.	ESN Mid & Small Cap Conference, London

Our financial calendar is updated continuously. Please check our website for the latest events:
<http://www.deutsche-euroshop.com/ir>

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