



Report on the  
first half 2003

DES

Deutsche EuroShop AG



## ≡ Key Figures

€ million	Group		AG	
	1.1.-30.6.2003	1.1.-30.6.2002	1.1.-30.6.2003	1.1.-30.6.2002
Sales	24.3	22.4	-	-
Income from investments	3.6	2.1	14.0	11.9
Net interest income/expense	-6.4	-5.3	2.0	2.7
Result from ordinary activities	6.0	3.4	15.0	13.6
Net profit/loss for the period	1.3	-0.8	11.0	10.0
EBITDA	23.2	19.4	-	-
Free cash flow per share (€)	-	-	0.96	0.87
Earnings per share (€)	0.08	-0.05	-	-
	<b>30.6.2003</b>	<b>31.12.2002</b>	<b>30.6.2003</b>	<b>31.12.2002</b>
Total assets	963	1,000	610	632
Fixed assets	808	815	513	513
Current assets	155	185	97	119
Equity	528	557	591	610
Liabilities	412	420	0.4	7
Equity ratio	54.8%	55.7%	96.9%	96.5%

## ≡ DES Shares – Key Figures

Sector/industry group	Financial Services/Real Estate
Share capital	€ 20 million
Outstanding shares	15,625,000 shares
Share class	No-par value registered shares
Dividend 2002 (tax-free)	€ 1.92
Share price on 28 Dec. 2002	€ 31.00
Share price on 30 June 2003	€ 31.00
High/low in the period under review	€ 33.95 / € 29.70
Market capitalisation	€ 484 million
Prime Standard	Frankfurt and Xetra
OTC trading	Dusseldorf, Hamburg, Munich and Stuttgart
Indices	SDAX, Classic All-Share, Prime All-Share, EPIX 30
ISIN	DE 000 748 020 4
Ticker symbol	DEQ, Reuters: DEQn.DE



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# DES

# Deutsche EuroShop AG

## ≡ Letter from the Executive Board

**Dear Shareholders,  
Ladies and Gentlemen,**

Our aim is to provide you as an owner of this Company with information in a timely manner and with the greatest transparency possible. This is why Deutsche EuroShop AG joined the Prime Standard in mid-April – the segment with the highest post-admission requirements. In future, we will be informing you about the Company's development on a quarterly basis.

As we only converted our accounting in the second quarter of this year, the comparative figures for the respective prior-year periods will be cautious estimates until the report for Q1 2004. Given the relatively constant flows of income and expenses in our letting business, we feel that this presentation is appropriate. Calculating detailed comparative figures retroactively would have incurred undue cost and effort that we feel would be out of proportion to the additional information gained.

Admission to the Prime Standard was a precondition for our admission to the SDAX index, which occurred on 14 July. Our membership in this index will raise awareness of Deutsche EuroShop AG and lead to a further rise in share turnover.

The H1 2003 results published by major retail groups to date provide positive signs of a change in consumer behaviour. Against this background, Deutsche EuroShop AG's business is developing as planned, and we are expecting results for H2 to be just as encouraging. One contributory factor here is our professional centre management, which has succeeded in keeping the occupancy rate for our retail space at around 99%.

We are currently pursuing several interesting acquisition projects. We are optimistic that we will soon be able to announce the acquisition of an additional equity interest in a shopping centre.

In May, we received the tragic news of the death of Mr. Jürgen Wundrack, a member of our Executive Board. Mr. Wundrack provided the Company with a wealth of experience, and supported its development with his dedication and expertise from its early days. With his passing, we have lost a colleague with whom it was a joy to work.

Our agency agreement with DB Real Estate Management GmbH expired at the end of the first half of 2003. We have successively assumed responsibility for our operational business and our office in Eschborn has now been closed. From 1 July 2003, our team in Hamburg has been managing your Company.

Hamburg, August 2003



Claus-Matthias Böge



Dirk Hasselbring

## ≡ Business Developments

Two factors had a positive impact on Q2 2003 – the traditionally strong business over Easter, which this year occurred in April, and the extension of Saturday opening hours in Germany to 8 p.m. as from 1 June. The first long Saturdays generated very high sales. However, only time will tell whether the times people go shopping will merely shift, or whether the longer opening hours will generate additional business.

### **Operating result of Deutsche Euroshop AG up 10%**

In H1, Deutsche Euroshop AG generated an operating result (result from ordinary activities) of €15.0 million, up from €13.6 million in the comparable prior-year period. Income from investments contributed €14.0 million (€11.9 million). The Altmarkt-Galerie in Dresden was included in earnings for the full period under review for the first time in 2003. In addition, the completion of the renovations and the extension to 60,000 m<sup>2</sup> of the retail floor space in Rhein-Neckar-Zentrum also boosted business.

### **Agency agreement expired**

In contrast, there was a rise in personnel expenses that could not be fully offset by the fall in other operating expenses, as these still included the €0.2 million agency fee paid to DB Real Estate Management GmbH. At €2.0 million, interest income was down €0.7 million in the period under review, as a result of lower interest rates on the one hand and the outflow of cash due to the acquisition of our equity interest in Allee-Center in Hamm in spring 2002 on the other. After deduction of taxes on income (transfer to the provision for deferred taxes on income), the net profit for the period amounts to €11.1 million, a year-on-year increase of around 10% (€10.0 million).

## Group increases profits

Group sales rose from €22.4 to €24.3 million. This is also primarily due to the extended retail space in Rhein-Neckar-Zentrum. Income from investments was up significantly from €2.1 to €3.6 million as well, following the opening of the shopping centres in Dresden and Kassel in 2002, and their first whole-period contribution to earnings in 2003.

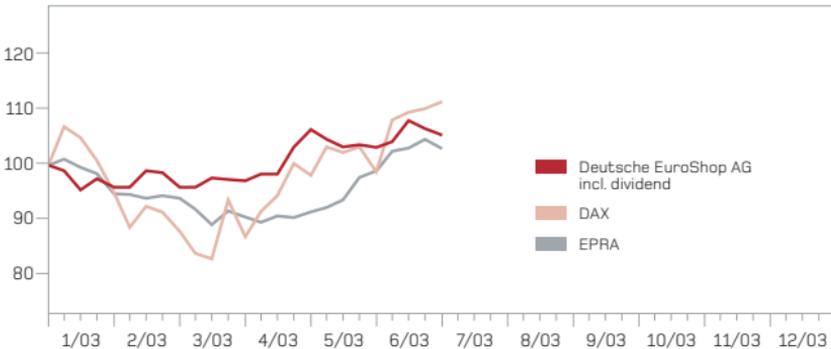
In addition, other operating expenses dropped 8.3% to €4.1 million as a result of a slow-down in investment activity in H1. However, the substantial investments of the previous year and the drop in interest rates in H1 2003 led to a €0.9 million year-on-year decline in interest income. Overall, the operating result thus rose by around 76% from €3.4 to €6.0 million. After the deduction of taxes and minority interests, the net profit for the period amounted to €1.2 million (€-0.8 million).

## DES Shares

Our shares started 2003 at a price of €31.00 and remained stable in spite of the negative economic environment, which was also due among other things to the war in Iraq. Following the distribution of the tax-free dividend of €1.92 per share, DES shares closed H1 unchanged at €31.00.

### Deutsche EuroShop AG vs. DAX and EPRA

January 2003 to June 2003 (index-linked, basis 100, in %)



### Rise in share turnover

While the volatility of the price of DES shares has declined, share turnover has risen steadily. In June, it already exceeded the level for 2002 as a whole, with 540,000 shares traded. On the one hand, we believe that this is due to the ongoing support of our shares on Xetra by the securities trading bank Seydler AG, which has been acting as our designated sponsor since mid-January. On the other hand, our increased investor relations activities also had a positive effect.

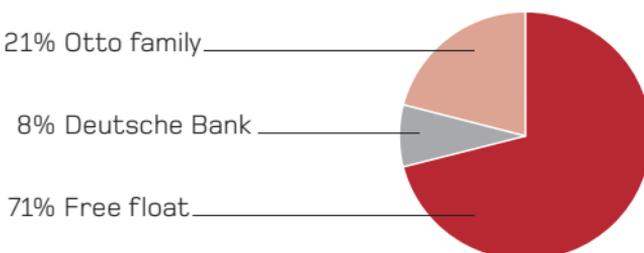
### Higher free float

We met with a good response to our roadshows in Germany and the rest of Europe. Our membership of the Prime Standard and our admission to the SDAX in mid-July also helped to increase interest in our shares. Since Deutsche Bank reduced its interest in our Company through private placements from 44.8% to its current level of 8.0%, our free float has risen to 71%; not least because of this, the number of shareholders in the Company has risen by around 44% since the beginning of the year, from 3,600 to 5,200.

### Admission to the SDAX

At over 7%, Deutsche EuroShop shares have the highest weighting of all 50 securities in the small caps index SDAX. The index weighting is calculated by Deutsche Börse, on the basis of the market capitalisation of the free float.

### Shareholder structure



## ≡ Outlook

Encouragingly, the residual distributions by our investees from 2002, which were recognised in income in H1 2003, were higher than projected. As a result, the income from investments forecast for financial year 2003 has been exceeded. In contrast, however, interest income was lower than planned due to further drops in interest rates.

### **Forecast for 2003 – operating result of €27.6 million**

Nevertheless, we remain confident of increasing Deutsche EuroShop AG's full-year operating result from €24.8 to €27.6 million in 2003 as planned. As in previous years, the unappropriated surplus is expected to be around €30 million.

### **Full occupancy also expected for Pécs**

Pre-letting of our shopping centre in Pécs in Hungary (50% interest) is going well. The centre is still undergoing construction and is scheduled to open in spring 2004. Long-term agreements have already been concluded with – mainly international – retailers for 90% of the rental space. As a result, we are optimistic that this shopping centre will also be fully let by the time it opens.

### **New investments planned**

Our aim remains to invest our available cash reserves in additional equity interests in shopping centres before the end of the year. This will increase our portfolio diversification and hence reinforce the continuity of our earnings.

## ≡ News-Ticker

**The Deutsche EuroShop AG website is now also available in English at [www.deutsche-euroshop.com](http://www.deutsche-euroshop.com)**

## Consolidated Balance Sheet

Assets (€ thousands)	30.06.2003	31.12.2002
<b>A. Business start-up and expansion expenses</b>	<b>4</b>	<b>4</b>
<b>B. Fixed assets</b>		
I. Intangible assets		
Concessions, industrial and similar rights	388	414
II. Tangible assets		
1. Land, land rights and buildings	660,230	670,676
2. Other equipment, operating and office equipment	153	168
3. Payments on account and assets under construction	3,507	8
III. Financial assets	143,405	143,405
	<b>807,683</b>	<b>814,671</b>
<b>C. Current assets</b>		
I. Receivables and other assets		
1. Trade receivables	698	2,418
2. Receivables from other investees	22,518	16,175
3. Other assets	11,759	13,129
II. Cash and bank balances	120,124	153,860
	<b>155,099</b>	<b>185,582</b>
<b>D. Prepaid expenses</b>	<b>239</b>	<b>1</b>
<b>Total assets</b>	<b>963,025</b>	<b>1,000,258</b>

<b>Equity and liabilities (€ thousands)</b>	<b>30.06.2003</b>	<b>31.12.2002</b>
<b>A. Equity</b>		
I. Subscribed capital	20,000	20,000
II. Capital reserves	507,365	528,512
III. Revenue reserves	1,979	1,979
IV. Consolidated unappropriated surplus	1,238	8,853
V. Minority interests	-2,393	-2,527
	<b>528,189</b>	<b>556,817</b>
<b>B. Provisions</b>		
1. Provisions for taxes	18,901	15,018
2. Other provisions	3,556	7,615
	<b>22,457</b>	<b>22,633</b>
<b>C. Liabilities</b>		
1. Liabilities to banks	406,210	409,434
2. Trade payables	2,692	901
3. Liabilities to other investees	1	6,962
4. Other liabilities	3,476	2,746
	<b>412,379</b>	<b>420,043</b>
<b>D. Deferred income</b>	<b>0</b>	<b>765</b>
<b>Total equity and liabilities</b>	<b>963,025</b>	<b>1,000,258</b>

## ≡ Consolidated Profit and Loss Account

(€ thousands)

1. Sales
2. Other operating income
3. Personnel expenses
4. Amortisation of intangible assets and depreciation of tangible assets, as well as amortisation of capitalised business start-up and expansion expenses
5. Other operating expenses
6. Income from investments
7. Other interest and similar income
8. Write-downs of investments classified as current assets
9. Interest and similar expenses
<b>10. Result from ordinary activities</b>
11. Taxes on income
12. Other taxes
<b>13. Net profit/loss for the period</b>
14. Minority interests
<b>15. Consolidated net profit/loss for the period</b>

## ≡ Statement of Changes in Equity

(€ thousands)	Subscribed capital	Capital reserves
<b>01.01.2002</b>	20,000	570,257
Dividends/withdrawals		-29,361
Consolidated result		
Withdrawals from capital reserves		-5,494
Appropriations to revenue reserves		
Other		-183
<b>30.06.2002</b>	20,000	535,219
<b>01.01.2003</b>	20,000	528,512
Dividends/withdrawals		-21,147
Consolidated result		
Withdrawals from capital reserves		
Appropriations to revenue reserves		
Other		
<b>30.06.2003</b>	20,000	507,365

	01.04.-30.06. 2003	01.04.-30.06. 2002	01.01.-30.06. 2003	01.01.-30.06. 2002
	12,140	11,789	24,280	22,428
	94	95	189	94
	204	83	355	163
	5,575	5,599	11,151	11,199
	2,026	2,347	4,096	4,467
	2,207	1,068	3,630	2,136
	1,349	1,968	2,998	3,936
	0	120	0	120
	4,723	4,608	9,447	9,215
	<b>3,262</b>	<b>2,163</b>	<b>6,048</b>	<b>3,430</b>
	2,100	1,854	4,200	3,708
	236	266	472	531
	<b>926</b>	<b>43</b>	<b>1,376</b>	<b>-809</b>
	69	3	138	6
	<b>857</b>	<b>40</b>	<b>1,238</b>	<b>-815</b>

Revenue reserves	Consolidated unap-propriated surplus	Minority interests	Total
1,066	639	5,092	597,054
	-639	-2,252	-32,252
	4,179	6	4,185
			-5,494
500			500
		-3,090	-3,273
1,566	4,179	-244	560,720
1,979	8,853	-2,527	556,817
	-8,853	-260	-30,260
	1,238	138	1,376
			0
			0
		256	256
1,979	1,238	-2,393	528,189

## ≡ Cash Flow Statement

(€ thousands)	01.01.-30.06. 2003	01.01.-30.06. 2002
1. Net profit/loss	1,238	-809
2. Minority interests	138	6
3. Depreciation and amortisation of fixed assets	11,151	11,199
4. Decrease in provisions	-175	-3,851
<b>5. DVFA/SG cash earnings</b>	<b>12,352</b>	<b>6,545</b>
6. Gains on disposal of items of fixed assets	0	-6
7. Decrease in trade receivables and other assets not attributable to investing or financing activities	2,851	1,691
8. Increase in trade liabilities and other liabilities not attributable to investing or financing activities	1,756	706
<b>9. Cash flows from operating activities</b>	<b>16,959</b>	<b>8,936</b>
10. Payments to acquire tangible assets	-4,162	-112,149
11. Payments to acquire intangible assets	0	-2
12. Payments to acquire financial assets	-6,962	-5,243
13. Receipts from short-term investments	2,500	2,813
14. Payments for short-term investments	-8,843	-2,532
<b>15. Cash flows from investing activities</b>	<b>-17,467</b>	<b>-117,113</b>

(€ thousands)	01.01.-30.06. 2003	01.01.-30.06. 2002
16. Payments to owners (dividends/withdrawals)	-30,260	-32,252
17. Proceeds from borrowings	0	112,076
18. Repayments of borrowings	-3,224	-598
<b>19. Cash flows from financing activities</b>	<b>-33,484</b>	<b>79,226</b>
20. Net change in cash and cash equivalents	-33,992	-28,951
21. Cash and cash equivalents at beginning of period	153,860	196,100
22. Changes in cash and cash equivalents from changes in Group structure	256	-3,273
<b>23. Cash and cash equivalents at end of period</b>	<b>120,124</b>	<b>163,876</b>

## ≡ Notes/Disclosures

### **Basis of presentation**

These financial statements as at 30 June 2003 reflect the business activities of the Deutsche EuroShop Group. They have been prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code), German Accounting Standard 6 (GAS 6), the Aktiengesetz (AktG – German Public Companies Act) and the principles of proper accounting.

These financial statements have not been reviewed by an auditor. In the opinion of the Executive Board, they contain all the necessary adjustments required to give a true and fair view of the result of operations as at the interim report date. No conclusions regarding the development of future results can necessarily be drawn from the results of H1 as at 30 June 2003.

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 these methods was published in the Annual Report 2002.

### **Basis of consolidation**

The basis of consolidation is as at 31 December 2002; all consolidation principles have been maintained unchanged. For more information, please refer to the detailed description of the basis and methods of consolidation, and to the principles applied to the annual financial statements, which were printed in full in the Annual Report 2002.

### **Comparison of quarterly results**

As we only converted our accounting in the second quarter of this year, the comparative figures for Q1 and Q2 2002, as well as

Q1 2003 are cautious estimates – to the extent that they were not taken from the report on the first half 2002. Given the relatively constant flows of income and expenses in the Deutsche EuroShop Group's letting business and the cost/benefit ratio of calculating detailed comparative figures retroactively, this presentation is appropriate.

### Consolidated financial statement disclosures

In the period under review, the total assets of the Deutsche EuroShop Group declined by €37.3 to €963.0 million. In particular, this is due to the dividend payment made in June 2003, which reduced the net balance sheet equity by €28.6 million. At the same time, the balance sheet equity ratio fell slightly to around 55% (previous year: around 56%).

In addition, there was a reduction in short-term liabilities to banks, and a further equity contribution was made to our investee Einkaufs-Center Arkaden Pecs KG.

For profit and loss account disclosures, please refer to the notes on business developments on pages 4/5.

### Segment reporting in the Group

As the holding company, Deutsche EuroShop AG holds equity interests in German and foreign shopping centres as a single business segment, so no separate segment reporting is therefore presented. Sales are generated exclusively from income from rental and lettings. This is broken down as follows:

Sales (€ thousands)	Germany	Inter- national	thereof EU	Total
01.01.-30.06.2003	19,161	5,119	5,119	24,280
01.01.-30.06.2002	17,522	4,906	4,906	22,428

**Dividend**

On 19 June 2003, a dividend for financial year 2002 of €1.92 per share was distributed.

**Employees**

As at 30 June 2003, the Group employed four people.

**Stock options**

The variable portion of the remuneration of the Executive Board and the Supervisory Board does not include stock options or similar securities-based incentive systems.

**Forward-looking statements**

This interim report contains forward-looking statements based on estimates of future developments by the Executive Board. The statements and forecasts represent estimates based on all the information currently available. If the assumptions on which the statements and forecasts are based do not occur, the actual results may differ from those currently forecasted.

## ≡ Profit and Loss Account of Deutsche Euroshop AG

(€ thousands)	01.01. – 30.06. 2003	01.01. – 30.06. 2002
1. Other operating income	1	40
2. Personnel expenses	355	163
3. Depreciation and amortisation of fixed assets	6	1
4. Other operating expenses	648	711
5. Income from investments	14,013	11,866
6. Other interest and similar income	2,009	2,659
7. Write-downs of investments classified as current assets	0	120
8. Interest and similar expenses	0	0
<b>9. Result from ordinary activities</b>	<b>15,014</b>	<b>13,590</b>
10. Taxes on income	3,960	3,584
11. Other taxes	0	0
<b>12. Net profit for the period</b>	<b>11,054</b>	<b>10,006</b>

## Balance Sheet of Deutsche Euroshop AG

Assets (€ thousands)	30.06.2003	31.12.2002
<b>A. Fixed assets</b>		
I. Intangible assets		
Industrial and similar rights and assets	5	5
II. Tangible assets		
Operating and office equipment	34	33
III. Financial assets		
1. Shares in subsidiaries	387,200	386,891
2. Other investments	126,356	126,356
	<b>513,595</b>	<b>513,285</b>
<b>B. Current assets</b>		
I. Receivables and other assets		
1. Receivables from subsidiaries	8,731	0
2. Receivables from other investees	22,518	16,175
3. Other assets	658	1,607
II. Cash and bank balances	64,688	100,897
	<b>96,595</b>	<b>118,679</b>
<b>C. Prepaid expenses</b>	<b>35</b>	<b>0</b>
<b>Total assets</b>	<b>610,255</b>	<b>631,964</b>

<b>Equity and liabilities (€ thousands)</b>	<b>30.06.2003</b>	<b>31.12.2002</b>
<b>A. Equity</b>		
I. Subscribed capital	20,000	20,000
II. Capital reserves	557,612	557,612
III. Revenue reserves	1,979	1,979
IV. Unappropriated surplus	11,054	30,000
	<b>590,645</b>	<b>609,591</b>
<b>B. Provisions</b>		
1. Provisions for taxes	18,143	14,183
2. Other provisions	1,062	1,216
	<b>19,205</b>	<b>15,399</b>
<b>C. Liabilities</b>		
1. Liabilities to banks	0	0
2. Trade liabilities	142	11
3. Liabilities to other investees	1	6,963
4. Other liabilities	232	0
	<b>375</b>	<b>6,974</b>
<b>Total equity and liabilities</b>	<b>610,255</b>	<b>631,964</b>

## ≡ Executive Bodies of the Company

### **Executive Board**

Claus-Matthias Böge  
Dirk Hasselbring (since 18 June 2003)  
Jürgen Wundrack (until 15 May 2003)

On 18 June 2003, the Supervisory Board appointed Mr. Dirk Hasselbring as the successor on the Executive Board to Mr. Jürgen Wundrack, who died in May.

### **Supervisory Board**

Manfred Zaß (Chairman)  
Dr. Michael Gellen (Deputy Chairman)  
Thomas Armbrust  
Dr. Tessen von Heydebreck  
Dr. Jörn Kreke  
Alexander Otto



## ≡ Financial Calendar

29 August 2003

Analyst conference, Frankfurt am Main

22-23 October 2003

Specialist symposium of the *Initiativkreis Immobilien-Aktie* (Property Investing Initiative), Frankfurt am Main

24-26 November 2003

DVFA German Midcap Conference,  
Frankfurt am Main

28 November 2003

Report on the first three quarters of 2003

29-31 March 2004

Deutsche Bank German Corporate Conference,  
Frankfurt am Main





## **Deutsche EuroShop AG** **Investor Relations**

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This interim report of Deutsche EuroShop AG is also available in German. Both the English and German versions can also be downloaded as PDF files on the Internet at [www.deutsche-euroshop.com](http://www.deutsche-euroshop.com).

### **Layout & production**

GDS GmbH, Gestaltungs-Agentur, Hamburg