Annual Report 2003

DES

Deutsche EuroShop AG

≡ Key data

€m	Group 2003	Group 2002	Group 2001	AG 2003	AG 2002	AG 2001
Sales	49.3	46.5	22.7	–	–	–
Income from investments	6.5	4.5	2.8	26.5	23.1	12.6
Tax balance	-14.1	-11.4	-9.6	3.2	4.5	6.9
Result from ordinary activities	6.5	4.9	-12.3	28.0	24.8	18.1
Consolidated net loss	-0.5	-2.9	-15.0	20.6	18.3	14.4
EBITDA *	42.0	37.0	8.9	–	–	–
Depreciations	22.4	21.6	11.9	0	0	0
Balance sheet total	980.7	1,000.3	932.8	622.9	632.0	635.1
Equity	535.7	556.8	597.1	600.1	609.6	621.3
Liabilities	417.1	420.0	309.2	0	7.0	5.7
Equity ratio in %	54.6	55.7	64.0	96.3	96.5	97.8
Liquid funds **	88.6	153.9	201.7	41.6	100.9	136.1

* = including income from investments

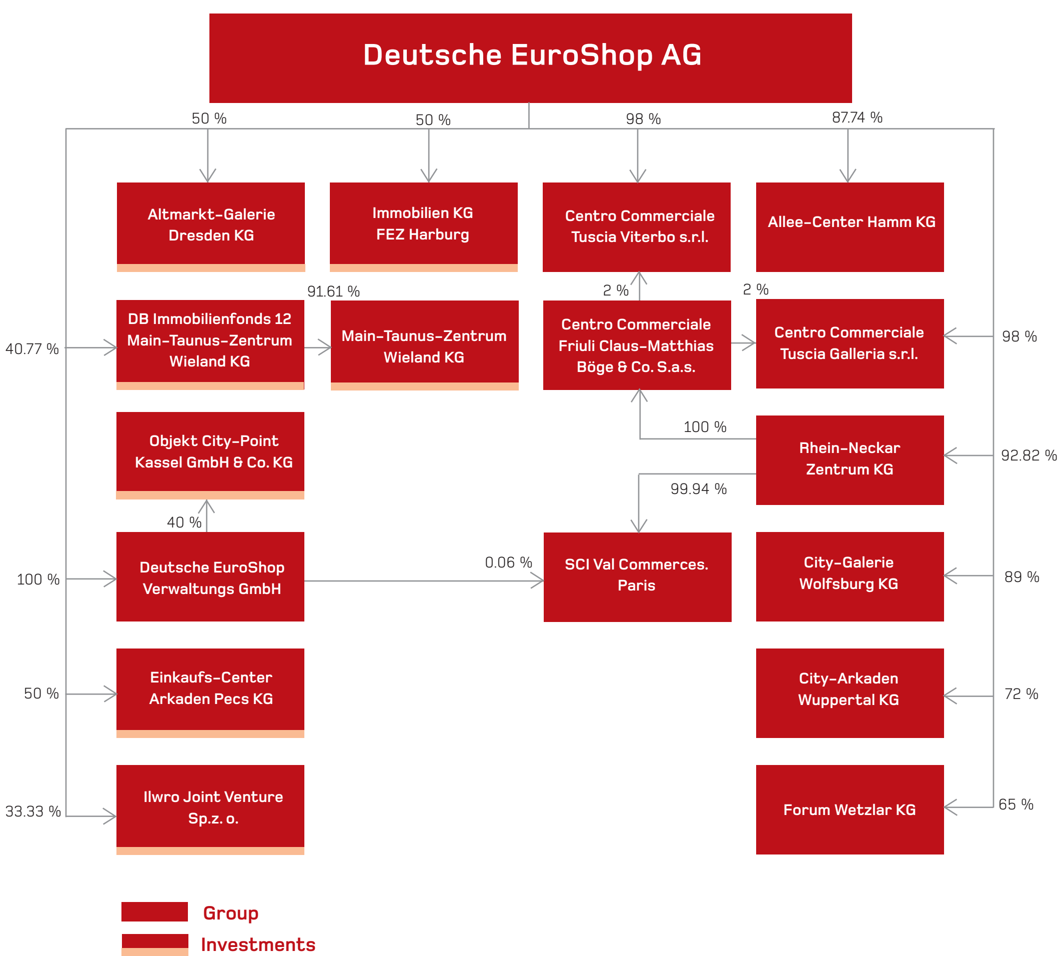
** = including investment in securities

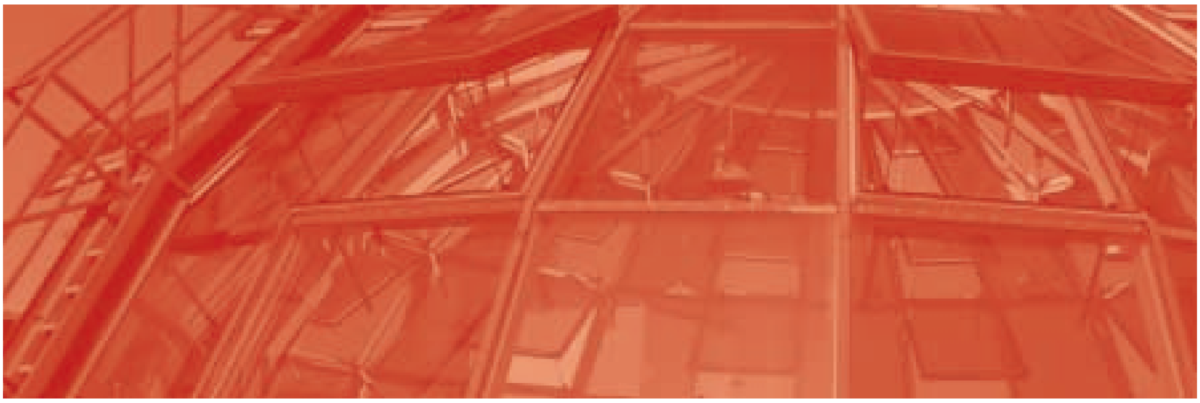
Deutsche EuroShop AG

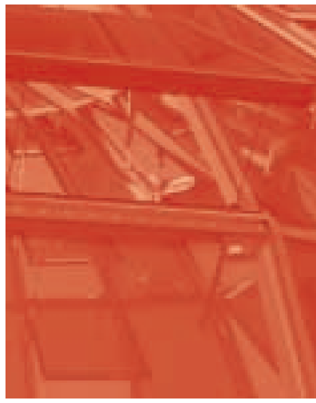
Investment Structure

Investments in 14 shopping centers

As an asset management holding company, Deutsche EuroShop holds direct and indirect equity interests in 14 property management companies, each of which owns one shopping center. Apart from Deutsche EuroShop AG, the only companies included in consolidation in the Group are those in which Deutsche EuroShop AG holds a direct or indirect majority of the voting rights. All other companies in the Group are managed as investments.







≡ Our Shopping Centers at a Glance

Germany

Rhein-Neckar-Zentrum,
Viernheim

Main-Taunus-Zentrum,
Sulzbach

City-Galerie,
Wolfsburg

Altmarkt-Galerie,
Dresden

City-Arkaden,
Wuppertal

Allee-Center,
Hamm

Phoenix-Center,
Hamburg

Forum,
Wetzlar

City-Point,
Kassel

Abroad

Centro Commerciale Friuli,
Udine, Italy

Centro Commerciale Tuscia,
Viterbo, Italy

Shopping Etrembières,
Annemasse, France

Árkád,
Pécs, Hungary

Galeria Dominikanska,
Breslau, Poland

← Investment Structure
← Our Shopping Centers at a Glance

Mission Statement

Deutsche EuroShop is Germany's only public company that invests solely in shopping centers.

Our objective is to distribute an annual dividend from secure long-term income, and at the same time to increase the value of our portfolio.

Prime locations, valuable properties, sustained earnings growth as a result of index- and sales-linked rental contracts, a higher than average occupancy rate of around 99 % and successful center management are the pillars of our long-term, solid growth.

By acquiring two to three shopping centers each year, we aim to establish ourselves as one of the largest companies in Europe focusing on retail properties.

+++ Deutsche EuroShop – The Shopping Center Company +++

Deutsche EuroShop AG

☰ Foreword

☰ The Shopping Center Share

☰ The Centers

Contents

☰ Group Management Report

☰ Consolidated Financial Statements

☰ Service

Claus-Matthias Böge

Dirk Hasselbring

Dear Shareholders and Friends,

Deutsche EuroShop AG can look back on a positive financial year in 2003. We improved our operating result by around 13 % from €24.8 to €28.0 million, exceeding our original planning by roughly €0.4 million.

Consolidated sales from shopping center rentals were up 6 % to €49.3 million, which boosted our result from ordinary activities by 32 % to €6.5 million.

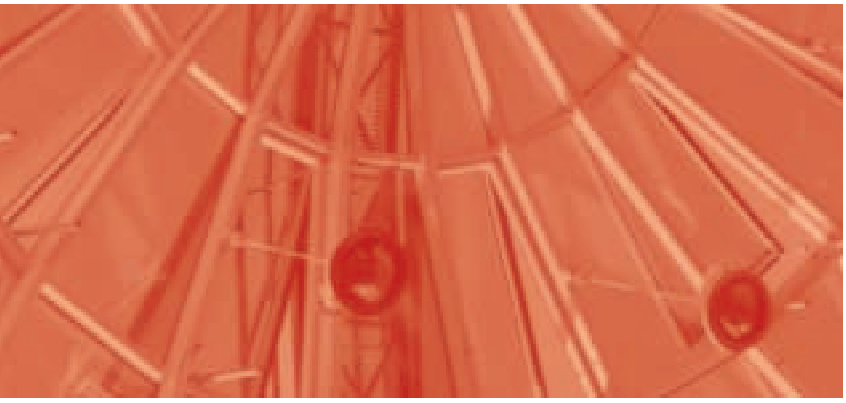
On the investment front, we implemented our plans in full. Thanks to our investments in the Phoenix-Center in Hamburg, Forum Wetzlar and Galeria Dominikanska in Wroclaw, we have expanded our portfolio to 14 shopping centers. This means that we have fully invested the proceeds of the capital increase in 2000 with the exception of a residual amount of €3 million.

Deutsche EuroShop's objective is to acquire an additional two to three new shopping centers for its portfolio each year. These acquisitions will initially be funded by bridging loans. However, we intend to replace these loans by a capital increase as soon as we have put together an attractive investment package of shopping centers that can guarantee an adequate return on the equity required.

Encouraging news also came from the capital markets: our share price improved steadily over the course of the year to €34.00 on 31 December 2003, up 9.7 % on the 2002 year-end closing price. Together with the dividend of €1.92 per share paid in June 2003, this resulted in an overall performance of 15.9 % after around 8 % in the previous year.

Apart from achieving sustained growth in the value of our portfolio, our primary investment objective is to generate high surplus liquidity from long-term leasing activities that we can pay out to our shareholders in the form of tax-free dividends. We will again be proposing a dividend of €1.92 per share to the Annual General Meeting for the past financial year. This corresponds to a dividend yield of 5.6 % at 31 December 2003.

Deutsche EuroShop's shares have been listed on Deutsche Börse's Prime Standard since April 2003. We were admitted to the SDAX in July 2003 on the back of our high market



Foreword by the Executive Board

capitalisation, a move which further stimulated trading in our shares on the stock exchange. With this excellent starting position, Deutsche EuroShop's shares were admitted to the international EPRA and GPR 250 indices. Our goal is to be admitted to the MDAX in the medium term.

Our transparent reporting and intensified investor relations activities are meeting with a positive response from market players. Six national and international equity analysts now track our shares and issue regular reports.

The agency agreement with DB Real Estate Management GmbH expired at the end of the first half of 2003. We have successively taken over operating activities and have wound up our office in Eschborn. Since 1 July 2003, Deutsche EuroShop has been managed from Hamburg, and we will propose to the Annual General Meeting to move the Company's domicile to Hamburg.

In the summer of 2003, we commissioned the well-known Bad Homburg-based Feri Research GmbH and Hamburg-based GfK Prisma Institut für Handels- Stadt- und Regionalforschung to value all completed shopping centers in which we have invested at the reference date of 31 December 2003. The experts have given Deutsche EuroShop's property portfolio rating of "very good". The value of our portfolio exceeded the carrying amounts of the investments by €59 million as at 31 December 2003. At €43.56 per share, the net asset value of Deutsche EuroShop, therefore exceeds the share price on 31 December 2003 by 28 %.

We are expecting further growth in our income from investments during financial year 2004. All of our properties continue to enjoy full occupancy rates. The shopping center in Pécs opened its doors on 31 March 2004 and the grand opening of the Phoenix-Center in Hamburg is scheduled for autumn of this year. This will enable us to generate income from these investments for the first time. The same situation applies to our new investment in Galeria Dominikanska in Wroclaw.

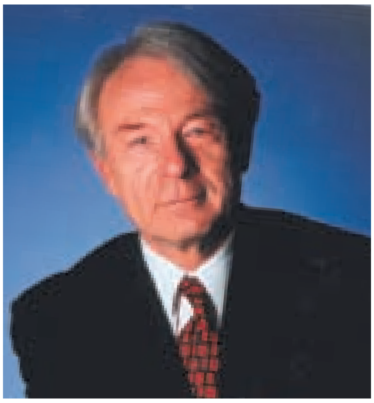
We would like to take this opportunity to thank you for your confidence in us. We will actively continue the course we have embarked on.

Hamburg, April 2004

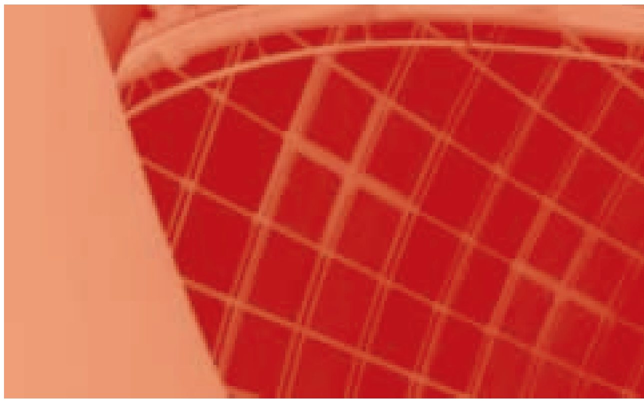
Claus-Matthias Böge

Dirk Hasselbring

Deutsche EuroShop AG



Manfred Zaß



Dear Shareholders,

The Supervisory Board discussed the business and strategic development of Deutsche EuroShop AG in depth at four regular meetings in the past financial year. Throughout the year, it regularly advised the Executive Board on the management of the Company and supervised its conduct of the business. The Executive Board reported to us regularly, promptly and at length.

Focus of the advisory activities

The main focus of the reporting by the Executive Board on the Company's operating activities, which are continuously monitored as part of risk management, was on the development of the individual shopping center investees. The Executive Board reported to us in detail on the portfolio properties, their sales trends, outstanding accounts, the occupancy rate, construction measures and the liquidity of the investees. The Board also informed us about construction progress, the leasing situation and investment cost trends for new development projects.

In addition, we were informed by the Executive Board about the Company's liquid assets, price and volume trends for Deutsche EuroShop's shares and investor relations activities.

Transactions that required the consent of the Supervisory Board in accordance with the Articles of Association or in line with the rules of procedure of the Supervisory Board or the Executive Board were discussed and resolved at the Supervisory Board meetings. Where decisions had to be taken that could have led to conflicts of interests, the Supervisory Board members affected did not participate in the voting. Apart from these decisions, all resolutions were adopted unanimously during the period under review.

Meetings and committees

In addition, specific topical issues were discussed at regular meetings between the Executive Board and the Executive Committee of the Supervisory Board. The Executive Committee of the Supervisory Board met twice and the Audit Committee met once during the period under review.

In our meeting on 18 September 2003, we discussed in detail an investment in Forum Wetzlar and approved the acquisition of a 65 % interest in Forum Wetzlar KG. The report on the first six months of 2003 was also discussed.

Foreword by the Supervisory Board

The meeting on 27 November 2003 addressed the report on the first three quarters of 2003 and planning for financial year 2004. In addition, we approved the acquisition of a 33 % interest in Ilwro Joint Venture Sp. z o.o, the owner of the Galeria Dominikanska shopping center in Wroclaw.

Appointments to the Executive Board

Following the unexpected death of Executive Board member Jürgen Wundrack, Dirk Hasselbring was appointed to the Executive Board in the Supervisory Board meeting on 18 June 2003. In this context, the areas of responsibility of the Executive Board members were reassigned. Claus-Matthias Böge was appointed Executive Board spokesman at the meeting on 27 November 2003.

Audit opinion issued

The Company's accounting and annual financial statements, the consolidated financial statements and the management reports for the Company and the Group as at 31 December 2003 were audited by KPMG, Deutsche Treuhandgesellschaft AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and issued with an unqualified audit opinion in each case. Representatives of the auditors attended the meeting of the Supervisory Board convened to discuss the financial statements and the meeting of the Audit Committee and provided explanations. The auditors' reports were provided to the Supervisory Board. The Supervisory Board concurs with the findings of this audit.

Approval of the annual and consolidated financial statements

The Supervisory Board reviewed and approved the annual financial statements of the Company as at 31 December 2003, the management report and the proposal on the utilisation of the unappropriated surplus prepared by the Executive Board. The annual financial statements have thus been adopted. In addition, the Supervisory Board reviewed and approved the consolidated financial statements as at 31 December 2003 and the Group management report.

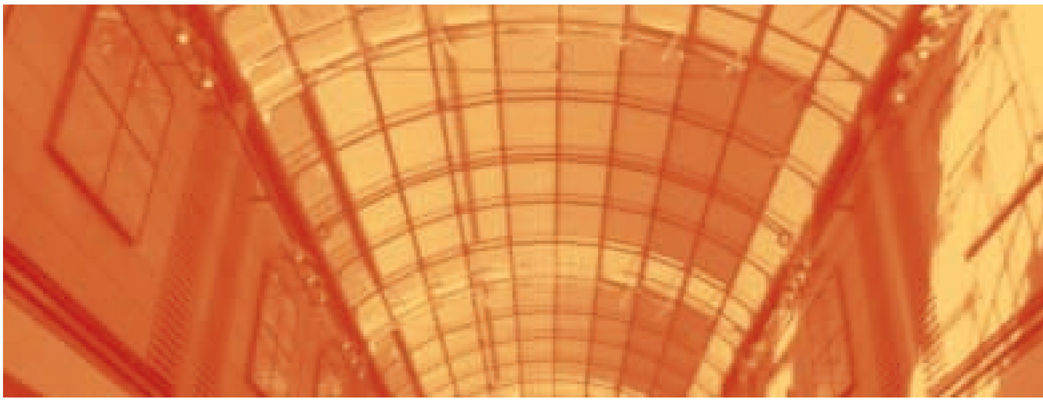
The Supervisory Board wishes to thank the Executive Board and the employees for their hard work and achievements for the Company in financial year 2003.

Eschborn, April 16, 2004

M. Zaß

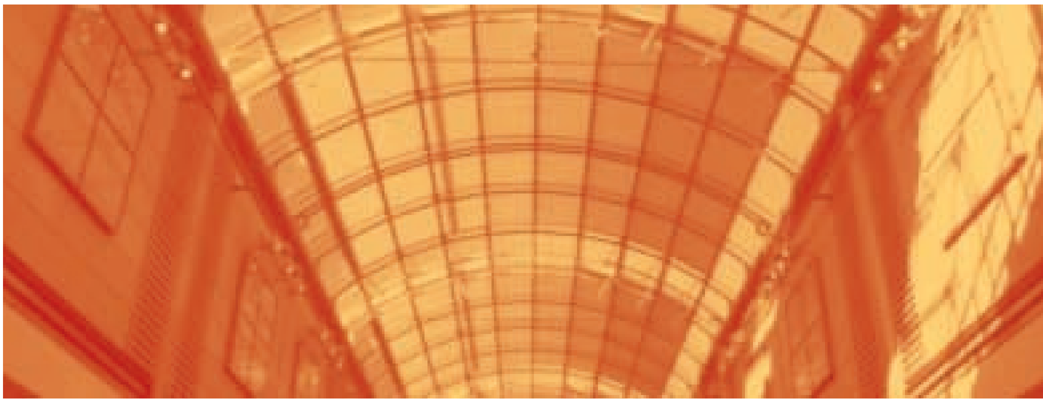
Manfred Zaß, Chairman

Deutsche EuroShop AG



The Shopping Center Share

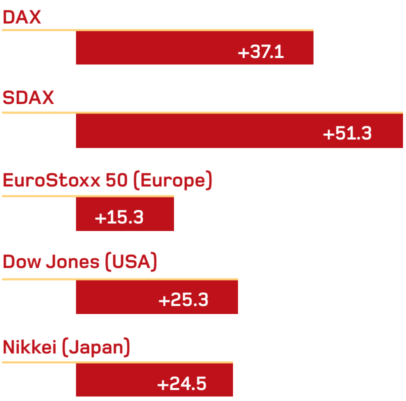
DES
Deutsche EuroShop AG



☰ The Shopping Center Share

The sentiment on the international financial markets brightened in the course of the year, with investors returning to the stock markets as economic conditions improved and the uncertainty caused by the war in Iraq eased. The most important equity indices closed the year on an upward note. Deutsche EuroShop's shares also recorded gains.

Development of stock markets
in %



German equity market outperforms international rivals

Of the world's most important stock markets, Germany's equity market gained the most ground with an increase in the DAX of over 37 % to just under 4,000 points. In the previous year, the DAX had fallen out of favour with investors, shedding more than 44 % of its value. The negative trend in 2002 continued until March 2003, when the DAX bottomed out at around 2,200 points. Economies across the globe began to pick up once uncertainty factors such as the war in Iraq and the spread of SARS had disappeared. On top of this, initial indications of an economic recovery in the USA lifted the stock markets slightly.

Rise in Deutsche EuroShop's share price

DES shares opened the year at €31.00 and remained stable throughout the first six months in spite of the unfavourable economic conditions. In the second half of the year, our share price began to improve as turnover increased, peaking at €34.60 in mid-November before closing the year at €34.00. Deutsche EuroShop's market capitalisation rose from €484 million at the end of 2002 to €531 million at 31 December 2003.

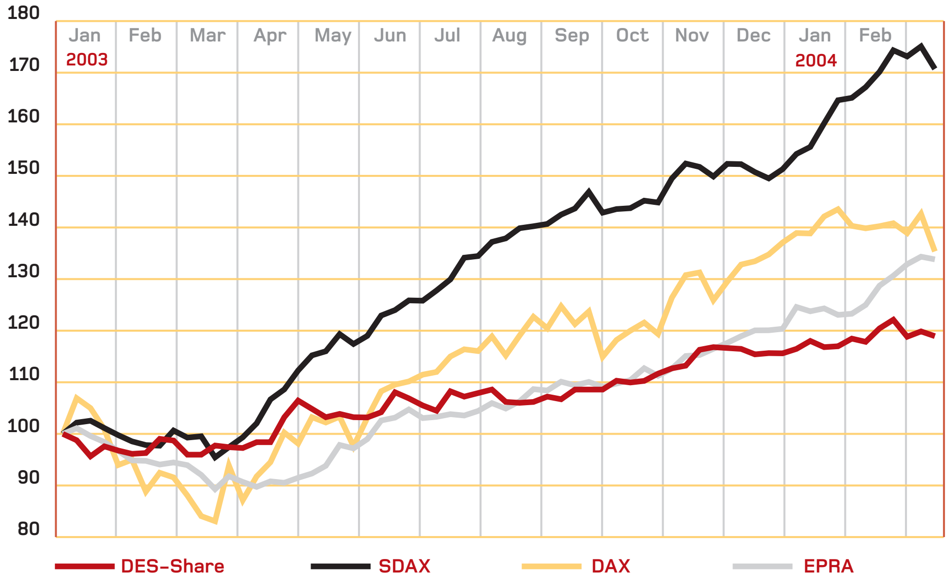
Performance nearly 16 %

Our share price rose by 9.7 % year-on-year. Adding the distributed dividend of €1.92 per shares results in a performance of 15.9 %. Compared with other listed German property companies and its European peer group *, Deutsche EuroShop's shares are in the upper and medium ranges respectively. Open-ended real estate funds, with which we are also competing for investor capital, recorded an average performance of 3.3 % in 2003.

* = Corio, Eurocommercial Properties, Klepierre, Liberty International and Rodamco Europe

Trend of the share

indexed (basis 2 January 2003 = 100)



New segmentation of Germany's equity market

Change to Prime Standard

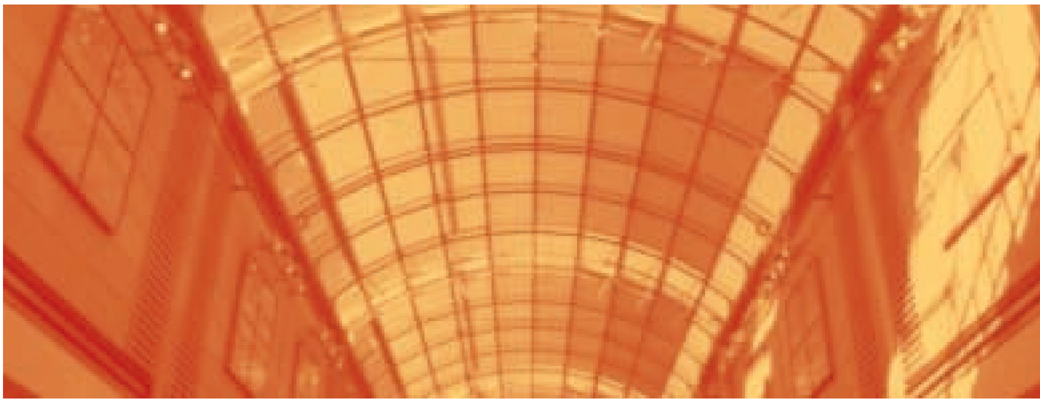
In early 2003, the first phase of Germany's new stock exchange regulations came into force with the launch of the Prime Standard and General Standard segments. Admission to the Prime Standard and the fulfilment of the stricter transparency requirements which this requires became the precondition for admission to a selection index.

Prime Standard, SDAX and EPRA index

DES admitted to SDAX

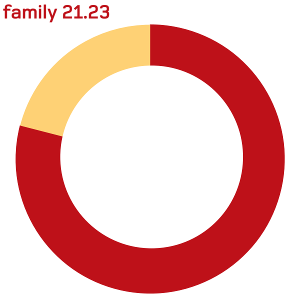
Deutsche EuroShop places great emphasis on up-to-the-minute information and the highest possible transparency in its dealings with shareholders. This is why we applied for admission to the Prime Standard in April, receiving a positive response only days later. This was the precondition for nomination for the first place in the SDAX to become free, which was published by Deutsche Börse in mid-May. When Buderus was taken over by Bosch, and hence no longer met the index criterion of a free float of at least 5 %, Fielman was promoted to the MDAX on 14 July 2003 and Deutsche EuroShop took its place in the SDAX. Since then, our shares have had the highest weighting of the 50 securities in this index, at around 7 %. And since 2 January 2004, they have also been included in the EPRA (European Public Real Estate Association) index, a key global index for property stocks.

Deutsche EuroShop AG



Trend of the share
in €

Shareholder structure
in %



An average of 9,100 traded shares per day

Change to the shareholder structure

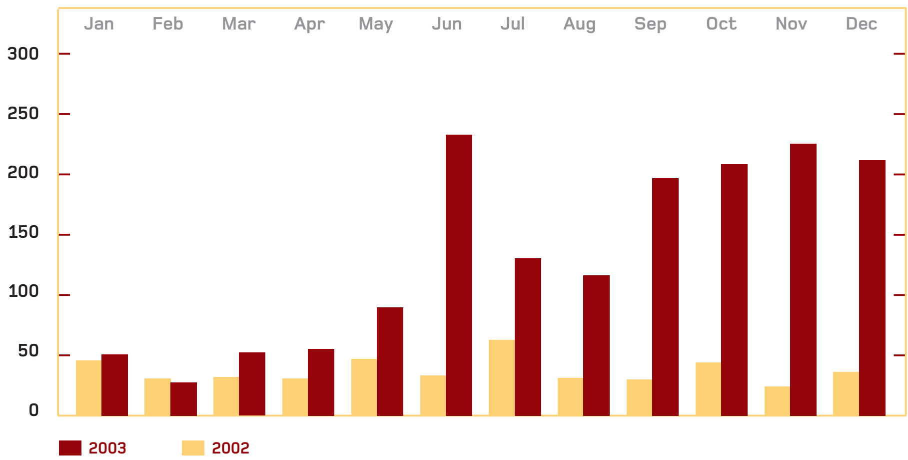
As part of its strategy of spinning off its industrial and non-core investments, Deutsche Bank sold its entire 44.8 % interest in our Company in three private OTC placements. This increased our free float to the current 78.77 %. According to our share register, the number of shareholders has grown by two-thirds from 3,600 at the beginning of 2003 to over 6,000.

Share turnover up sharply

Since our nomination for the SDAX, trading in our shares has risen steadily, more than tripling year-on-year. Daily trading volumes grew substantially over 2002, from 1,750 shares to an average of 6,200. In fact, since May 2003, the average daily trading volume has been 9,100 shares. We attribute this to our increased investor relations activities, our higher free float, our index membership, the ongoing support for our shares on Xetra since mid-January 2003 provided by our designated sponsor, securities trading bank Seydler AG, and our Company's increasing visibility.

Patrick Kiss

Share volume 2002 – 2003
in thousands

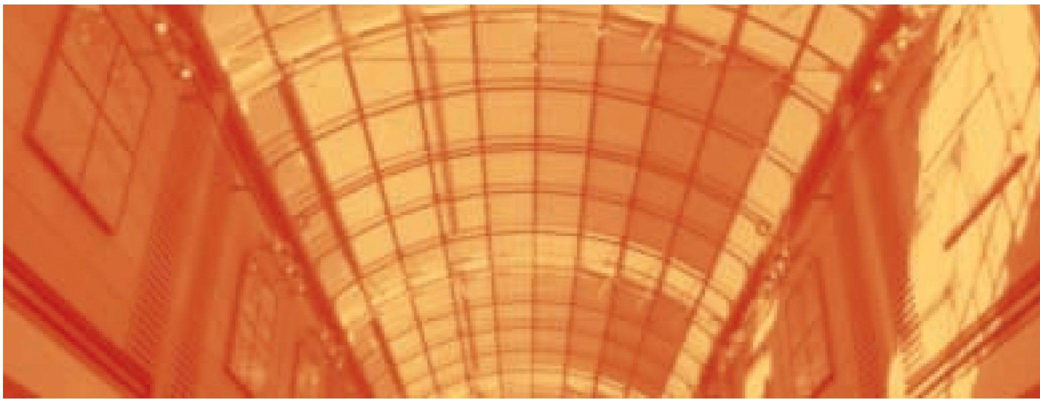


Visit our web site or call us:
Patrick Kiss
Tel.: +49 (0)40 – 41 35 79 20
Fax: +49 (0)40 – 41 35 79 29
E-Mail: info@deutsche-euroshop.de
Internet: www.deutsche-euroshop.com

Growing interest among market players
Deutsche EuroShop AG is enjoying steadily increasing popularity among analysts and journalists. Six analysts from well-known institutions in Germany and other European countries began covering our shares in 2003 and are reaching new groups of investors with their recommendations. Key financial and business media reported extensively on our Company. Our redesigned web site (www.deutsche-euroshop.com), which offers daily updates on Deutsche EuroShop and our shares, has met with a resounding response. Private investors in particular have frequently used the opportunity to contact us by phone or e-mail.

Since 2003 member of German Investor Relations Association

Active investor relations
Last year, we maintained regular contact with our shareholders at various events and conferences as well as via the relevant media. Roadshows in Germany and the Netherlands not only deepened links with our existing shareholders, but also resulted in valuable new investor contacts. Our commitment to open, transparent communication with our investors can also be seen from our membership of the Deutscher Investor Relations Kreis (DIRK – German Investor Relations Association), which we joined in 2003. The aim of this body is the systematic further development and professionalisation of capital market communication.



Investor fair with DAI in the Rhein-Neckar-Zentrum

We organised an investor fair in the Rhein-Neckar-Zentrum in Viernheim from 20-23 February 2003 in cooperation with Deutsches Aktieninstitut e.V. (DAI). More than 30 posters provided the up to 40,000 visitors a day to the center with information about Deutsche EuroShop and our shares in general. Employees of Deutsche EuroShop and local banks talked to a large number of interested visitors to the exhibition.

3. "Property Share Initiative" conference

The goal of the property share initiative launched in 2001 by Deutsche EuroShop among others, is to raise the visibility of listed German property companies. On 23 October 2003, the Initiative's third professional conference was held in Frankfurt am Main. Deutsche EuroShop and seven other German property companies presented themselves to around 150 industry experts, investors, analysts and journalists from Germany and abroad. In addition, the situation of listed property companies was discussed in detail in a number of workshops.

Enhanced inline investor relations

Live streaming of conference calls via Internet

In December 2003, we integrated new interactive components such as the performance calculator into our web site, www.deutsche-euroshop.com. In the future, we will intensify our use of the Internet for communication with investors. For example, we will broadcast the conference calls held every time our annual and quarterly results are published live from start to finish, so that they are available to the general public on our web site. This measure is designed to reinforce our drive towards transparency for all target groups.

Optimistic for 2004

Planned distribution of a dividend of €1.92 per share

Our goal for the current financial year is to communicate Deutsche EuroShop's positive outlook and potential to an even broader group of investors. While we expect only a slight upturn in the economy and in retail sales this year, we are confident that we will be able to increase shareholder confidence in us and push up Deutsche EuroShop's share price further by producing good operating results. As last year, the Executive Board and the Supervisory Board will propose the distribution of a (tax-free) dividend of €1.92 for financial year 2003 to the Annual General Meeting, which is to be held in Frankfurt on 17 June 2004. We hope that this high dividend payment – which represents a yield of 5.6 % on the 2003 year-end closing price of €34.00 – will send further positive signals to our investors.

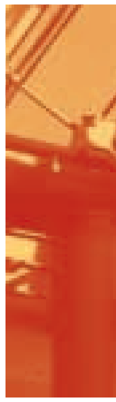
Deutsche EuroShop Shares – Key Figures

WKN / ISIN	748 020 / DE 000 748 020 4
Ticker symbol	DEQ, Reuters: DEQGn
Share capital in €	20,000,000
Number of shares (no-par value registered shares)	15,625,000
Indices	SDAX, EPRA, GPR 250, EPIX 30
Official market	Prime Standard, Frankfurt Stock Exchange and Xetra
OTC markets	Dusseldorf, Hamburg, Munich and Stuttgart

	2003	2002	2001
Market capitalisation (basis: year-end closing price) (€m)	531	484	477
High (€)	34.60 (18 Nov. 03)	37.15 (28 May 02)	39.50 (12 Mar. 01)
Low (€)	29.65 (09 Jan. 03)	27.80 (31 Oct. 02)	30.00 (21 Sep. 01)
Year-end closing price (31 Dec.) (€)	34.00	31.00	30.50
Dividend per share (€)	1.92	1.92	1.92
Dividend yield (31 Dec.) (%)	5.6	6.2	6.3
Annual performance excl./incl. dividend	9.7/15.9	1.6/7.9	-20.6/ -
Average daily trading volume (shares)	6,219	1,779	2,756
EPS (€)	-0.03	-0.18	-0.96
CFPS (€)	1.79	1.59	1.16
DVFA earnings per share	-0.03	-0.18	-0.96

All share price information relates to the Frankfurt Stock Exchange

Deutsche EuroShop AG



☰ Marketing

Our marketing activities in 2003 focused on intensive investor relations work, as described in the section entitled "The Shopping Center Share". Our other main goals were to establish the Deutsche EuroShop brand, increase the Company's visibility and improve recognition. With these in mind, we developed a new corporate design, re-launched our Web site and further intensified our advertising and PR activities.

New corporate design

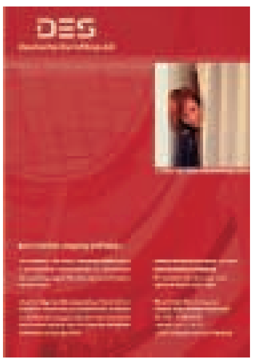
The core elements of the new corporate image we developed in 2003 are the red colour and the Deutsche EuroShop logo, which makes a fresh, contemporary impression with the bold, unique design of the abbreviation "DES". The logo and colour together feature in almost all our communication instruments, including our redesigned Web site.

New interactive Web site features

www.deutsche-euroshop.com

Our Web site provides not just all you need to know about our shopping centers, our Company and our shares, but also press reviews, research reports and topical presentations. Since July 2003, all the information we publish on the Internet is also available in English. We provide a free e-mail newsletter to keep our shareholders and interested parties up to date with new developments.

Image advertisements build brand



To support our corporate brand and to Deutsche Euro Shop's visibility, we placed image and financial advertisements in selected print media for specific target groups. Our main aim was to bring across the quality of our properties and the "shopping" experience and to create a positive association with Deutsche EuroShop. Since most of the advertisements came out around the same time as events and editorial contributions or were related to these content-wise, we were able to improve recognition substantially as well as generating a positive image and confidence in our offering.

Promoting regional ties

"The double benefits of shopping"

We regularly displayed copies of our brochure "Vom Einkauf doppelt profitieren" ("The double benefits of shopping") at the information stands in our centers with the goal of reaching the more than 250,000 visitors to our seven operational shopping centers in Germany and awaken their interest in Deutsche EuroShop shares. This move met with a consistent positive response. Numerous prospective shareholders took the opportunity to fill in a reply card and receive further information material on our Company, and some have since invested in Deutsche EuroShop shares. The information brochure also increased customers' regional ties to Deutsche EuroShop and increased the brand recognition.

Growing media interest

Growing interest from business and financial journalists

Deutsche EuroShop is enjoying constantly growing interest in the Company from business and financial journalists'. Major publications such as Börse Online, Capital, DMEuro, Die Welt, Euro am Sonntag, Handelsblatt, Platow-Brief and Wirtschaftswoche reported on our Company in 2003. We improved the quality and the quantity of our media presence as against 2002 thanks to a large number of meetings with and presentations to media representatives.

Property journalists acknowledge Deutsche EuroShop's press work

Award for "most active press work"

We presented Deutsche EuroShop to property journalists at specialist conferences such as that of the Immpresseclub, the interest group for property journalists, on 14 May 2003 in Berlin. In this content, we are particularly pleased that we came second in the "most active press work" category for listed property companies in the 2003 annual survey by property journalists of the Wissenschaftliche Vereinigung zur Förderung des Immobilienjournalismus e.V. (WVFI - the Academic Association for the Promotion of Real Estate Journalism), and thus rank among Germany's top three companies.

Staying on track

Deutsche EuroShop's range of marketing activities further helped to establish the Company's brand. We intend to continue this course in the future with new ideas and campaigns.

Corporate Governance

Deutsche EuroShop has always aimed to practise and uphold good corporate governance. This is why we support all additions to the German Corporate Governance Code that help to increase transparency and reinforce investor confidence.

Corporate Governance Code applied right from the start

The German Corporate Governance Code, was adopted for the first time in 2002 by an independent commission at the instigation of the Federal government, as a framework for good, value-driven corporate management. Deutsche EuroShop complies with the Corporate Governance Code as extended in July 2003 with only a few exceptions (see declaration of conformity, page 21). The declaration of conformity in accordance with section 161 of the Aktiengesetz (German Public Companies Act) is published on our Web site at www.deutsche-euroshop.com and updated each time a change is made. Deutsche EuroShop adopted the German Corporate Governance Code in December 2002 with its initial declaration of conformity and complies with it apart from the exceptions listed in the declaration.

Management and control structure

Supervisory Board

In line with German company law, Deutsche EuroShop has a dual management and control structure comprising two executive bodies, the Executive Board and the Supervisory Board. The Supervisory Board consists of six members.

Supervisory Board members are elected for a term of office lasting five years. The Supervisory Board generally meets four times a year. The duties and working practices of the Supervisory Board and its committees are governed by its rules of procedure. The Supervisory Board supervises and advises the Executive Board on its management of business activities. The Supervisory Board regularly discusses business developments, planning, as well as business strategy and its implementation. It reviews the quarterly reports and approves the annual planning and the annual and consolidated financial statements of Deutsche EuroShop AG after consideration of the auditor's reports and the results of the review by the Audit Committee. The Supervisory Board's activities also include the appointment and the remuneration of the members of the Executive Board and the definition of their responsibilities. Significant decisions by the Executive Board – e.g. acquisitions, divestitures and financing – require the approval of the Supervisory Board.

Establishing of two committees

The Supervisory Board has established two committees. Their tasks and responsibilities are set out in the rules of procedure for the Supervisory Board.

The Executive Committee of the Supervisory Board, to which the Chairman of the Supervisory Board, his deputy and another Supervisory Board member belong, has the task of discussing and, if appropriate, passing resolutions on, urgent business matters. It is also responsible for concluding, amending and revoking the contracts of employment and pension agreements of the Executive Board.

The Audit Committee comprises three Supervisory Board members. This Committee is responsible for issues relating to accounting, auditing and the preparation of the annual and consolidated financial statements of Deutsche EuroShop AG. Former members of the Company's Executive Board and the Chairman of the Supervisory Board may not chair the Audit Committee. The Audit Committee resolves on the granting of the audit engagement to the auditor, specifying the focus of the audit if appropriate, and ensures the requisite independence of the auditor. This Committee prepares the review of the annual and consolidated financial statements by the Supervisory Board in consultation with the auditors of Deutsche EuroShop AG.

Executive Board

Spokesman for the Executive Board appointed

The Executive Board of Deutsche EuroShop AG comprises two members and is the Group's management body. The Executive Board is bound to observe to the interests of the Company and aims to increase its enterprise value in the long term. In its meeting on 27 November 2003, the Supervisory Board resolved to appoint a spokesman for the Executive Board who reports on important business matters directly to the Chairman of the Supervisory Board.

The responsibilities of the Executive Board include the Company's strategic orientation, the planning and definition of the Company's budget and the management of its investment portfolio. The Executive Board is responsible for the preparation of the quarterly, annual and consolidated financial statements, as well as for all human resources issues within the Company. The Executive Board acts in line with the rules of procedure issued for it in 2001. These also comprise an organisational chart for the Executive Board that precisely allocates responsibilities as stipulated by the Supervisory Board in September 2003.

The Executive Board works in close cooperation with the Supervisory Board. It provides regular, timely and comprehensive reports to the Supervisory Board on all issues of relevance to the whole Company relating to the business strategy and its implementation, planning, business developments, the Company's financial position and results of operations and risks to which the Company is exposed.

Relationships to shareholders

Deutsche EuroShop reports to its shareholders on the Company's business development, financial position and results of operations four times a year in line with a set financial calendar. The Executive Board regularly informs investors, analysts and the press of annual and quarterly results. In addition, information that may influence the Company's share price is published in the form of ad hoc disclosures.

The annual Ordinary General Meeting generally takes place in the first six months of the financial year. Each share has one vote (principle of "one-share-one-vote"). Shareholders who have entered their names in the share register and have registered in good time are entitled to attend the Annual General Meeting. The Executive Board enables shareholders to exercise their voting rights in absentia through proxies who follow the shareholders' instructions. The Annual General Meeting is chaired by the Chairman of the Supervisory Board. The Annual General Meeting resolves on all matters assigned to it by law with binding effect for all shareholders and the Company. These include in particular the utilisation of the unappropriated surplusprofit, the formal approval of the actions of the Executive Board and the Supervisory Board and the appointment of the auditor. Amendments to the Articles of Association and capital changes are resolved exclusively by the Annual General Meeting and implemented by the Executive Board with the consent of the Supervisory Board.

Regular meetings with analysts

The Executive Board holds regular meetings with analysts and institutional investors as part of our investor relations activities. An analyst conference was held for the first time in 2003; this will now be an annual event. A conference call for analysts is also organised each time quarterly results are published. We make available financial information and other economically relevant information on the Deutsche EuroShop Group on our Web site.

Risk management

The Company has a system for recording and controlling business and financial risks, which is explained on page 58 et seqq. of this Annual Report. The components of the risk management system are designed in such a way that business risks are recognised and managed at an early stage to ensure that the Company's business goals can be met.

Accounting

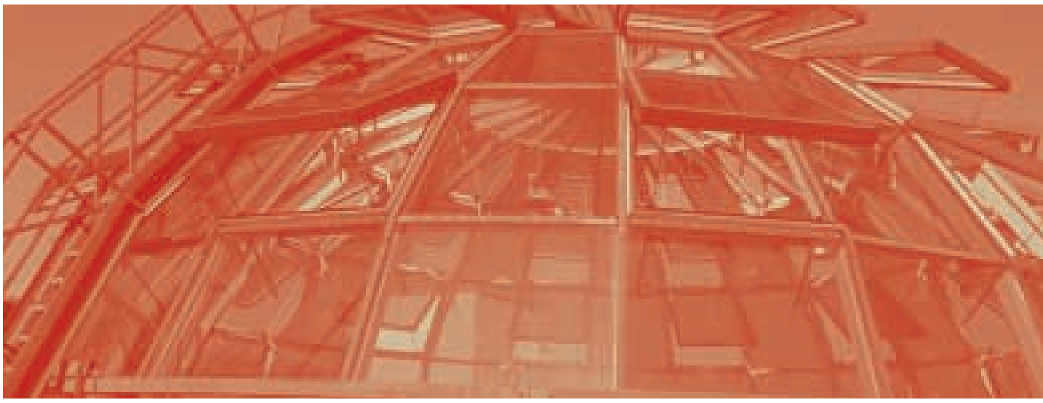
The Company's accounts and the financial statements of Deutsche EuroShop AG are prepared in line with the accounting provisions of the German Commercial Code (HGB). The Executive Board is responsible for the preparation of the financial statements.

Declaration of Conformity with the German Corporate Governance Code

The Executive Board and the Supervisory Board have resolved the following declaration of conformity in accordance with section 161 of the Aktiengesetz:
Deutsche EuroShop AG conforms with the recommendations of the German Corporate Governance Code in the version dated 4 July 2003 with the following exceptions:

- No D&O insurance has been taken out for the members of the Executive Board and the Supervisory Board (section 3.8).
- The variable portion of the remuneration of the Executive Board does not include stock options (section 4.2.3).
- Membership of committees is not taken into account when determining the remuneration of the Supervisory Board (section 5.4.5 (1)).
- The Supervisory Board receives remuneration that is determined by the Annual General Meeting. To date, no performance-based components have been granted (section 5.4.5 (2)).
- The consolidated and interim financial statements are currently prepared in accordance with the German Commercial Code (HGB); as from financial year 2005 the Company will prepare its financial reporting in accordance with the IFRSs (section 7.1.1).
- The consolidated financial statements are published within 120 days after the end of the financial year, while the interim financial statements (half-yearly report) are published within 60 days after the end of the reporting period (section 7.1.2).
- No stock option programmes or similar share-based incentive systems are currently in place at the Company (section 7.1.3).

Deutsche EuroShop AG



The Centers

☰ Feature

New investment in Forum Wetzlar Shopping Center

From the architect's plan to the investment decision: a look at how we invested in Forum Wetzlar reveals the process used by Deutsche EuroShop prior to any financial investment

The investment criteria must be fulfilled

Any investment decision depends on a variety of factors, but our investment guidelines have absolute priority. The key points of these guidelines are as follows:

- We invest exclusively in shopping centers.
- The leasable space should not be less than 10,000 m^2, of which not more than 15 % may be used as office space or for other non-retail purposes.
- Final planning permission must have been received for center developments.
- Centers under development must have a pre-leasing rate of at least 50 %, and operational centers a leasing rate of at least 80 %. In the case of the latter, at least 25 % of space must also have a remaining lease term of over five years.
- The locations must have a sustained catchment area of no fewer than 100,000 inhabitants.
- Purchase decisions are made on the basis of recent location appraisals, market analyses and a detailed economic, financial, legal and tax review.

The Centers

From left to right:

Karl-Heinz Eberlein (builder), Wilfried Schmid (chairman of the regional council), Claus-Matthias Böge (spokesman of Deutsche EuroShop's Executive Board), Wolfram Dette (Lord Mayor), Alexander Otto (Chairman of the Director's Board of ECE), Udo Volck (Chairman of the City Council) und Rüdiger Rehm (builder).

Plentiful supply, strong demand

Attractive offers in Germany and Europe

The broad bandwidth of shopping centers sellers means that up to now there has been no shortage of attractive offers in Germany and Europe. Potential sellers include project development companies, estate agents and investors wishing to realise their investments. On the other hand though, there are also a large number of potential buyers, such as property funds, insurance companies, foreign property companies and private investors. Our largest competitors for attractive shopping centers in prime locations are open-ended property funds.

Basics first

When acquiring a shopping center, we start by looking at the basic conditions. These include the investment volume, the size of the investment offered and the forecast return. In addition, the functionality of the building's floor plan, the microlocation, the transport network, the planning situation, information on the occupancy rate, as well as the terms and basic conditions of the rental contracts concluded are also reviewed.

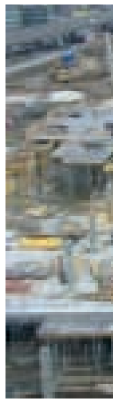
Appraisal by independent experts

Analysis of the location, the market and the project

Retail appraisals by independent experts (in the case of Forum Wetzlar: GfK Prisma Institut), are used as the basis for an analysis of the location, the market and the project, and key data on the catchment area, purchasing power, competitive situation and rental prospects is examined in detail.

Good sector mix with 110 shops

Forum Wetzlar will provide, about 23,500 m^2 of retail space for around 110 specialist shops. A broad range of sectors will be represented at the center with attractive



specialist markets, chain stores and local retailers spread across two storeys. The location of the anchor tenants promises a balanced number of visitors to both levels. Visitors to the shopping center will have around 1,700 parking spaces at their disposal.

Anchor tenants already secured

At the time of our initial review, contracts had already been signed with well-known anchor tenants such as Media Markt and Kaufland. Retailers from a variety of sectors had also made a large number of binding offers for rental contracts for small and mid-sized shops. All in all, the occupancy rate had already topped 50 %.

Location, location, location

Excellent quality of location due to outstanding access to transport

The town of Wetzlar in Hesse is the center of the surrounding region and has a catchment area of over 400,000 inhabitants. The historic old town attracts large numbers of tourists. The excellent quality of the location is due to the outstanding access to national highway 49, one of the most important transport links in the entire catchment area. The plans, which had already been granted planning permission at the time of our review, provide for a uniform, efficient retail concept that meaningfully enhances the city center's retail facilities and creates a link between the pedestrian zone and the area around the train station. For more information on the property, see the detailed description on page 33.

Center management: a critical success factor

ECE stands for a successful team work

Another key factor determining a shopping center's long-term success for us is the quality of its center management, which is why we are only prepared to entrust a task of such importance to experienced specialists. The center management company is responsible for leasing the individual shops, for the continuous optimisation of the sector mix, the ongoing maintenance of the property and, last but not least, for marketing the shopping center as a thriving marketplace in the region concerned. Since we were able to tie ECE Projektmanagement, which also developed Forum Wetzlar, to the property for the long term via a center management contract, this question could also be answered positively. We can look back on high-quality, successful cooperation for other properties in our portfolio.

The Centers

Risk should remain manageable

Contract review
After all basic conditions and the information contained in the retail appraisal argued in favour of the project, negotiations on an investment began. One key issue for us was that the risks should remain manageable at all times. External consultants were involved in the negotiations and these also examined the legal aspects of the property purchase agreement, the existing rental contracts and the other key contracts.

Direct or indirect investments
Normally, a property can only be purchased via a direct or indirect investment in a property management company. In the case of Forum Wetzlar, we were able to become a shareholder in the property management company concerned, now Forum Wetzlar AG, at the time of our investment in the course of a capital increase implemented at this company. In other cases, however, an investment can be made by acquiring existing interests in a company.

Acquisition of the investment with effect from 1 October 2003

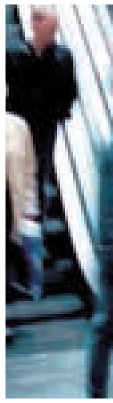
Tracking developments
Following our acquisition of the investment with effect from 1 October 2003, we are now updated on the development of the construction project at regular intervals. We receive monthly project reports, as well as information on the current occupancy rate, the development of construction costs and the progress of construction. We also visit the site to gain a personal impression of the status of the work.

Current occupancy rate of over 70 %

Completion before Easter 2005
The construction work in Wetzlar has gone very smoothly up to now. Progress is in line with the dates set with the lead contractor. The foundation stone was laid on 20 January 2004; the topping-out ceremony will take place in June 2004. As things stand today, the shopping center will be finished and opened before Easter 2005. Given the current occupancy rate of over 70 %, we are assuming that this property will also be fully leased well before its grand opening, that the calculated rents will be achieved and that the investment costs will remain within budget.

We are looking forward to the grand opening of Forum Wetzlar in the spring of 2005.



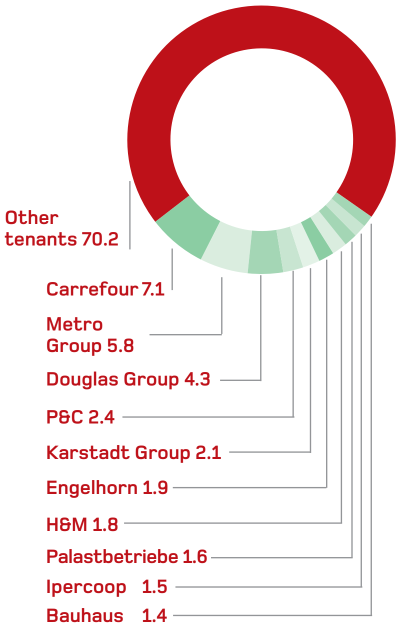


Deutsche EuroShop AG

☰ The Centers

We invested approximately € 72 million in financial year 2003, expanding our portfolio by three interests in shopping centers in Germany and Poland. We now hold interests in 14 shopping centers in five European countries with leasable space of over 517,000 m² and around 1,220 shop units.

Tenant mix by rental income *
in %, 31 Dec. 2003



ECE online:
www.ece.de

Focus on Germany

Our investment strategy is clearly focused on Germany, which is why we have invested 73 % of our equity in this country. The Rhein-Neckar-Zentrum is our largest investment property. All in all, the leasing rate for our 14 shopping centers is over 99 %. These centers are located in catchment areas that are home to almost 12 million people.

Overview	Abroad	Germany	Total
Leasable space	119,200 m²	397,800 m²	517,000 m²
Parking spaces	5,370	15,260	20,630
No. of shops	around 370	around 850	around 1,220
Occupancy rate *	100 %	99 %	99 %
Catchment area	2.9 m inhabit.	8.8 m inhabit.	11.7 m inhabit.

* = not including properties under construction

Low level of dependence on the top 10 tenants

Thanks to our diversification, our dependence on individual tenants remains low, as can be seen from the chart on the left.

External center management

Active, reliable center management is crucially important for our steadily growing portfolio. ECE Projektmanagement, Europe's market leader in this area, is responsible for a total of eleven of our centers. The rest are managed by Carrefour, Espansione Commerciale and Unibail.

ECE Projektmanagement

ECE Projektmanagement G.m.b.H. & Co. KG has been designing, implementing, leasing and managing retail and service centers for around four decades. The company is the market leader in Europe, managing over 70 shopping centers in city centers and suburbs.

* = Rounded up or down to the nearest whole number

The Centers

ECE is famous for its loyalty to its locations and for the financial success of the shopping centers it manages. 7,100 tenants generate annual sales of around € 8.4 billion on total retail space of around 2 million m² in all ECE centers.

Carrefour online:
www.carrefour.com

Carrefour

Centro Commerciale Friuli in Northern Italy is managed by Carrefour, the center's primary tenant. Under the master rental contract, which covers around 50 other tenants, Carrefour is also our single largest tenant. The company is Europe's largest retail chain and the second largest in the world. It employs around 420,000 people and generated total sales of approximately € 79 billion in 2003.

Espansione Commerciale online:
www.espansione.com

Espansione Commerciale

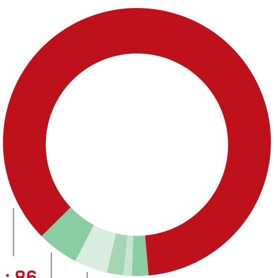
The management of the Italian Centro Commerciale Tuscia has been transferred to Espansione Commerciale S.r.l. Founded almost 20 years ago, this company currently manages 37 shopping centers in Italy and Eastern Europe with a total retail space of 650,000 m² and annual sales of around € 3.2 billion.

Unibail online:
www.unibail.fr

Unibail – Espace Expansion

Shopping Etrembières in Annemasse, France, is managed by Espace Expansion. As one of France's leading management companies in this sector, Unibail has successfully managed shopping centers for 30 years. The subsidiary of the French company Unibail Holding currently manages 28 centers which generate annual sales of € 3.5 billion.

Term of contracts
as % of rental income, 31 Dec. 2003



Publicity events attract visitors

The successful cooperation with experienced center managers enables us to attract anchor tenants such as Media Markt, Saturn, Karstadt, Peek & Cloppenburg, Hennes & Mauritz, Kaufhof, Douglas and many more to our shopping centers for the long term. The tenants' advertising associations that have been set up in each center ensure a stream of attractive publicity events such as exhibitions, fashion shows and events by regional associations. On peak days, individual centers can attract up to as many as 60,000 visitors.

Long-term contracts guarantee rental income

Rental agreements are generally of a long-term nature. As the following diagram shows, 86% of rental income is contractually guaranteed until 2009 at the least.

Deutsche EuroShop AG

☰ The Centers at a Glance

→ Germany

Rhein-Neckar-Zentrum Viernheim

Investment:
92.8 %

Leasable space:
around 64,000 m²

of which retail space:
around 60,000 m²

No. of shops:
around 100

Occupancy rate:
100 %

Catchment area:
around 1.4 million inhabitants

Grand opening:
1972, renovation/expansion 2000–2003

Following its renovation from 2000 to 2003, the Rhein-Neckar-Zentrum has become even more attractive and has further expanded its excellent market position. The success of the modernisation projects is already reflected in sales figures for 2003. Expiring rental contracts enabled us to further optimise the sectoral mix during the year under review, further strengthening fashion in particular.

The Centers


Main-Taunus-Zentrum Sulzbach

Investment:
37.4 %

Leasable space:
around 93,900 m²

of which retail space:
around 73,000 m²

No. of shops:
around 100

Occupancy rate:
100 %

Catchment area:
around 2.2 million inhabitants

Grand opening:
1964, renovation/modernisation in 2001, 2003/2004

January 2003 saw the continuation of the renovation and restructuring measures for the Main-Taunus-Zentrum, which were initiated and partially completed back in 2001. A three-storey Breuninger lifestyle house (shop-in-shop concept) is being built in the northern part of the center, with completion scheduled for autumn 2004. Construction is also underway on a MiniMal grocery market that will be the largest and most modern MiniMal in Germany once it is finished in early 2004. In addition, the shop units in the direct vicinity will be enlarged and modernised by moving the shop fronts forward.

City-Galerie Wolfsburg

Investment:
89.0 %

Leasable space:
around 30,000 m²

of which retail space:
around 20,000 m²

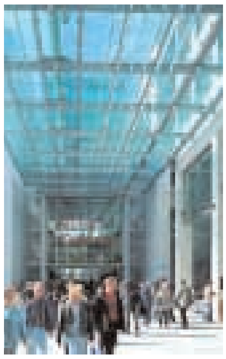
No. of shops:
around 90

Occupancy rate:
100 %

Catchment area:
around 0.6 million inhabitants

Grand opening
2001

Following its successful grand opening in 2001, the market penetration phase of the City-Galerie is now underway. In particular the major tenants – Intermarché, ProMarkt, Modehaus Hempel, SportScheck and New Yorker – and the wide variety of fashion shops are attracting large numbers of customers. Ladies' outer wear is an area in which we plan to further optimise our offering. Visitor numbers and tenant sales continued to develop positively in 2003. Promotions such as "Cold-blooded – The jungle has come to Wolfsburg" or "Fashion spring" were hugely popular and attracted scores of customers to the center.




Altmarkt-Galerie Dresden

Investment:
50.0 %

Leasable space:
around 43,800 m²

of which retail space:
around 26,000 m²

No. of shops:
around 100

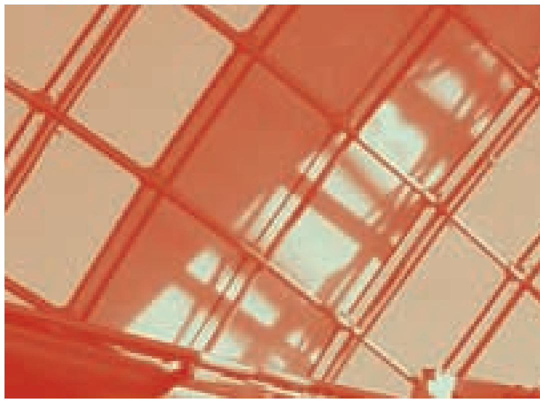
Occupancy rate:
100 % of retail space
95 % of office space
97 % in total

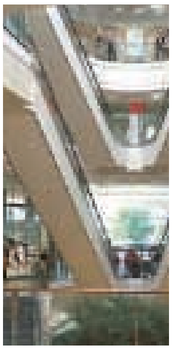
Catchment area:
around 1.0 million inhabitants

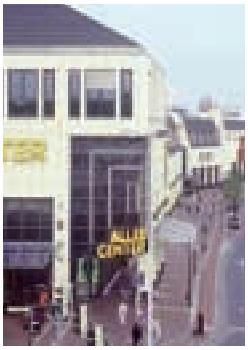
Grand opening:
2002

Since its grand opening in September 2002, the center has recorded higher than average visitor numbers, with sales well in excess of expectations. The Altmarkt-Galerie with its wide range of goods is a major part of central Dresden's retail offering, acting as a magnet for shoppers. Altmarkt-Galerie is increasingly becoming a fashion center on the back of its broad spectrum of clothes shops. Thanks to the mix of sectors represented – which has been evenly balanced since the very beginning – there has been no need for optimisation up to now.

DES
Deutsche EuroShop AG







City-Arkaden Wuppertal

Investment:
72.0 %

Leasable space:
around 28,600 m²

of which retail space:
around 20,000 m²

No. of shops:
around 90

Occupancy rate:
100 %

Catchment area:
around 0.7 million inhabitants

Grand opening:
2001

In its second full year of operation, City-Arkaden boosted visitor numbers by around 15% year-on-year. Now, around 30,000 customers visit the center every day, increasing to as many as 45,000 during the Christmas period. A major contributory factor to the center's success is the constant stream of promotions such as "Diamond Fever" or the music festival. Sales in this center also improved compared with the previous year.

Allee-Center Hamm

Investment:
87.7 %

Leasable space:
around 34,800 m²

of which retail space:
around 21,000 m²

No. of shops:
around 80

Occupancy rate:
100 %

Catchment area:
around 1.0 million inhabitants

Grand opening:
1992, renovation/restructuring 2002-2003

The restructuring measures initiated in 2002, when around 40 rental contracts expired, were successfully completed in March 2003. The move to larger leasable areas gave numerous businesses a new look, and also enabled us to attract new tenants. We strengthened our offering of specialist fashion shops in particular. In 2003, various regional advertising campaigns were carried out in connection with charitable institutions such as UNICEF. These were hugely successful and went down very well with visitors.

Phoenix-Center Hamburg

Investment:
50.0 %

Leasable space:
around 39,000 m²

of which retail space:
around 26,500 m²

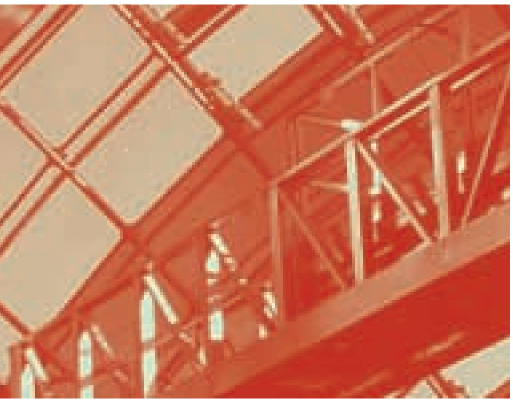
No. of shops:
around 120

Occupancy rate:
currently 90 % (Feb. 2004)

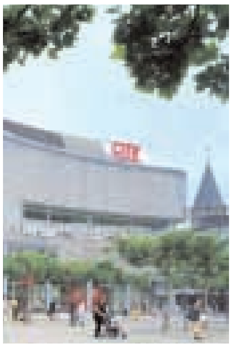
Catchment area:
around 0.6 million inhabitants

Grand opening:
October 2004

Work on Hamburg-Harburg's largest construction site is going according to schedule. October 2004 will see the grand opening of a shopping and leisure area comprising over 120 specialist shops, cafés and restaurants on the city site between the train station and the pedestrian zone. In addition to known names, the Phoenix-Center will offer interesting regional shop concepts. With its glass façade, the center will bring a contemporary, big-city touch to the area and make central Harburg more appealing. Following completion, Hamburg's new shopping magnet will create around 1,000 new jobs.



The Centers



Forum Wetzlar

Investment:
65.0 %

Leasable space:
around 34,300 m²

of which retail space:
around 23,500 m²

No. of shops:
around 110

Occupancy rate:
currently 70 % (March 2004)

Catchment area:
around 0.5 million inhabitants

Grand opening:
Spring 2005

1 July 2003 saw the start of construction for Forum Wetzlar. The foundation stone was officially laid on 20 January 2004. The two-storey center is scheduled to be opened in the spring of 2005 and will then accommodate around 110 specialist shops. Over 70 % of shop space has already been leased to prominent retail companies on a long-term basis. These include a self-service department store operated by Kaufland and a Media Markt store. Up to now, Wetzlar's shopping area has a lower than average number of chain stores. Forum Wetzlar will make up for this. Positive construction conditions to date lead us to expect that the shopping center will be opened on schedule.

City-Point Kassel

Investment:
40.0 %

Leasable space:
around 29,400 m²

of which retail space:
around 20,000 m²

No. of shops:
around 60

Occupancy rate:
100 %

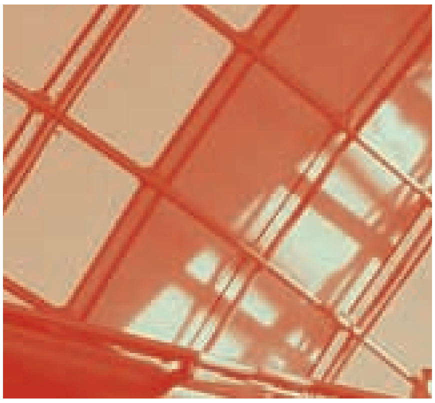
Catchment area:
around 0.8 million inhabitants

Grand opening:
2002

City-Point's first full financial year was a success. In 2003, we succeeded in attracting further high-quality retailers focusing on fashion in particular to City-Point. A health food shop and a new restaurant round off the selection. A variety of events in the center itself and in the adjoining Königsplatz square attract visitors to the center. The longer Saturday shopping hours introduced on 1 June 2003 have increased visitor numbers year on year by 50 % in some cases, which in turn has substantially boosted our tenants' sales.

→ Abroad

Deutsche EuroShop AG



→ Abroad

Centro Commerciale Friuli, Udine, Italy

Investment:
92.8 %

Leasable space:
around 28,600 m²

No. of shops:
around 50

Primary tenant:
Carrefour

Occupancy rate:
100 %

Catchment area:
around 0.3 million inhabitants

Grand opening:
1993

This center is rented to the Carrefour Group on a long-term lease under a master rental contract. Its huge popularity continued in 2003, due not least to its broad offering for people of all ages. Following a number of leaks, we decided in the summer of 2003 to renew large parts of the roof of the center. This work was performed during ongoing operations without tenants or customers experiencing any negative effects and was completed in early 2004.

Centro Commerciale Tuscia, Viterbo, Italy

Investment:
99.9 %

Leasable space:
around 15,200 m²

No. of shops:
around 40

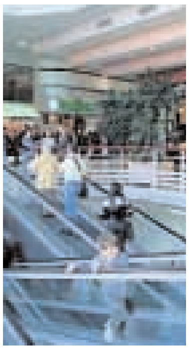
Occupancy rate:
100 %

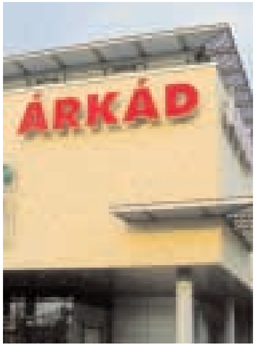
Catchment area:
around 0.3 million inhabitants

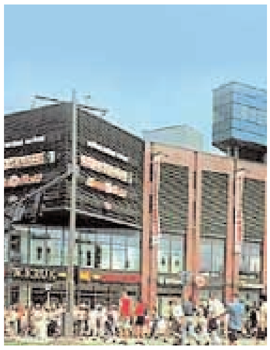
Grand opening
1998

Centro Commerciale Tuscia continued its positive development in the year under review. The area around the shopping center has changed radically over the past few years. The direct vicinity includes a university with around 10,000 students, a new housing area with private apartments and the new administrative center for the Viterbo region. In spite of all this development, Viterbo has retained its former charm and is increasingly becoming a tourist magnet. The center is a popular family meeting point and destination for excursions. One anchor tenant is an Ipercoop self-service department store with retail space of over 4,000 m². This is the only center in the catchment area that has such a wide variety of shops.

The Centers







Shopping Etrembières
Annemasse, France

Investment:
92.8 %

Leasable space:
around 8,600 m² plus around 8,000 m² of the Migros self-service department store

No. of shops:
around 50

Occupancy rate:
100 %

Catchment area:
around 0.75 million inhabitants

Grand opening:
1994

Conveniently located near the border with Switzerland and only about six kilometres from Geneva, the center attracted large numbers of visitors from France and Switzerland every day in 2003. Naturally, the center also benefits from the growth of the Annemasse region. Customers value the well-kept three-storey shopping center with its national and international tenants. Cafés and restaurants round off the offering and invite visitors to come in and relax.

Árkád
Pécs, Hungary

Investment:
50.0 %

Leasable space:
around 34,200 m²

No. of shops:
around 120 specialist shops

Occupancy rate:
100 % of retail space
98 % in total

Catchment area:
around 0.5 million inhabitants

Grand opening:
March 2004

Following the ground-breaking ceremony in October 2002, the laying of the foundation stone in March 2003 and the completion of the shell in June 2003, the Pécs Árkád were opened on 31 March 2004 according to plan. In addition to several major tenants such as Interspar, Media Markt and C&A, we have succeeded in attracting other international retailers such as Douglas, Rossmann, Deichmann, Mexx and many more to the center. The Pécs Árkád substantially strengthen Pécs' retail offering. As is the case for all our shopping centers, the Pécs arcades were fully leased at the time of their grand opening.

Galeria Dominikanska
Wroclaw, Poland

Investment:
33.3 %

Leasable space:
around 32,600 m²

No. of shops:
around 100

Occupancy rate:
100 %

Catchment area:
around 1.0 million inhabitants

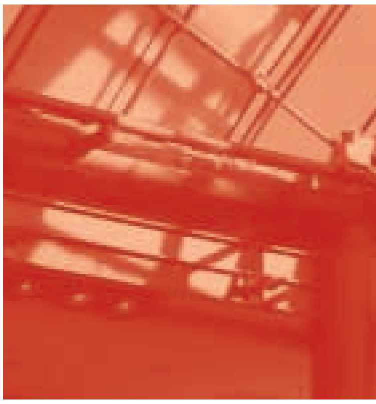
Grand opening:
2001

We added Galeria Dominikanska in Wroclaw to our portfolio in December 2003. At its grand opening in August 2001, the center immediately became the market leader with its excellent mix of national and international chain stores such as Media Markt, C&A and Douglas, as well as individual shops from Wroclaw and the surrounding area. It has developed into a popular meeting place for family shopping in central Wroclaw and has has a positioning advantage as against the shopping centers in non-integrated locations at the edge of the town. Between 30,000 and 40,000 visitors come to the center daily, around 60 % of whom are regular customers.

Deutsche EuroShop AG

Group Management Report

Deutsche EuroShop AG



☰ Macroeconomic Environment

The German economy developed positively from mid-2003 onwards, despite being weighed down by factors such as unemployment, higher taxes and charges, and consumer uncertainty.

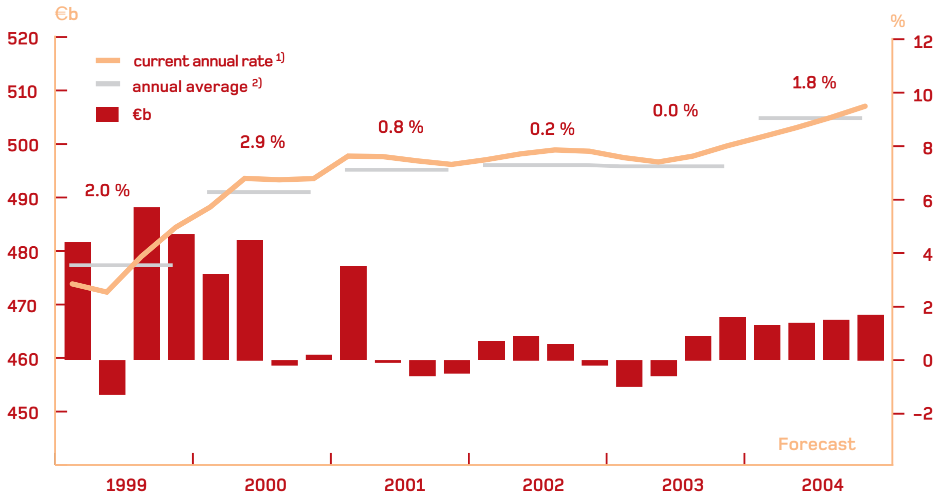
Little change in gross domestic product

GDP almost unchanged in 2003

Value-added in total industry and the major services areas increased. Incoming orders for manufacturing also rose, which benefited the manufacturers of consumer goods in particular. Only the construction industry posted a decline in output. On the whole, real gross domestic product (GDP) remained almost unchanged.

Real GDP in Germany

Seasonally and working day adjusted



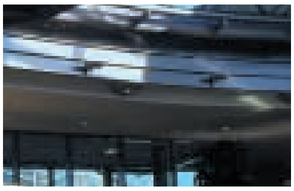
1) Percentage q/q change, extrapolated to annual rate (right-hand scale)
2) Figures: y/y change
Source: Federal Statistical Office, calculations and estimates by the ifo Institute (December 2003)

Indicators suggest economic recovery

Increase of GDP by 1.8 % expected for 2004

Key current and forward indicators such as those published by the ifo Institute suggest that Germany's economy is starting to recover. Economists are therefore expecting an increase in real GDP of 1.8 % for 2004, primarily driven by exports. The USA is again pro-

* = in 1995 prices



ving to be the engine of the global economy. The EU member states are also expected to benefit from the upcoming expansion of the EU in May 2004. The forecast upturn in Germany could be eroded by a weaker than expected US recovery, by a strong euro – which would put pressure on exports – and by continuing low levels of corporate investment. In addition, the economic recovery could be hampered by a lack of or delay to structural reforms in Germany, as well as by tax cuts that are offset by increases in social security contributions and cuts in personal allowances.

Moderate inflation

Given this background, interest rates are likely to move away from the historical lows they reached in 2003 and increase again. Inflation in the year under review was moderate, and experts are expecting no more than a slight increase in 2004.

Strained situation on the labour market

The situation on the labour market remains strained. Germany's unemployment rate rose to an average of 10.5 % during the year (2002: 9.8 %). The decline in the average jobless figure to 4.3 million (2002: 4.38 million) forecast for 2004 cannot be interpreted as a sign that the problem is over.

Private consumer spending still falling

Private consumer spending slipped further in 2003. However, at 0.2 %, the decrease was not as substantial as in 2002 (1.0 %). By contrast, economic experts are forecasting an increase of 1.3 % in 2004.

Retail sector

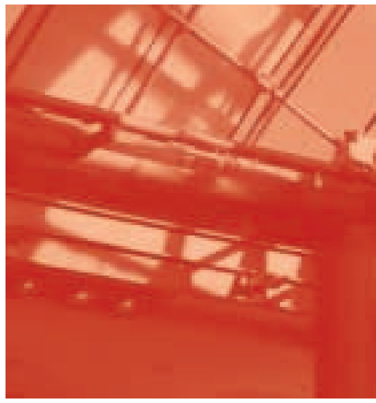
Sales down 1 %

The situation in industry started to pick up from mid-2003 onwards

The drop in private consumer spending depressed the retail sector in 2003. According to calculations by the Federal Statistical Office, sales in this sector fell by 1 % in real terms. While the situation in industry started to pick up from mid-2003 onwards, the retail sector failed to meet expectations. This is shown, for example, in the monthly ifo Business Climate Index. Nevertheless, after two years of contraction, experts are forecasting a 0.5 % increase in retail sales for 2004.

Indexed minimum overage provides security in economic slowdowns

Some retailers in our shopping centers were hit by this downturn. However, thanks to the successful work of the partners we have entrusted with center management, the losses incurred by such retailers in Deutsche EuroShop's shopping centers were kept



within narrow bands. Indexed minimum overageMieten (based on the consumer price index) provides a guaranteed minimum level of income for Deutsche EuroShop during economic slowdowns. In addition, the fact that all retail space in our shopping centers is still fully leased and that rent losses, at around 1.5 % of rental income in the past financial year, can still be termed moderate is encouraging.

Shopping centers record better sales

What is more, experts from GfK Prisma, the German market leader in location and property research, expects that sales by large, well managed shopping centers, such as those belonging to Deutsche EuroShop, will continue in particular to substantially outperform the retail sector as a whole in the future.

Consumer sentiment decisive

Consumer sentiment dampened at the end of 2003

Consumer sentiment is a crucial factor in the growth or decline of retail sales in Germany. This was dampened at the end of 2003. German consumers are much more sceptical about 2004 than are, for example, the economists working for major banks or the Federal government. This is illustrated in surveys on economic expectations, income expectations and resulting spending propensity. In this connection, economic researchers are hoping that sentiment indicators will improve in February and March, when the tax reforms resolved in December begin work their way through to German workers' pay packets.

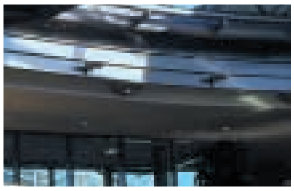
Trend towards larger floor space

In spite of the sales lull in recent years, the retail sector is experiencing ongoing expansion in floor space, with a trend towards presenting a more extensive product range and depth of specialised products. This is why Deutsche EuroShop invests in shopping centers that offer maximum flexibility when it comes to adapting to changing requirements in the retail sector.

Property market

Investors focus on shopping centers

Real estate continued to be a popular alternative investment in 2003. In particular, demand for shopping centers and retail properties increased throughout Europe. According to the December 2003 "Stimmungsbarometer Offene Immobilienfonds", a sen-



timent barometer for open-ended property funds calculated by Dr. Lübke GmbH, and Dr. ZitelmannPB. GmbH in, 84 % of open-ended property funds were planning to increase their investments in retail properties in the future. Kemper's, a real estate management company which specialises in retail properties, expects that demand in 2004 will be particularly firm in prime locations in large and medium-sized German cities. According to estimates by DID Deutsche Immobilien Datenbank GmbH, retail properties will also generate the highest net cash flow yields of all property segments in 2004.

Development of demand for 2004 expected to be firm

Locations: a flight to quality

At the CIMMIT real estate congress in January 2004, the "Rat der Immobilienweisen" (Council of Real Estate Experts) reported on the situation on the retail property market. The Council said that, in 2003, it had been impossible to implement rental increases in an environment marked by economic uncertainty. The only sites that experienced comparatively stable development were good locations for speciality stores, speciality centers and well managed shopping centers. These were also the only locations to benefit from longer Saturday opening hours. According to the experts, the concentration process among retail locations is continuing. Prime city-center locations, shopping centers and small speciality centers are doing much better than secondary locations, suburban and secondary centers, where the number of vacancies is continuing to increase substantially.

Shopping centers benefit from longer Saturday opening hours

Deutsche EuroShop has reached its goal

Deutsche EuroShop considers itself to be well positioned in the face of these developments. Our objective in 2003 was to fully invest the equity raised in the course of the capital increase in 2000. We achieved this goal as planned on 31 December 2003 with our investment in Galeria Dominikanska, Wroclaw, Poland. In the future, we will focus our efforts on the strategic optimisation of our shopping center portfolio.

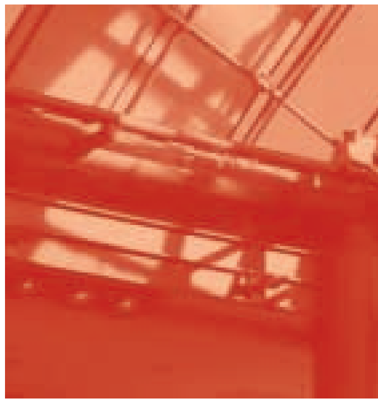
Competing with open-ended property funds

The Company competes with open-ended property funds in two different areas. On the one hand, we are competing with them for attractive shopping center investments and, on the other, for investors and the capital that these provide.

DES competes with open-ended property funds

Rising property prices

Competition for attractive shopping center investments was a particularly important issue. In 2003, the inflow of funds into open-ended property funds was a record €13.7



billion (compared with an inflow of funds into equity funds of €3.7 billion). Since under the Gesetz über Kapitalanlagegesellschaften (German Investment Companies Act) retail funds may not hold more than 50 % of assets as cash, this led in some cases to a real pressure to invest on the part of the funds companies. The surplus demand created in this way was reflected in rising property prices.

High level of flexibility

Deutsche EuroShop was able to hold its own in this competitive situation, as its decision-making channels are short and its potential investment and financing structures highly flexible. As a result, we expect to continue our success in the future as well.

≡ Strategy

We focus exclusively on investments in top-quality shopping centers in city centers and established locations that generate substantial distributable free cash flows and enjoy stable, lasting value growth. We have followed this long-term strategy ever since our IPO in 2001. Our success to date underscores the correctness of this approach.

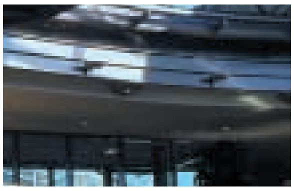
Clear goals and principles

Investments are made according to the principle of risk diversification

Deutsche EuroShop's primary investment objective is to generate high surplus liquidity from long-term leases that we can pay out to our shareholders in the form of annual dividends, and also to achieve sustained growth in the value of our portfolio. The Company diversifies risk by investing in retail properties – specifically shopping centers – in a number of European regions, though chiefly in Germany. We expect that index- and overage-based commercial rents coupled with a center management strategy that focuses on long-term success will ensure a high return on investment. This is confirmed by our business development to date.

High-yield portfolio with stable value

Following our recent acquisitions in Germany and Poland, we are now fully invested. We have achieved our strategic goal of creating a well-balanced, diversified portfolio of German and European shopping centers. Future investments will continue to concentrate on properties that are expected to generate a high yield and stable value in the long term, so as to guarantee a high level of security. We plan to add two to three new shopping centers to our portfolio each year.



Capital increase planned for end of 2005

Because it plans to pay out a dividend of at least €30 million each year, Deutsche EuroShop's organic growth is relatively limited. This is why we are planning a capital increase for the end of 2005. We will ensure that the investments made in the course of this intended capital increase will promise at least the same return as our current shopping center portfolio. Thus we want to avoid any dilution of the shares and the dividend payment, which would adversely affect our shareholders. We intend to finance the investment funds required before the implementation of the capital increase by taking out short-term loans.

Portfolio with firm return

Active portfolio management

Active portfolio management is a core element of our business strategy. It involves constant, close observation of the market and the development of our shopping centers, focused decisions on the purchase or sale of shopping centers and center developments, as well as optimal management of the Company's free cash flows.

Decisions based on in-depth analyses

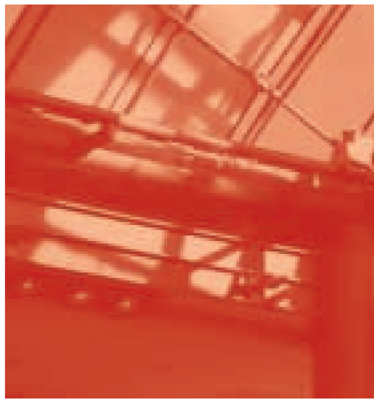
When making decisions, we draw on a variety of studies on the development and market cycles of European property markets, as well as specific location analyses. Other factors influencing our decisions on whether to buy or sell properties include country- and region-specific aspects, portfolio weightings and the general tax situation. To ensure the long-term success of an investment, the price discovery process involves not only an assessment of the property's quality but also a calculation of its capitalised earnings value.

Calculation of capitalised earnings value

The concept of shopping as an experience

Professional center management is a crucial factor in the success of a shopping center. It not only ensures uniform opening hours and a consistently friendly, bright, safe and clean shopping atmosphere, it makes shopping an experience with in some cases striking presentations of goods, promotions and exhibitions. The 250,000 to 300,000 daily people who visit our operational shopping centers are fascinated by the variety of sectors represented, but also by our unusual, unconventional promotions such as "The jungle has come to visit" or "Diamond fever". These turn city-center shopping centers into marketplaces where something new and spectacular is constantly on offer. However, even in our centers in established locations there's always something going on.

Fascination by unconventional and unusual promotions



Outsourcing creates a lean structure

We have completely outsourced center management to experienced external partners. Given our portfolio's European orientation, it is absolutely essential that these have a proven track record in this area. This is why we only team up with companies that have a European focus such as ECE, Espansione Commerciale, Carrefour and Unibail.

An interesting alternative to conventional property investments

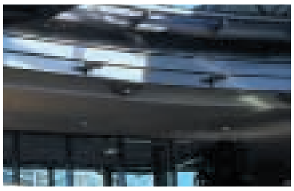
Our concept offers investors in our shares an interesting alternative to conventional property investments via funds or direct investments. Deutsche EuroShop's shares have already achieved a high level of fungibility thanks to their large free float listing on the official market of the Frankfurt Stock Exchange with admission to trading on the Prime Standard. Our consistent focus on dividends increases the appeal of our Company as an investment.

≡ Sales, Financial Position and Results of Operations

For Deutsche EuroShop, 2003 was a successful financial year in which we slightly exceeded our projections. The loss we are disclosing for the Group is minor. At Deutsche Euroshop AG, we improved our result from ordinary activities by 13 % from €24.8 million to €28.0 million. We will be proposing a dividend of €1.92 per share to the Annual General Meeting, as in 2002.

Sales up 6 %

In financial year 2003, consolidated sales rose by 6 % from €46.5 to €49.3 million. Our forecasts had envisaged an increase of 4 %. This improvement is primarily due to substantially higher rental income from the Rhein-Neckar-Zentrum, where a two-year modernisation and expansion project was completed in 2003. In Centro Commerciale Tuscia, we agreed follow-on terms for a number of expiring leases during the financial year, which in some cases already had a positive effect on rental income during the financial year. In all other properties, we generated higher rental income on the back of index-linked rental adjustments or agreed step-up rental payments in particular.



Low vacancy rate

Since the vacancy rate remained at under 1 % of the leasable space, the need for write-downs from rent losses was moderate at €0.76 million (previous year: €0.5 million). In particular, write-downs were necessary at City-Arkaden in Wuppertal after a lessee unexpectedly became insolvent in February and the handover to the new tenant did not take place until August.

Sales revenue from rental income

k€	2003	2002	Change
Rhein-Neckar-Zentrum	14,778	12,537	2,241
City-Galerie Wolfsburg	7,731	7,704	27
City-Arkaden Wuppertal	7,685	7,587	98
Allee-Center Hamm	8,824	8,704	120
Sales in Germany	**39,018**	**36,532**	**2,486**
Centro Commerciale Friuli	4,443	4,293	150
Centro Commerciale Tuscia	2,553	2,465	88
Shopping Etrembières	3,251	3,201	50
International sales	**10,247**	**9,959**	**288**
Total	**49,265**	**46,491**	**2,774**

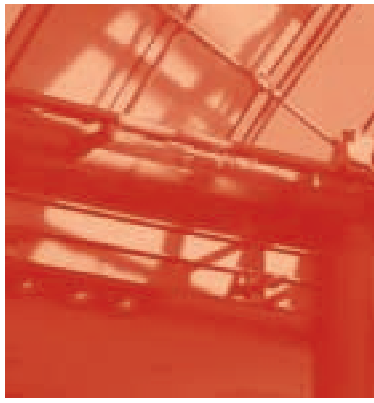
Personnel expenses up slightly

Personnel expenses relate exclusively to Deutsche EuroShop AG. These expenses rose by around €0.3 million year-on-year as additional employees were recruited following the termination of the agency agreement with DB Real Estate Management GmbH.

Depreciation of €22.4 million

The reported depreciation of tangible assets in the amount of €22.4 million (2002: €21.6 million) did not contain any write-downs and, for the most part, was charged at the maximum amounts allowed under tax law.

Deutsche EuroShop AG



Roof renovation impacts earnings less than expected

At €12.8 million, other operating expenses remained at the prior-year level. Investment costs of €1.7 million for the construction of Forum Wetzlar were expensed for the first time. In addition, roof renovation work at Centro Commerciale Friuli resulted in expenses of around €2.2 million, although total expenditure for the center increased by only €1.5 million compared to the previous year.

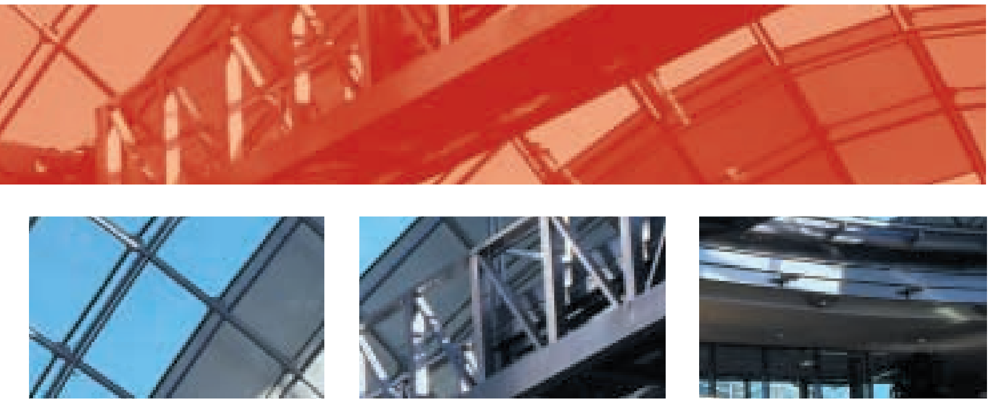
Savings offset additional expenditure

Agency agreement with DB Real Estate Management GmbH expired in mid-2003

These expenses were offset by lower expenses of approximately €4 million at the other Group companies and at Deutsche EuroShop AG. This is mainly due to the fact that investment costs at five companies totalling €2.5 million were expensed in 2002, while the expenditure resulting from the agency agreement with DB Real Estate Management GmbH declined by €1 million during the financial year. The agency agreement with DB Real Estate Management GmbH expired in mid-2003.

Other operating expenses

k€	2003	2002	Change
Deutsche EuroShop AG	1,382	2,428	-1,046
Rhein-Neckar-Zentrum	2,074	3,936	-1,862
City-Galerie Wolfsburg	1,448	1,655	-207
City-Arkaden Wuppertal	1,365	1,138	227
Allee-Center Hamm	1,120	1,439	-319
Forum Wetzlar	1,702	0	1,702
Centro Commerciale Friuli	2,383	913	1,470
Centro Commerciale Tuscia	268	458	-190
Shopping Etrembières	1,031	932	99
Other	67	3	64
Total	**12,840**	**12,902**	**-62**



Group Management Report 2003

Kassel and Dresden increase investment income

The reported income from investments relates to the cash distributions on our investments in the Main-Taunus-Zentrum, Altmarkt-Galerie Dresden and City-Point Kassel. These increased by €2 to €6.5 million following the completion of the shopping centers in Dresden and Kassel in 2002 and therefore generated a rental profit for a full financial year for the first time in 2003.

Interest income down due to investments

Investments into money market funds achieve price gains

Other interest and similar income dropped €2.5 million from €7.2 to €4.7 million. Of this figure, €2.8 million was attributable to Deutsche EuroShop AG and €1.9 million to other companies in the Group. The lower interest income is partly attributable to the further drop in interest rates, but mainly to the investments made, which meant that less cash was available for investments at short notice. In addition, during the year under review, Deutsche EuroShop AG invested in money market funds, which are classified as securities. For this reason, price gains from these money market funds, which correspond to interest income in economic terms, must be reported in the profit and loss account as other operating income. Price gains of €0.3 million were realised in the year under review. In addition, unrealised price gains amounted to €0.3 million at 31 December 2003.

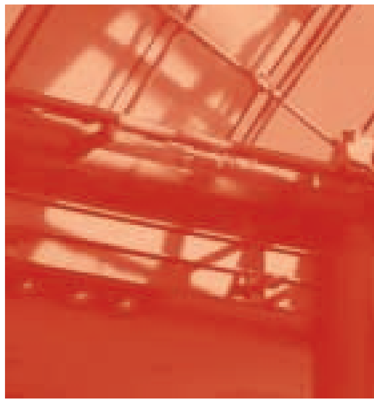
Only a slight increase in interest expense

In contrast, interest and interest-related expenses rose only slightly by €0.2 million, from €18.6 to €18.8 million.

Group still marginally in the red

Consolidated net loss produced due to depreciation and to the provision for deferred taxes

The result from ordinary activities improved by 32 % from €4.9 to €6.5 million. After deducting income taxes of €7.8 million (thereof deferred income taxes of €7.4 million), other taxes in the amount of €0.9 million (principally property taxes) and minority interests, a consolidated net loss of €0.5 million was produced (previous year: net loss of €2.9 million). This is primarily due to depreciation charges on real property assets and to the addition to the provision for deferred taxes. It does not reflect the Company's actual earnings position, as can be seen from the following.



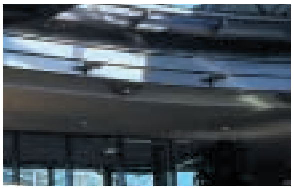
≡ Results of Operations of Deutsche EuroShop AG

Balance Sheet for 2003

k€	31 Dec. 2003	31 Dec. 2002
Assets		
Fixed assets		
Intangible and tangible assets	37	38
Financial assets	559,546	513,247
	559,583	**513,285**
Current assets		
Receivables from investees	20,786	16,175
Other assets/prepaid expenses	937	1,607
Securities	21,199	0
Cash and bank balances	20,360	100,897
	63,282	**118,679**
Total assets	**622,865**	**631,964**
Equity and liabilities		
Equity		
Subscribed capital	20,000	20,000
Capital reserves	548,147	557,612
Revenue reserves	2,000	1,979
Unappropriated surplus	30,000	30,000
	600,147	**609,591**
Provisions		
Provisions for taxes	21,547	14,183
Other provisions	1,165	1,216
	22,712	**15,399**
Liabilities	**6**	**6,974**
Total equity and liabilities	**622,865**	**631,964**

Profit and Loss Account for 2003

k€	2003	2002
Income from investments	26,533	23,139
Interest income	3,241	4,476
Other expenses and income	-1,805	-2,801
Result from ordinary activities	**27,969**	**24,814**
Taxes	7,414	6,546
Net profit for the year	**20,555**	**18,268**
Withdrawals from capital reserves	9,465	12,645
Appropriations to revenue reserves	-20	-913
Unappropriated surplus	**30,000**	**30,000**



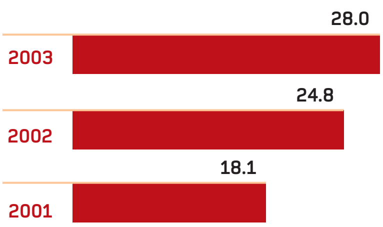
Group Management Report 2003

Increase in result from ordinary activities by 13 %

Single-entity company demonstrates earnings power

The earnings of Deutsche EuroShop AG, which again can look back on a positive financial year in 2003, illustrate the earnings position of our Company. The result from ordinary activities amounts to €28.0 million, an increase of 13 % year-on-year. We slightly exceeded our original projections for financial year 2003 by €0.4 million.

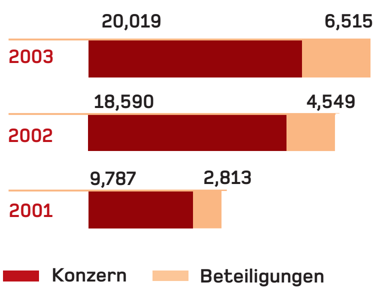
Result from ordinary activities
in €m



Income from investments up just under 15 %

The Company's primary source of income remains its income from investments. This improved by €3.4 million or 14.6 % year-on-year to €26.5 million. €20 million of this figure was generated by Group companies and €6.5 million by investees and then distributed to Deutsche EuroShop AG. The increase of €3.4 million is mainly attributable to the strong growth in income from the Rhein-Neckar-Zentrum following the conclusion of the modernisation project there, and also to the fact that Altmarkt-Galerie in Dresden and City-Point in Kassel contributed to earnings for the full financial year for the first time. Income from the investments in the Main-Taunus-Zentrum and Allee-Center Hamm also improved appreciably year-on-year. This is chiefly due to the fact that there was no distribution surplus from 2001 in the previous year, which resulted in a one-time effect. In contrast, income from the investments in City-Galerie in Wolfsburg and City-Arkaden in Wuppertal was down on the prior-year figure due to lower interest income and slightly higher write-downs on rent receivables.

Income from investments
in k€

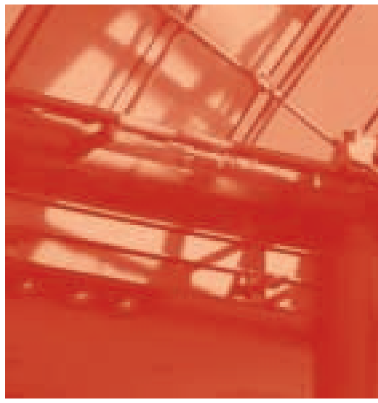


Income from investments

k€	2003	2002	Veränderung
Rhein-Neckar-Zentrum *	10,409	9,397	1,012
City-Galerie Wolfsburg	2,921	3,031	-110
City-Arkaden Wuppertal	1,908	2,141	-233
Allee-Center Hamm	2,769	2,280	489
Centro Commerciale Tuscia	2,012	1,741	271
Group companies	**20,019**	**18,590**	**1,429**
Main-Taunus-Zentrum	3,483	2,809	674
Altmarkt-Galerie Dresden	2,027	771	1,256
City-Point Kassel	1,005	969	36
Investees	**6,515**	**4,549**	**1,966**
Income from investments	**26,534**	**23,139**	**3,395**

* = including Centro Commerciale Friuli and Shopping Etrembières

Deutsche EuroShop AG



Depreciation reduces net income, but not the cash generated

Cash distributions reported as income

As in previous years, the reported income from investments relates to cash distributions received, not to the investees' proportionate accounting profit. The main difference is that, at the level of the investees, the acquisition costs of the properties are amortised in line with tax law provisions. The amortisation charges reduce the net income, but not the cash generated. For this reason, most of the proceeds from the amortisation are distributed to Deutsche EuroShop AG and reported by the latter as income. To the extent that the investees are consolidated, the income from investments (€20 million in the financial year) is eliminated at Group level and replaced by the accounting profit or loss.

Market value appraisals underpin income reported

The reporting of the cash distribution as income at Deutsche EuroShop AG remains logical from the Company's perspective because, according to recent market value appraisals by well-known experts (Feri Research GmbH, Bad Homburg, GfK Prisma Institut für Handels- Stadt- und Regionalforschung, Hamburg), the value of the investment property at 31 December 2003 was €59 million higher than the carrying amounts on the balance sheet.

Provisions for deferred taxes

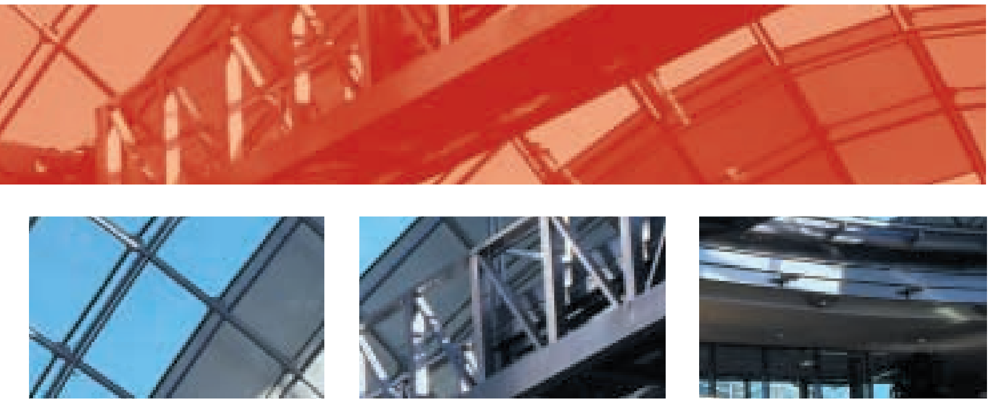
The provisions for deferred taxes were calculated in the same way as in the previous year and were increased by €7.4 to €21.5 million to cover possible future tax payments in the event that a property is sold.

Net income of €20.6 million

After deduction of provisions for deferred taxes, the Company generated net income of €20.6 million. €20,434.10 of this figure must be transferred as a final payment to the revenue reserves.

Unappropriated surplus again €30 million

The withdrawal of €9.5 million from the capital reserves results in an unappropriated surplus of €30 million. The size of the withdrawal from the capital reserves is due to the fact that, as in the previous year, the addition of €7.4 million to the provision for deferred taxes is regarded as a reserve from the current perspective, and the savings made in the investment costs of a number of new properties in previous years can be partially repaid to the shareholders (2003: €2.1 million).



Dividend proposed: €1.92 per share

The Executive Board will propose to the Annual General Meeting to be held in Frankfurt am Main on 17 June 2004 that a dividend of €1.92 per share be paid for financial year 2003.

≡ Reconciliation from the Group to the single-entity company

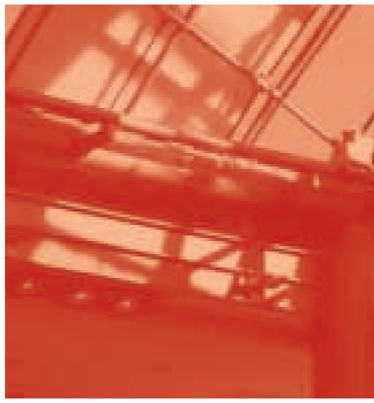
We prepared a reconciliation statement to reconcile the consolidated net loss to the net income of the single-entity parent company. From our perspective, this is a logical way of presenting the operating result because the depreciation and amortisation charges and other expenses attributable to the investment costs that have to be charged at investees and that cannot be capitalised under the HGB have a significant impact on the consolidated result and thus produce a distorted picture of the Group's results of operations.

Reconciliation

k€		2003	2002
Consolidated net loss		**-2,263**	**-3,002**
plus depreciation and amortisation	(1)	22,393	21,603
plus investment phase costs	(2)	2,588	2,451
less withdrawal from/addition to property management companies' cash reserves	(3)	233	-750
less minority interests	(4)	-2,350	-2,327
Plus/minus distribution surplus	(5)	-45	293
Net income of single-entity company		**20,555**	**18,268**

(1) The provisions of the HGB require **depreciation and amortisation** to be charged. These depreciation and amortisation expenses reduce the carrying amounts of the Group property, and the reduction is not offset by any corresponding changes to market values.

(2) The **investment phase costs** are a result of the costs incurred during this period (for example, interest on bridging finance); these are treated as expenses for tax purposes and are therefore reported in the consolidated profit and loss account. However, these



costs are not financed from ongoing operating income, but from existing investment funds of the property management companies in question. These expenses can be attributed to the following individual properties:

k€	2003	2002	Change
Rhein-Neckar-Zentrum *	401	1,535	-1,134
City-Galerie Wolfsburg	52	279	-227
City-Arkaden Wuppertal	-20	102	-122
Allee-Center Hamm	0	337	-337
Forum Wetzlar	2,155	0	2,155
Centro Commerciale Tuscia	0	198	-198
Group companies	**2,588**	**2,451**	**137**

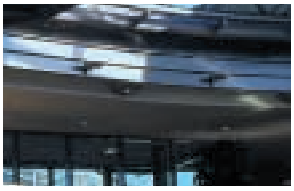
* = including Centro Commerciale Friuli and Shopping Etrembières

(3) All Group companies maintain **cash reserves** so that they can make available the funds required to implement any necessary investment and maintenance measures. The center management recognises these measures at an early stage and quantifies their costs.

(4) The **minority interests** item reports the distributions attributable to minority shareholders of the Group companies.

(5) The Group companies pay advance distributions of 90 % to Deutsche EuroShop AG in each financial year; this amount is normally calculated on the basis of an extrapolation prepared in the autumn of each financial year. The residual amount is transferred in the following year, and only then recognised as income from investments at Deutsche EuroShop AG. This resulted in a **distribution surplus** in financial year 2003, which is broken down as follows:

k€	
Residual distribution from 2002	2,205
less: residual distribution for 2003 (due in 2004)	-2,250
Balance	**–45**



Tax-free dividend

Dividends paid to shareholders domiciled in Germany are generally subject to income or corporation tax. Exceptions may be made under certain circumstances for dividend payments that are regarded as equity repayments for tax purposes (distributions from EK04 – equity class 04 – or, since 2001, from the tax-recognised contribution account). Deutsche EuroShop's dividend fulfils this requirement. The dividend payment constitutes untaxable (i.e. tax-free) income for shareholders in accordance with section 20 (1) clause 1 sentence 3 of the Einkommensteuergesetz (German Income Tax Act). According to our current planning, we will be able to continue to distribute a tax-free dividend over the next few years.

≡ Investing and Financing Activities

Following the acquisition of three investments in shopping centers in financial year 2003, Deutsche EuroShop's portfolio now comprises 14 shopping centers in Germany, France, Italy, Poland and Hungary.

50 % interest acquired in Phoenix-Center, Hamburg

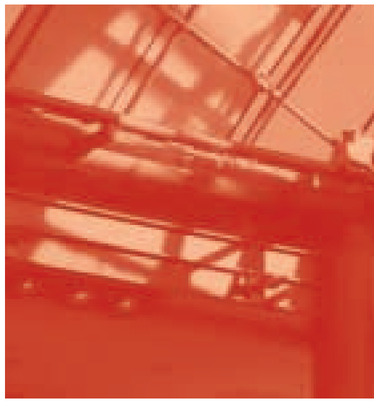
The shopping center is due to open its doors in autumn 2004

In August 2003, Deutsche EuroShop acquired an interest of 50 % in the Phoenix-Center project in Hamburg, which is currently under construction. The acquisition was financed by way of a capital increase at Immobilien-KG FEZ Harburg, which was fully subscribed by Deutsche EuroShop, with effect from 1 January 2004. For this reason, the acquisition was not recognised in equity in the year under review. The proportionate total investment volume amounts to around €78 million, of which €53 million is financed by way of a long-term loan taken out by the property management company and around €25 million via equity capital furnished by Deutsche EuroShop AG. The shopping center is due to open its doors in autumn 2004. Construction is fully on schedule and, according to the information available at present, within the calculated investment budget. Approximately eight months prior to the center's grand opening (October 2004), the occupancy rate is in excess of 90 % of the leasable space.

Interest of 65 % in Forum Wetzlar

Opening scheduled for early 2005

On 1 October 2003, Deutsche EuroShop AG was admitted as a shareholder of property management company Forum Wetzlar KG, which is currently developing the Forum Wetzlar shopping center, acquiring an interest of 65 % in the limited partner's interest. Forum Wetzlar is a city-center shopping center that is scheduled to open in early 2005. Deutsche EuroShop AG's interest in the investment totals around €73 million, of which



€29 million is financed internally. The remaining €44 million will be financed by way of long-term loans.

33.3 % interest acquired in Galeria Dominikanska in Wroclaw

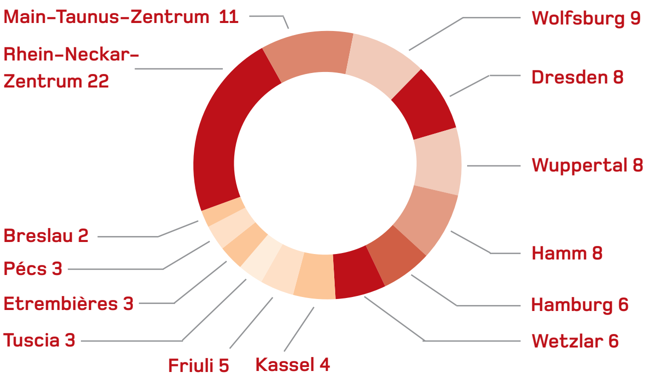
Deutsche EuroShop AG successfully closed the year with its acquisition of a 33 % interest in Galeria Dominikanska in Wroclaw with effect from 31 December 2003. The shopping center opened for business in August 2001 and is located right in the city center, on the edge of the historic old town. The retail and office space is fully leased. The revenue generated from the retail businesses in Galeria Dominikanska is already on a par with that of our German shopping centers. Thanks to its investment in a premium property, Deutsche EuroShop AG expects to generate an attractive return on its investment of €16.4 million.

Proportionate investment volume of €1.2 billion

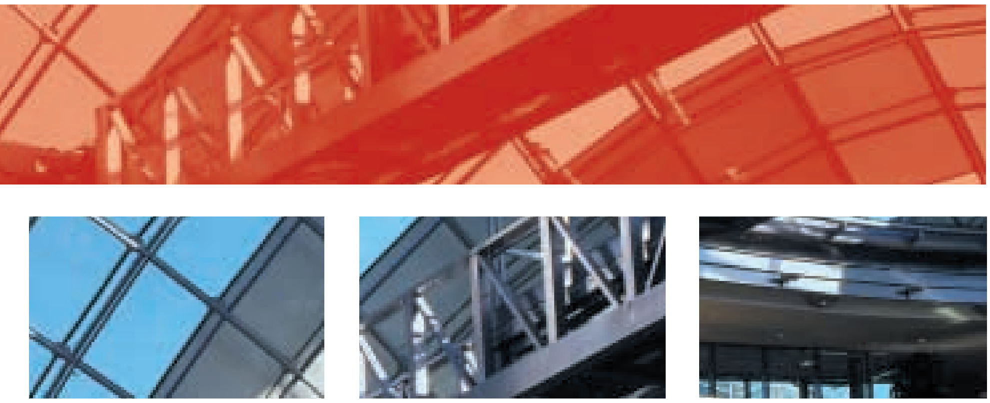
The total volume of investments including the shopping centers still under construction increased by €345 million to €1.86 billion during the period under review. Of this figure, €1.2 billion was attributable to Deutsche EuroShop AG, as against €1.0 billion in the previous year. Deutsche EuroShop's share of invested equity amounts to around €583 million. With the exception of a residual amount of €3 million, the inflows of fund from the capital increase in 2000 were fully invested by the end of 2003. 73 % of the equity is invested in German properties and 27 % in foreign properties. Since debt is only raised at the level of the individual property management companies and the financing ratios of the individual property management companies differ, 84 % of the total funds invested are invested in Germany and only 16 % in other countries.

Allocation of the investment volume *

in %



* = Rounded up or down to the nearest whole number



Group equity ratio is 54.6 %

Conservative financing structure

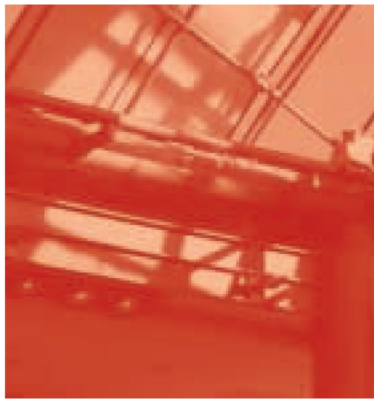
On the whole, however, our financing structure is still conservative. Deutsche Euroshop AG has an equity ratio of 49 %, calculated across all investments in terms of the Company's proportionate share. At 54.6 %, the Group's equity ratio is even higher, despite the fact that consolidated equity fell by €21 million year-on-year, due to the June 2003 dividend payment of €30 million in particular. This is offset by the increase in minority interests of €9 million, especially due to the first-time consolidation of Forum Wetzlar KG. As a result, the equity ratio is only slightly lower than the prior-year figure (55.7 %).

Interest rates fixed for the long term

At €408.6 million, the Group's liabilities to banks fell by €0.8 million year-on-year. 88 % of liabilities to banks are due after more than five years and have an average nominal interest rate of 4.90 % as at 31 December 2003. The interest rates for 20 % of the liabilities to banks, are fixed until 2009, and for 63 % until 2013.

Changes in liabilities

k€	2003	2002
Due within one year	4,815	4,089
Due between one and five years	43,063	36,240
Due after more than five years	360,764	369,106
Total	**408,642**	**409,435**



≡ Risk Report

A range of risks must be taken into account in connection with future earnings developments at Deutsche EuroShop. These risks have been defined by the Company's management and an efficient risk management system has been established for their early identification, minimisation and avoidance.

General risks

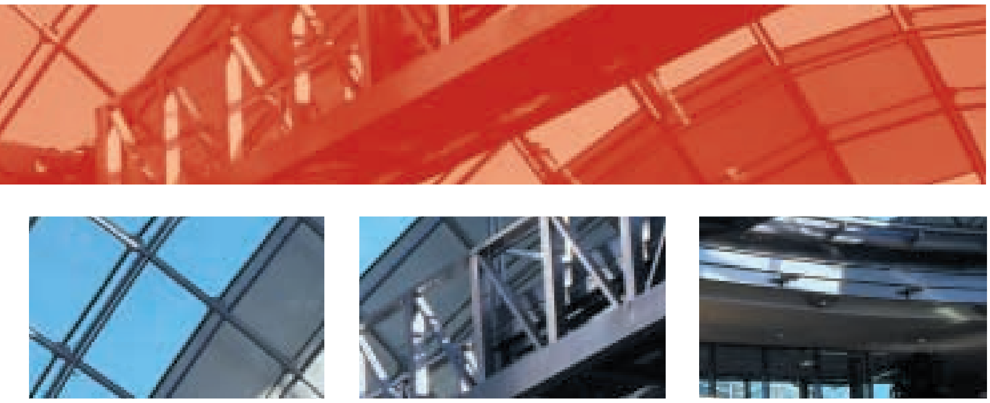
Macroeconomic risk
Given zero growth in real GDP in 2003 and the unemployment rate of 10.5 % (4.3 million unemployed), a macroeconomic risk exists that private spending will remain muted.

Industry risk
An industry risk exists in particular when the retail trade suffers a sustained decline in sales. Sales in this sector in Germany fell by 1 % in 2003. We try to anticipate industry risk with in-depth market intelligence and minimise it by concluding contracts with tenants that have strong credit ratings.

Risks from operating activities

Risk of rent loss
A risk of rent loss arises when tenants become insolvent and are no longer able to meet their rental contract obligations because of their business performance. We counter this risk by regularly analysing the tenants' sales trends and the development of outstanding accounts. Measures to find new tenants are initiated at an early stage if there are signs of any sustained negative development. In addition, the Company is largely protected against the risk of rent loss by the security deposits furnished by the tenants.

Cost risk
A cost risk could arise in particular in the event of unforeseen additional expenses for current investment projects. We minimise risks from cost over-runs in current investment projects (Forum Wetzlar, Phoenix-Center Hamburg and Pécs Árkád) by prophy-



lactically costing in all identifiable risks in the planning stage. In addition, construction contracts are only awarded on a fixed-price basis to prime contractors with strong credit ratings. The construction phase is supported by professional project management services from service providers engaged by the Company.

Currency risk

Currency risk manageable

Any currency risk that arose would be limited to the investments in the shopping centers in the non-euro countries Hungary and Poland. As a matter of principle, there is no currency risk attached to the investments in the Pécs Árkád shopping center in Hungary and in the Galeria Dominikanska shopping center in Wroclaw, Poland, because the amounts of the rents stipulated in the rental contracts are given in euros, although they are payable in Hungarian forints or Polish zlotys on the basis of a monthly recalculation. A risk could arise if the forint or the zloty were to plummet against the euro and the tenants were no longer able to pay what would then be considerably higher rents denominated in foreign currency. However, because the Pécs Árkád and Galeria Dominikanska properties account for only around 3 % of Deutsche EuroShop's aggregate portfolio each, this risk is manageable. In addition, the shopping center in Poland, which is already open for business, is generating sales growth that has offset exchange rate differences up to now.

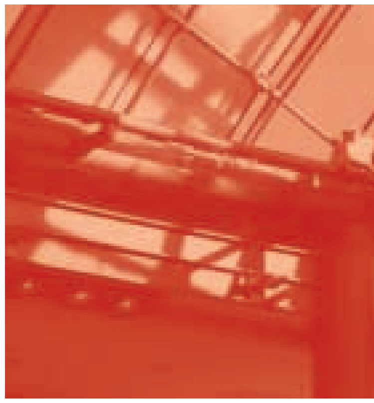
Financing risk

A financing risk could arise in the event of a change in the interest rate of current debt finance. We are reducing the interest rate risk for new property financing by entering into long-term loans with fixed-interest periods of 10 to 15 years.

IT risk

IT risk extremely low

By the time the agency agreement with DB Real Estate Management GmbH expired in the summer of 2003, Deutsche EuroShop AG had already built up its own IT network this happened when it constructed its Hamburg offices in 2002. A firewall system and virus scanner protect against outside attacks. All data is backed up on a daily basis. Accounting has been outsourced to an external, specially protected data center and is not connected to the internal network. The risk that the Company will lose key data is therefore unlikely and can be regarded as extremely low.



Legal and other risks
No material legal or other risks can be identified.

Evaluation of the overall risk position
According to an assessment by the Executive Board, the total risks do not impact the continued existence of Deutsche EuroShop.

Risk management

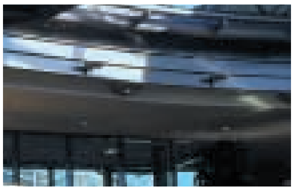
Regular reporting to the Executive Board and the Supervisory Board

Regular examination of the effectiveness of the control and monitoring systems

As part of its risk management, the Executive Board of Deutsche EuroShop is continuously briefed about the course of business at individual property management companies. Deutsche EuroShop AG's investment decisions are reviewed by the Supervisory Board. External appraisals are also commissioned if required. Above and beyond the reporting system required for listed enterprises under company law, the effectiveness of the control and monitoring systems is examined at regular Supervisory Board meetings.

Risk analysis and risk assessment
Risk analysis and assessment is performed on the basis of monthly and quarterly reports submitted by the services companies engaged to manage the centers. The Executive Board regularly reviews and monitors these. The Board uses the following key items of information to assess the level of risk:

- Information on outstanding accounts
- Information on current lawsuits
- Reported changes to tenants' quarterly sales
- Deviations against projected income from the properties



This risk analysis is used to quantify the possible damage and the countermeasures to be initiated immediately, and to implement these together with the companies responsible for center management.

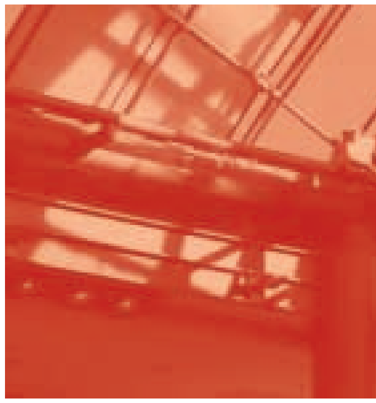
Dealing with risks

Quarterly submission of the sales figure for the individual retail businesses in the shopping centers enables trends and changes in the market to be recognised at a very early stage. In the event of a decline in sales, the first step is to discuss and implement countermeasures in cooperation with the rental partners. If these prove unsuccessful, regulations for rental to new tenants are drawn up.

Documentation of risk management

The Company's risk management activities are documented once a quarter and submitted to the Supervisory Board at its meetings.

Deutsche EuroShop AG



Supplementary Report

Transparency towards the financial community has top priority at Deutsche EuroShop AG. One of the main elements used in valuing a property company is the latter's net asset value. To calculate this, we brought together acknowledged experts for retail locations and well-known valuation specialists to rate our shopping centers and determine their market value. This was then used to calculate the net asset value of our investments. We consider, the results to be so important to the assessment of our enterprise value that we have explained the rating process and the net asset value in detail.

Property rating for all portfolio properties

Property rating and determination of market value

In the summer of 2003, Deutsche EuroShop AG engaged Bad Homburg-based Feri Research GmbH together with Hamburg-based GfK Prisma Institut für Handels-, Stadt- und Regionalforschung to value all Deutsche EuroShop AG's portfolio properties and to determine their market value as at 31 December 2003. We published the results in an ad hoc disclosure at the beginning of March 2004.

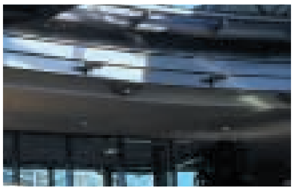
Valuation criteria: attractiveness, risk and profitability

Feri's property rating values a property in terms of its attractiveness, risk and profitability. The valuation is performed using the Feri rating algorithm, which rates the property on a scale of 1 to 100. The points are then divided into 10 valuation grades, ranging from AAA (outstanding) to E (extremely poor).

Result: the investment rating

The result of the valuation is the investment rating, which is divided into three core aspects. To determine the attractiveness, the quality of the property, the microlocation and the macrolocation are evaluated. The risk comprises market-specific and property-specific components. In addition, it addresses the risk attached to the existing rental contracts. Profitability is measured by calculating the ratio of the return on investment to the break-even return.



Fair value taken as basis

The fair value of the property is taken as the basis for the rating. The fair value is the estimated amount for which a property could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction on the valuation date following an appropriate marketing period.

Calculation of the fair value using the DCF method

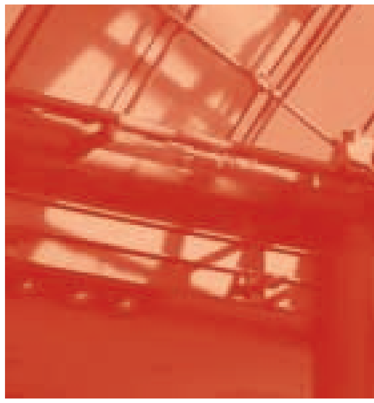
The fair value is calculated using the discounted cash flow (DCF) method. The difference between the rental income and the management costs is the net cash flow, which is calculated for all periods of the property's remaining useful life. This is then discounted using the break-even return. This reflects not only the risk-free interest rate but also all risks associated with the property.

Calculation of the fair return

The break-even return is the interest rate that an individual property has to generate to achieve a fair return on the risk involved. The starting point is the base rate, which represents the risk-free interest rate. The Feri property valuation system uses the current yield of a ten-year government bond for this. A risk premium on the base rate reflects the general market risk of a property investment. Last but not least, the property risk is the risk premium that reflects all risks specific to the property in question. These include the risks relating to the quality of the property, the microlocation and existing leases.

Calculation of the return on investment

The return on investment is the concrete return on capital employed. The starting point for the calculation is the investment costs. These are generally taken to be the acquisition costs of the property plus acquisition-related expenses. The expenses are offset against the net cash flow over the property's entire useful life. The calculation uses the internal rate of return method.



Property-specific market rent

The rental income from the property is calculated over the latter's entire remaining useful life. Existing rental contracts are adjusted to take account of the tenant risk. When a rental contract expires, a property-specific market rent forecast by Feri is used; this is calculated on the basis of the general rent, with adjustments for the microlocation and property-specific aspects. In addition, vacancy periods are factored in depending on the current market situation.

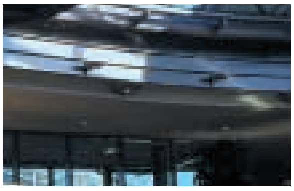
Cost estimate for the entire remaining useful life

The management costs comprise administration costs, operating costs, maintenance costs, the risk of loss of rent and other costs. The costs are calculated over the property's entire remaining useful life.

Ten of the 14 properties valued

All properties were valued using a uniform method

The valuation was performed in the period from August 2003 to January 2004. All of Deutsche EuroShop AG's investment properties were valued except for those under construction – Árkád Pécs, Phoenix-Center and Forum Wetzlar – and Galeria Dominikanska, which was not acquired until 31 December 2003. All properties were valued using a uniform method comprising around 150 different criteria. Each individual criterion in the valuation had a standard weighting factor for all properties.

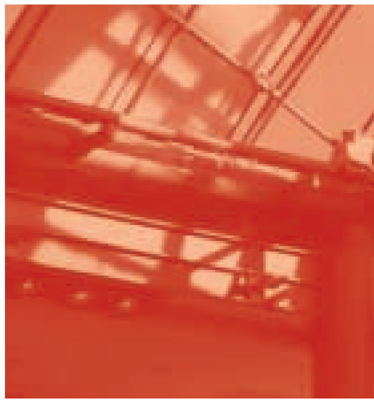


	Investment rating	Property rating	Profitability
Weighting factor		**50 %**	**50 %**
Properties in Germany			
Main-Taunus-Zentrum	A	A	AA
Altmarkt-Galerie Dresden	A	A	AA
Rhein-Neckar-Zentrum	A	A	A
Allee-Center Hamm	A	A	AA
City-Galerie Wolfsburg	A	B+	AA
City-Point Kassel	A	B+	A
City-Arkaden Wuppertal	B+	B+	A
Properties abroad			
Centro Commerciale Tuscia	A	A	AA
Shopping Etrembieres	A	B+	A
Centro Commerciale Friuli	C	B	C
Weighted average	**A**	**A**	**A**

AAA	outstanding
AA	excellent
A	very good
B+	high above average
B	slightly above average
C	average
D	slightly below average
D–	notably below average
E	poor
E–	extremely poor

Overall result: very good (A)

As a result of the valuation, Deutsche EuroShop AG's entire portfolio was given an "A" rating (very good) by the experts. The net asset value of Deutsche EuroShop AG's investments, which is calculated as the proportionate market values of the properties less the net indebtedness of the property management companies in question, amounts to approximately €554 million – €59 million higher than the carrying amounts of the investments on the balance sheet for the year ended 31 December 2003.



Net asset value

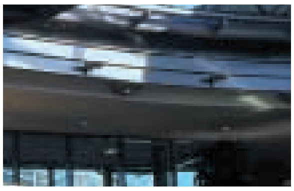
Using the net asset value (NAV) of its entire portfolio, Deutsche EuroShop AG calculated its net asset value per share. At €43.56, this is 28 % up on the share price on 31 December 2003 before adjustment for deferred taxes. After adjustment for deferred taxes, the net net asset value (NNAV) as at 31 December 2003 is €41.48 per share, €7.48 (22 %) higher than the share price on 31 December 2003.

Net asset value per share

k€	31 Dec. 2003
Tangible assets	**37**
Net asset value of portfolio properties	553,558
Carrying amounts of other financial assets*	64,945
Financial assets	**618,503**
Receivables from investees	20,786
Other assets	923
Securities/bank balances	41,559
Prepaid expenses	14
Total assets	**681,822**
Liabilities	-6
Provisions (not incl. provision for deferred taxes)	-1,165
Total debt	**–1,171**
Net asset value	**680,651**
NAV per share €	**43.56**
Deferred taxes	-32,600
Net net asset value	**648,051**
NNAV per share €	**41.48**

* = Investments in Forum Wetzlar, Árkád Pécs and Galeria Dominikanska in Wroclaw



≡ Outlook

We expect that the economy and retail sales will pick up slightly in 2004. With good locations, index-linked and average-based rental contracts, plus an occupancy rate of around 99 %, we are confident of being able to improve our operating results once more.

Two more properties to open in 2004

In 2004, Árkád Pécs and the Phoenix-Center in Hamburg will open for business and generate rental income for the first time. Forum Wetzlar will follow in early 2005. We expect that these shopping centers will be fully leased by the time of their completion, like our portfolio properties.

Target operating result of €30 million

Due to the fact that we have contractually secured the rental income from our portfolio properties for the long term, we are confident as things stand today that Deutsche EuroShop AG will be able to generate a result from ordinary activities of €30 million, assuming that there is no change in the Company's accounting policies.

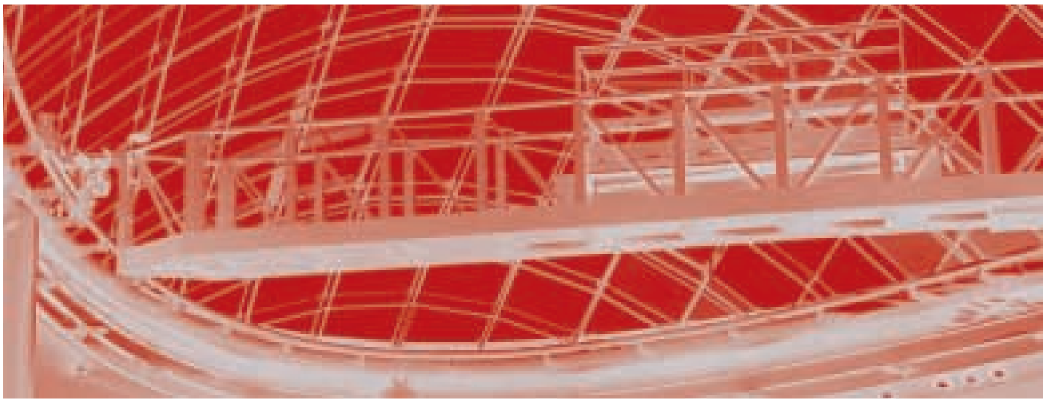
Financing of additional investments via a capital increase

We are equally confident that we will continue to find attractive investment opportunities in Germany and abroad in the future. We are currently involved in detailed negotiations with various banks to secure bridging finance for future investments. The Company's goal remains to raise the capital needed for further investments via a capital increase, eliminating the need for bridging finance. However, we will not implement this measure until we have succeeded in putting together an attractive investment package of shopping centers that can guarantee an adequate return on equity for our shareholders.

Intensive dialogue with banks about bridging finance

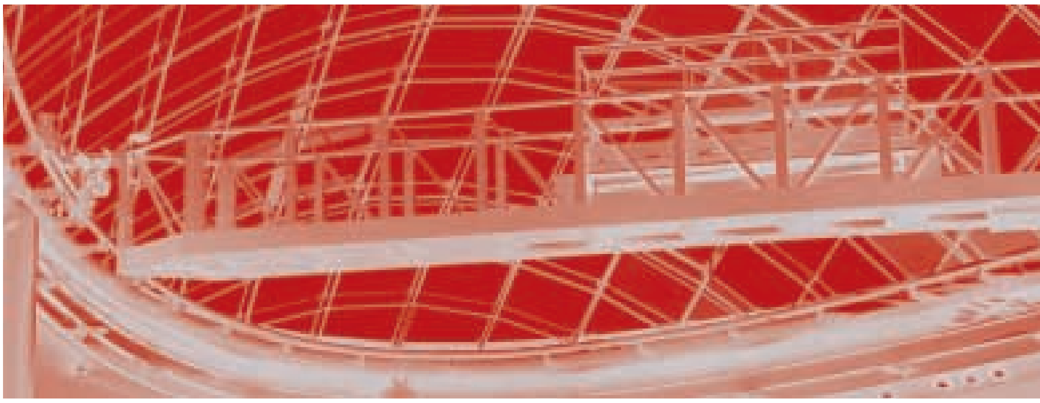
Eschborn, March 2004

Deutsche EuroShop AG



Consolidated Financial Statements

Deutsche EuroShop AG

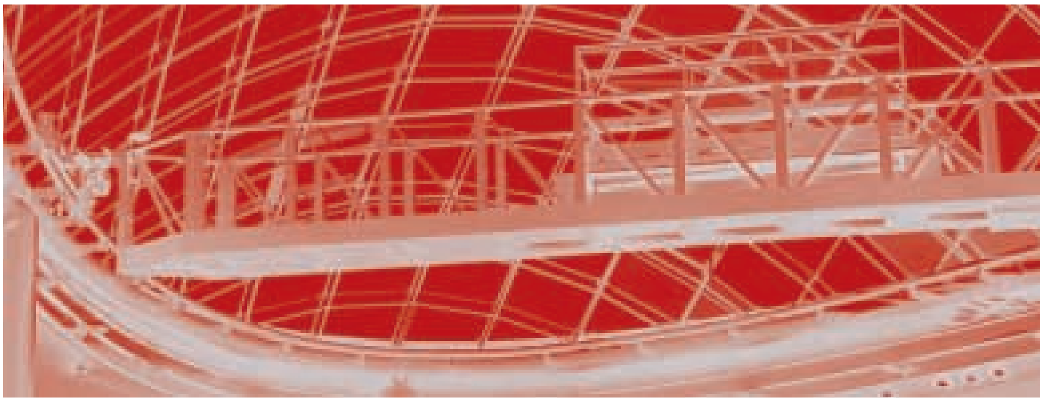


Consolidated Balance Sheet (HGB)

as at 31 December 2003

ASSETS k€	Note A.	31 Dec. 2003	31 Dec. 2002
A. Business start-up and expansion expenses	(1)	**3**	**4**
B. Fixed assets			
I. Intangible assets Concessions, industrial and similar rights	(2)	363	414
II. Tangible assets	(1)		
1. Land, land rights and buildings		672,164	670,676
2. Other equipment, operating and office equipment		151	168
3. Payments on account and assets under construction		19,329	8
III. Financial assets			
Other investments		159,835	143,405
		851,842	**814,671**
C. Current assets			
I. Receivables and other assets	(3)		
1. Trade receivables		2,005	2,418
2. Receivables from other investees		20,786	16,175
3. Other assets		15,565	13,129
II. Securities	(4)		
Other securities		21,700	0
III. Cash and bank balances	(5)	66,907	153,860
		126,963	**185,582**
D. Prepaid expenses	(6)	**1,874**	**1**
Total assets		**980,682**	**1,000,258**

EQUITY AND LIABILITIES k€	Note A.	31 Dec. 2003	31 Dec. 2002
A. Equity	(7)		
I. Subscribed capital		20,000	20,000
II. Capital reserves		497,900	528,512
III. Revenue reserves		2,000	1,979
IV. Consolidated unappropriated surplus		8,921	8,853
V. Minority interests		6,876	-2,527
		535,697	556,817
B. Provisions	(8)		
1. Provisions for taxes		22,317	15,018
2. Other provisions		5,224	7,615
		27,541	22,633
C. Liabilities	(9)		
1. Liabilities to banks		408,642	409,434
2. Trade payables		1,659	901
3. Liabilities to other investees		1	6,962
4. Other liabilities		6,832	2,746
		417,134	420,043
D. Deferred income	(10)	310	765
Total equity and liabilities		980,682	1,000,258



Consolidated Profit and Loss Account (HGB)

for the period 1 January 2003 to 31 December 2003

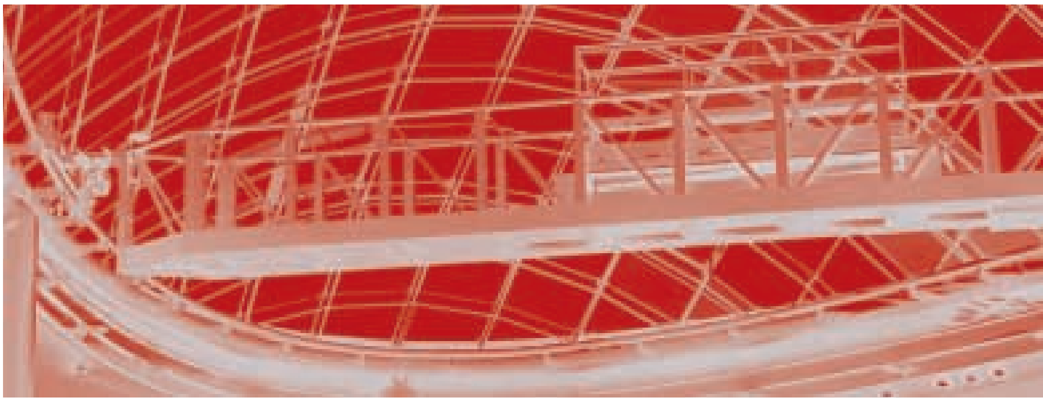
k€		Note B.	31 Dec. 2003	31 Dec. 2002
1.	Sales	(1)	49,265	46,491
2.	Other operating income	(2)	745	273
3.	Personnel expenses		756	491
4.	Amortisation of intangible assets and depreciation of tangible assets, as well as amortisation of capitalised business start-up and expansion expenses	(3)	22,393	21,602
5.	Other operating expenses	(4)	12,840	12,902
6.	Income from investments	(5)	6,515	4,550
7.	Other interest and similar income	(6)	4,737	7,199
8.	Interest and similar expenses	(7)	18,808	18,627
9.	**Result from ordinary activities**		**6,465**	**4,891**
10.	Taxes on income	(8)	7,824	6,997
11.	Other taxes		904	896
12.	**Net loss for the year**		**–2,263**	**–3,002**
13.	Minority interest in net loss/net income		1,739	123
14.	Consolidated net loss		-524	-2,879
15.	Withdrawals from capital reserves		9,465	12,645
16.	Appropriations to revenue reserves		-20	-913
17.	**Consolidated unappropriated surplus**		**8,921**	**8,853**

Schedule of Movements in Equity

k€	Subscribed capital	Capital reserves	Revenue reserves	Consolidated unappropriated surplus	Equity	Minority interests Capital	Minority interests Interest in net income/loss	Total Consolidated Equity
1 January 2002	**20,000**	**570,257**	**1,066**	**639**	**591,962**	**6,859**	**–1,767**	**597,054**
Dividend		-29,361		-639	-30,000			-30,000
Withdrawals					0	-3,963		-3,963
Earnings				8,853	8,853		-123	8,730
Withdrawals from capital reserves		-12,645			-12,645			-12,645
Appropriations to revenue reserves			913		913			913
Changes in Group structure					0	-3,533		-3,533
Other changes		261			261	-1,767	1,767	261
31 December 2002	**20,000**	**528,512**	**1,979**	**8,853**	**559,344**	**–2,404**	**–123**	**556,817**

k€	Subscribed capital	Capital reserves	Revenue reserves	Consolidated unappropriated surplus	Equity	Minority interests Capital	Minority interests Interest in net income/loss	Total Consolidated Equity
1 January 2003	**20,000**	**528,512**	**1,979**	**8,853**	**559,344**	**–2,404**	**–123**	**556,817**
Dividend		-21,147		-8,853	-30,000			-30,000
Withdrawals					0	-2,303		-2,303
Earnings				8,921	8,921		-1,739	7,182
Withdrawals from capital reserves		-9,465			-9,465			-9,465
Appropriations to revenue reserves			21		21			21
Changes in Group structure					0	13,445		13,445
Other changes					0	-123	123	0
31 December 2003	**20,000**	**497,900**	**2,000**	**8,921**	**528,821**	**8,615**	**–1,739**	**535,697**

Deutsche EuroShop AG



Cash Flow Statement

for the period 1 January 2003 to 31 December 2003

k€		2003	2002
1.	Net loss	-2,262	-3,002
2.	Depreciation and amortisation of fixed assets	22,393	21,603
3.	Increase (+) / decrease (-) in provisions	4,908	-2,886
4.	**DVFA/ SG cash earnings**	**25,039**	**15,715**
5.	Gains on disposal of items of fixed assets	-1	-6
6.	Increase (-) / decrease (+) in trade receivables and other assets not attributable to investing or financing activities	-3,895	8,662
7.	Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	4,389	-2,298
8.	**Cash flows from operating activities**	**25,532**	**22,073**
9.	Proceeds from disposals of items of intangible assets	33	2,109
10.	Payments to acquire tangible assets	-43,163	-120,504
11.	Payments to acquire intangible assets	0	-8
12.	Proceeds from disposals of items of financial assets	0	5,200
13.	Payments to acquire financial assets	-23,392	-17,671
14.	Receipts from cash investments for short-term financial planning	2,500	2,813
15.	Payments for cash investments for short-term financial planning	-7,111	-16,175
16.	**Cash flows used in investing activities**	**-71,133**	**-144,236**
17.	Dividend	-30,000	-30,000
18.	Minority interests	-2,303	-3,963
19.	Proceeds from borrowings	1,269	112,765
20.	Repayments of borrowings	-2,061	-1,196
21.	**Cash flows from/used in financing activities**	**-33,095**	**77,606**
22.	Net change in cash and cash equivalents	-78,696	-44,557
23.	Cash and cash equivalents at end of period	153,860	201,690
24.	Changes in cash and cash equivalents from changes in Group structure	13,445	-3,273
25.	**Cash and cash equivalents at end of period**	**88,609**	**153,860**

The cash flow statement is broken down into cash flows from operating, investing and financing activities. Effects of changes to the basis of consolidation are eliminated; their influence on cash and cash equivalents is disclosed separately. The cash and cash equivalents at the end of the period comprise securities and bank balances.

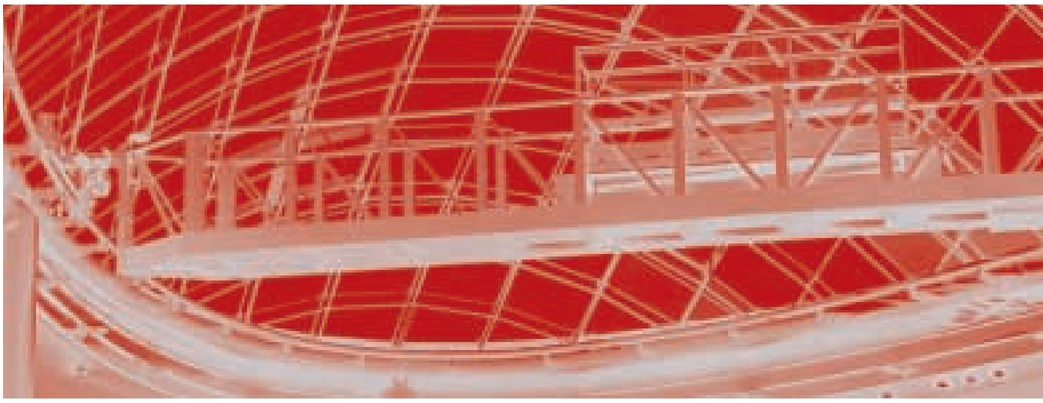
Segment Reporting in the Group

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

k€	Germany	Abroad	thereof EU	Total
Sales	39,018	10,247	10,247	**49,265**
	(36,532)	(9,959)	(9,959)	**(46,491)**

prior-period amounts in parentheses

Deutsche EuroShop AG

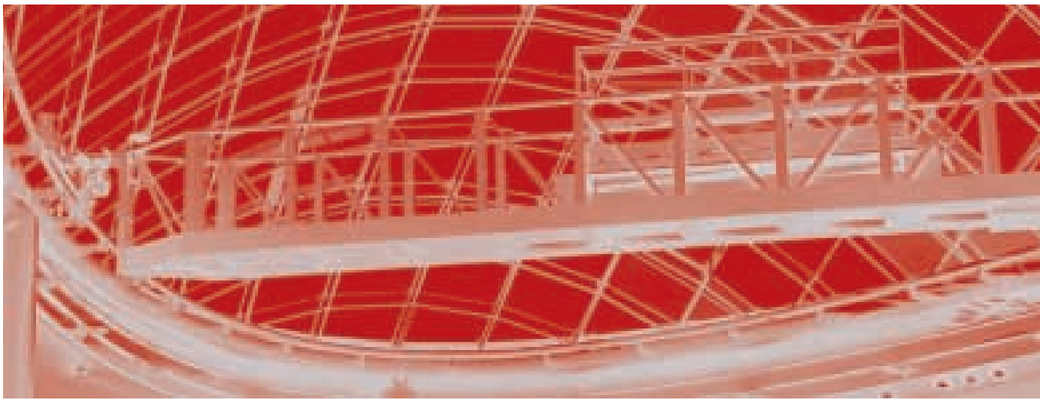


Consolidated Statement of Changes in Fixes Assets

as at 31 December 2003

k€	Historical Aquisition Cost Balance at 1 Jan. 2003	Additions	Dispoals	Reclassi-fications	Balance at 31 Dec. 2003
A. Business start-up and expansion expenses	7	0	0	0	7
	7	**0**	**0**	**0**	**7**
B. Fixes assets					
I. Intangible assets					
Consessions, industrial and similar rights	519	1	0	0	520
	519	**1**	**0**	**0**	**520**
II. Tangible assets					
1. Land, land rights and buildings	703,651	23,805	32	8	727,432
2. Other equipment, operating and office equipment	236	29	1	0	264
3. Payments on account and assets under construction	8	19,329	0	-8	19,329
	703,895	**43,163**	**33**	**0**	**747,025**
III. Financial assets					
Other investments	143,405	16,430	0	0	159,835
	847,826	**59,594**	**33**	**0**	**907,387**

Cumulative depreciation and amortisation	Book value at 31 Dec. 2003	Book value at 31 Dec. 2002	Depreciation and amortisation in the financial year
5	2	4	2
5	**2**	**4**	**2**
157	363	414	52
157	**363**	**414**	**52**
55,268	672,164	670,676	22,294
112	152	168	45
0	19,329	8	0
55,380	**691,645**	**670,852**	**22,339**
0	159,835	143,405	0
55,542	**851,845**	**814,675**	**22,393**



≡ Notes to the Consolidated Financial Statements for Financial Year 2003

I. Basis of Presentation

As in the previous year, the consolidated financial statements for financial year 2003 were prepared in accordance with the provisions of sections 290 et seqq. of the HGB (German Commercial Code).

To enhance the clarity of presentation, the disclosures required by the statutory provisions in relation to items of the consolidated balance sheet and the consolidated profit and loss account, as well as those disclosures that may be optionally presented on the face of the consolidated balance sheet and the consolidated profit and loss account or in the notes to the consolidated financial statements, have been presented in the notes to the consolidated financial statements.

II. Basis of Consolidation

In addition to Deutsche EuroShop AG, the consolidated financial statements include six (previous year: five) German and four (previous year: four) foreign companies in which Deutsche EuroShop AG directly or indirectly holds a majority of voting rights.

Name and domicile of company	Nominal equity Total in €	Aggregate share of nominal equity in %	thereof indirect in %	thereof direct in %
Deutsche EuroShop Verwaltungs GmbH, Hamburg	50,000.00	100.00	-	100.00
Centro Commerciale Tuscia Galleria s.r.l., Milan/Italy	10,000.00	99.86	1.86	98.00
Centro Commerciale Tuscia Viterbo s.r.l., Milan/Italy	10,000.00	99.86	1.86	98.00
Rhein-Neckar-Zentrum KG, Hamburg	235,000,000.00	92.82	-	92.82
SCI Val Commerces, Paris/France	5,000.00	92.82	92.82	-
Centro Commerciale Friuli Claus-Matthias Böge & Co. S.a.s., Milan/Italy	5,600,000.00	92.82	92.82	-
City-Galerie Wolfsburg KG, Hamburg	50,000,000.00	89.00	-	89.00
Allee-Center Hamm KG, Hamburg	21,630,000.00	87.74	-	87.74
City-Arkaden Wuppertal KG, Hamburg	50,000,000.00	72.00	-	72.00
Forum Wetzlar KG, Hamburg	44,700,000.00	65.00	-	65.00

The other equity investments, in which Deutsche EuroShop AG holds more than 20 % of the nominal capital, were carried at cost, as the provisions relating to the carrying amounts of, and recognition as, associates under section 311 et seqq. of the HGB were not applicable.

Name and domicile of company	Nominal equity Total in €	Aggregate share of nominal equity in %	thereof indirect in %	thereof direct in %
Altmarkt-Galerie Dresden KG, Hamburg	83,000,000.00	50.00	–	50.00
Einkaufs-Center Arkaden Pecs KG, Hamburg	41,300,000.00	50.00	–	50.00
DB Immobilienfonds 12 Main-Taunus-Zentrum				
Wieland KG, Hamburg	150,000,000.00	40.77	–	40.77
City-Point Beteiligungs GmbH, Pöcking	25,564.60	40.00	–	40.00
Objekt City-Point Kassel GmbH & Co. KG, Pöcking	42,400,000.00	40.00	40.00	–
Main-Taunus-Zentrum Wieland KG, Hamburg	12,688,000.00	37.35	37.35	–
	in PLN *			
Ilwro Joint Venture Sp.zo. o., Warsaw	20,000,000.00	33.33	–	33.33

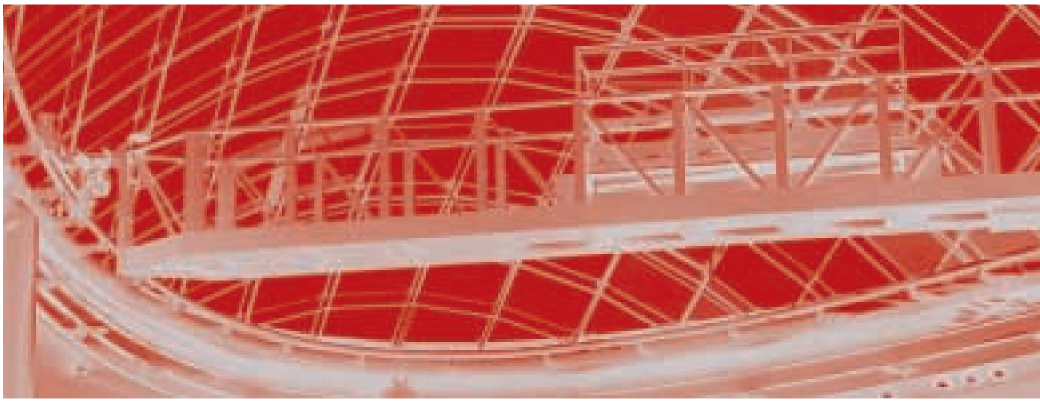
* = Polish zloty

III. Consolidation Methods, Reporting Date

Capital consolidation of the companies included in the consolidated financial statements uses the German purchase method of accounting (section 301 (1) sentence 2 clause 1 of the HGB), under which the cost of the subsidiaries is eliminated against the equity attributable to the parent at the date of acquisition or of first-time consolidation. In accordance with section 301 (1) sentence 3 of the HGB, differences are added to the Group's interest in the individual assets of the subsidiaries where their value is higher than the previous carrying amount.

Forum Wetzlar KG, Hamburg, was consolidated for the first time at the balance sheet date of 31 December 2003. The first-time consolidation of Forum Wetzlar KG, Hamburg, as at 1 October 2003 did not result in any **goodwill.** Further interests in Allee-Center Hamm KG (formerly Immobilienkommanditgesellschaft Dr. Anderegg & Co. Einkaufs-Center Hamm), Hamburg, were also acquired. This resulted in **goodwill** amounting to €614 thousand. Additional hidden reserves in this amount were realised in the purchased land and the developed shopping center located on it.

The **minority interests** in equity amounted to **€6,876 thousand**, based on the book values of the investees.



In accordance with section 303 (1) and section 305 (1) of the HGB, intercompany loans and other receivables, liabilities, sales, income and expenses were eliminated.

The annual financial statements of the consolidated companies were prepared as at 31 December 2003, the reporting date of the consolidated financial statements.

IV. Accounting Policies

The assets and liabilities of the companies included in the consolidated financial statements are recognised using consistant accounting policies. Financial statements corresponding to the provisions of German commercial law were prepared for the foreign investees.

There was no change in the accounting policies compared with the previous year.

The total cost (type of expenditure) format was applied to the profit and loss account.

Intangible and **tangible assets** are carried at acquisition or production cost, and reduced by straight-line amortisation or depreciation.

The consolidated acquisition cost of land, land rights and buildings also includes the hidden reserves realised at the time of first-time consolidation. Depreciation is charged in the amount allowed by law, generally over a period of 33 years.

Financial assets are carried at cost or at the lower fair value.

Receivables and **other assets**, and cash and cash equivalents are carried at their principal amounts or at cost.

Securities are carried at cost or at the lower fair value at the balance sheet date.

Provisions for taxes primarily include deferred tax liabilities under section 274 of the HGB from the single-entity financial statements of Deutsche EuroShop AG.

The **other provisions** take account of all identifiable risks and uncertain obligations. They are set up in the amount deemed necessary by prudent commercial judgement to cover identifiable risks and uncertain obligations.

Liabilities are carried at their redemption amount.

Investment income relates to distributions by investees from liquidity surpluses generated, to the extent that the investments have not been permanently impaired.

V. Consolidated Financial Statement Disclosures

A. Consolidated Balance Sheet

(1) Changes in fixed assets
The classification of, and changes in, fixed assets are presented in the statement of changes in fixed assets.

(2) Intangible assets
These consist primarily of Italian rental licences held by Centro Commerciale Tuscia Galleria s.r.l.

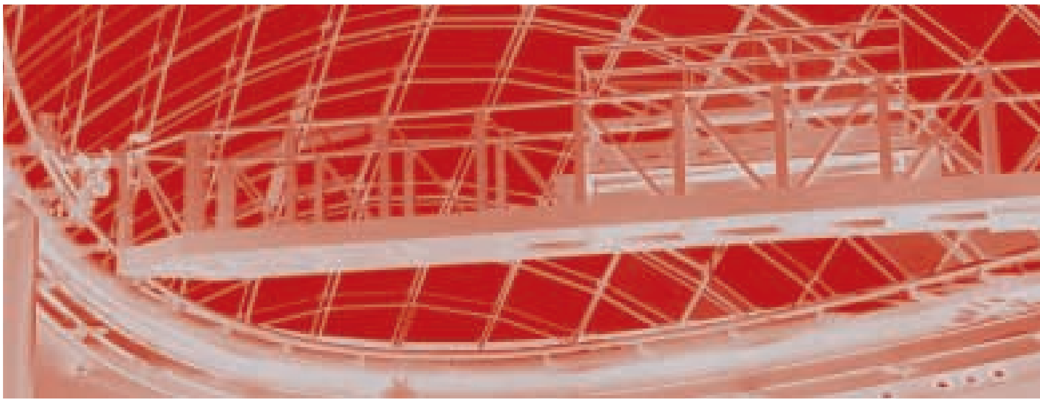
(3) Receivables and other assets
All receivables and other assets have less than one year to maturity with the exception of recoverable value added tax at Centro Commerciale Friuli Claus-Matthias Böge & Co. S.a.s. in the amount of €9,772 thousand (previous year: €9,808 thousand). In the previous year, the loan receivables from investees described below also had over one year to maturity.

Trade receivables principally relate to rent receivables. Allowances for doubtful accounts were recognised where necessary.

Receivables from other investees relate to one loan (previous year: two) totalling €20,637 thousand (previous year: €16,175 thousand) to Einkaufs-Center Arkaden Pecs KG, Hamburg. The loan is due on the official opening date of the Árkád Pécs shopping center, and in any event by no later than 31 May 2005.

Other assets relate primarily to receivables from the tax authorities in the amount of €13,996 thousand.

(4) Securities
Securities include shares in money market funds with a carrying amount of €21,700 thousand as at 31 December 2003. The redemption price as at 31 December 2003 was €21,990 thousand.



(5) Bank balances

Bank balances were maintained primarily as term deposits.

(6) Prepaid expenses

The amounts reported under prepaid expenses relate to expenses prepaid for the following year. The increase compared with the previous year is largely due to interest on undrawn loan funds at Forum Wetzlar KG.

(7) Equity

The registered share capital of Deutsche EuroShop AG amounts to €20,000 thousand and is composed of 15,625,000 no-par value registered shares.

In accordance with 160 (1) sentence 8 of the AktG, we hereby disclose that the shareholders listed below hold interests in the voting rights of Deutsche EuroShop AG of 5 % and more, as required by the disclosure obligations under the German Securities Trading Act:

	Shareholding notified as at	Reportable equity interest/share of voting rights in %	thereof held directly by shareholder in %	thereof indirectly attributable* in %	Share of voting rights in registered share capital
Alexander Otto, Hamburg	02.04.2002	13.50	1.00	12.50	2,699,600
AROSA Vermögensverwaltung G.m.b.H., Hamburg	*02.04.2002*	*12.50*	*12.50*	*0.00*	*2,500,000*
Benjamin Otto, Hamburg	02.04.2002	7.74	0.00	7.74	1,548,000
- Bravo-Alpha Beteiligungs G.m.b.H., Hamburg	*02.04.2002*	*7.74*	*3.71*	*4.03*	*1,548,000*

* = including add-ons in accordance with section 22 (1) sentence 2 of the German Securities Trading Act

On 12 September 2003, Deutsche Bank AG, Frankfurt am Main, informed us that it had fallen below the threshold of 5 % of the voting rights in Deutsche EuroShop AG and now holds 0.19 %. These voting rights of 0.19 % were attributable to Deutsche Bank AG via DB Industrial Holdings AG, Eschborn.

By reference to section 161 of the AktG, we hereby disclose in accordance with the recommendations of the German Corporate Governance Code (section 6.6) that the Supervisory Board and Executive Board members listed below held the following numbers of the outstanding shares of Deutsche EuroShop AG (total 15,625,000) as at 31 December 2003:

shares	31 December 2003	Change as against previous year
1. Supervisory Board		
Thomas Armbrust, Hamburg	35,400	0
Alexander Otto, Hamburg	2,109,125	0
Manfred Zaß, Königstein	3,000	+2,200
2. Executive Board		
Claus-Matthias Böge, Hamburg	25,700	0
Dirk Hasselbring, Hamburg	300	0

An amount of €9,465 thousand was withdrawn from the **capital reserves** as at 31 December 2003.

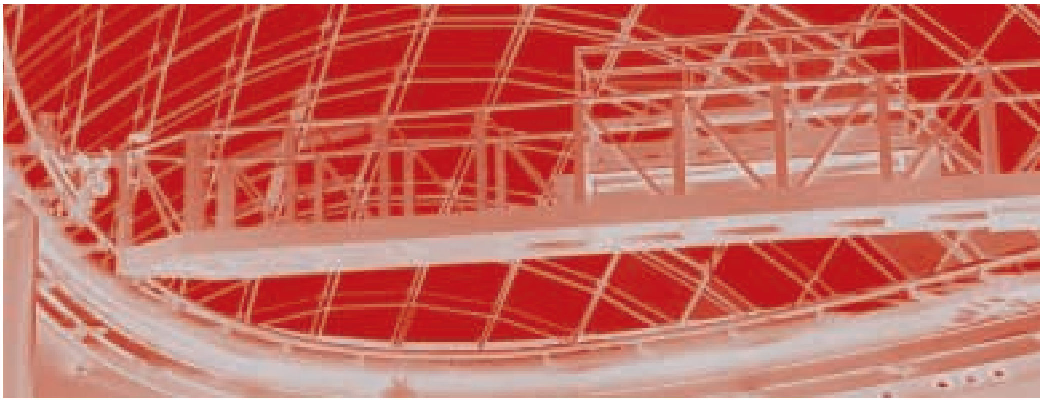
The **revenue reserves** consist solely of the legal reserve.

The **consolidated unappropriated surplus** for financial year 2003 amounts to €8,921 thousand and is composed of the consolidated net loss for the year amounting to €524 thousand, less the appropriation to the legal reserve of €20 thousand, plus the withdrawal from the capital reserves of €9,465 thousand.

(8) Provisions

The **provisions for taxes** consist of €741 thousand for real property taxes and €30 thousand for French corporation tax. They also include income tax liabilities expected for future periods as a result of the recognition of deferred tax liabilities (corporation tax of €20,423 thousand, solidarity surcharge of €1,123 thousand).

The **other provisions** relate in particular to unbilled maintenance expenses of €1,531 thousand, unbilled construction costs of €1,057 thousand, interest expenses amounting to €693 thousand, outstanding supplier invoices of €635 thousand and agency services provided by DB Real Estate Management GmbH amounting to €357 thousand.



(9) Liabilities

The maturity structure of liabilities and their allocation to other items are presented below:

k€	thereof with a remaining maturity of: less than 1 year	1 to 5 years	over 5 years	Total at 31 Dec. 2003
1. Liabilities to banks	4,815 (4,088)	43,063 (36,240)	360,764 (369,106)	408,642 (409,434)
2. Trade payables Lieferungen und Leistungen	1,659 (901)	0 (0)	0 (0)	1,659 (901)
3. Liabilities to other investees	1 (6,963)	0 (0)	0 (0)	1 (6,963)
4. Other liabilities	6,586 (2,501)	0 (0)	246 (245)	6,832 (2,746)
thereof taxes	825 (490)	0 (0)	0 (0)	490 (490)
	13,061 (14,453)	**43,063 (36,240)**	**361,010 (369,351)**	**417,134 (420,044)**

prior-period amounts in parentheses

As at 31 December 2003, liabilities to banks secured by land charges amounted to €387,116 thousand (previous year: €387,374 thousand).

The **liabilities to banks** primarily consist of long-term loans.

The increase in **other liabilities** as against the previous year is primarily due to outstanding payments for property development services as at 31 December, as well as to the purchase price for land bought by Forum Wetzlar KG.

(10) Deferred income

This item principally relates to rental payments received for the following year.

Other financial obligations:

k€	Rental and lease obligations
Due in 2004	78
Due in 2005-2008	210
Due after 2008	0
	288

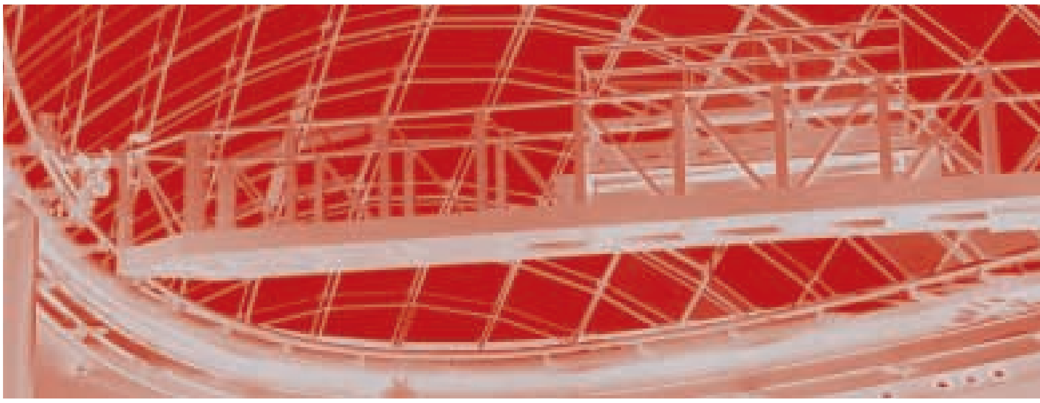
Other contingent liabilities amount to €17,855 thousand (previous year: €18,034 thousand)

B. Consolidated Profit and Loss Account

(1) Sales relate to rental income from shops and offices in the shopping centers amounting to €48,127 thousand, plus other income of €1,138 thousand.€,

(2) Other operating income principally relates to income from the sale of shares in money market funds (€321 thousand) and income from the previous year (€162 thousand).

(3) The **amortisation** of intangible assets and **depreciation** of tangible assets, as well as the amortisation of capitalised business start-up and expansion expenses do not contain any write-downs and are broken down in the statement of changes in fixed assets.



(4) The **other operating expenses** are composed of the following items:

k€	2003	2002
Property operating costs	5,457	4,726
Agency agreements/center management	2,535	2,309
Financing expenses	903	0
Write-downs of rent receivables	758	501
Letting expenses	695	1,336
Agency agreement DB Real Estate Management GmbH	358	1,765
Donations	6	506
Demolition expenses	0	4
Miscellaneous	2,127	1,755
	12,839	**12,902**

(5) The reported **income from investments** contains the distributions received in the year under review from DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg, Altmarkt-Galerie Dresden KG, Hamburg and Objekt City-Point Kassel GmbH & Co. KG, Pöcking.

(6) Other interest and similar income primarily relates to interest income from term deposits (€3,301 thousand), from loans granted (€583 thousand) and from interest on deposits (€580 thousand).

(7) The reported **interest and similar expenses** relate almost exclusively to interest on long-term loans amounting to €18,692 thousand.

(8) The **taxes on income** contain the addition to deferred tax liabilities at Deutsche EuroShop AG amounting to €7,364 thousand, as well as French income taxes of €296 thousand and Italian income taxes of €164 thousand.

C. Other Disclosures

The Group had three **employees** as at 31 December 2003.

Supervisory Board and Executive Board

Supervisory Board

a) Membership of other statutory supervisory boards
b) Membership of comparable German and foreign supervisory bodies of business enterprises

Manfred Zaß, Königstein im Taunus, Chairman
Banker

a) Deutsche Börse AG, Frankfurt am Main (Deputy Chairman)

Dr. Michael Gellen, Eschborn, Deputy Chairman
Member of the management of DB Real Estate Management GmbH, Eschborn (until 31 December 2003)

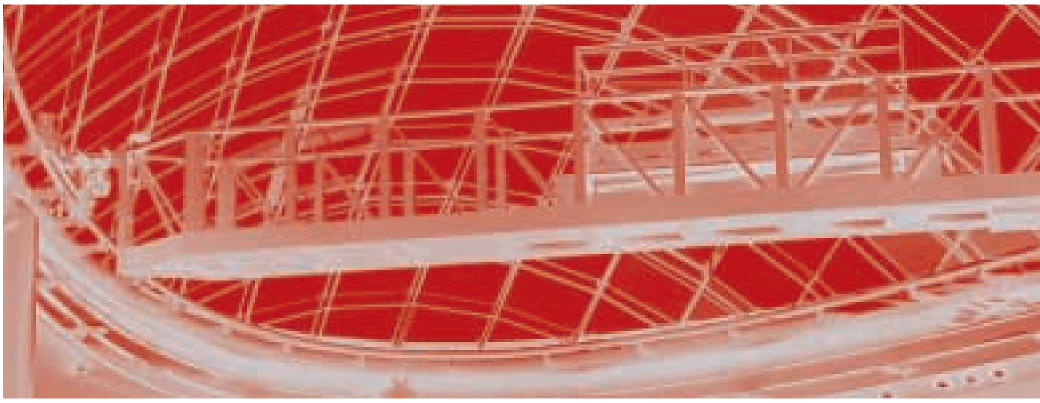
a) Deutsche Wohnen AG, Eschborn (Deputy Chairman)
Deutschbau Immobilien-Dienstleistungen GmbH, Düsseldorf
b) Deutschbau Holding GmbH, Düsseldorf
Deutschbau Wohnungsgesellschaft mbH, Berlin
Deutsche Bank Realty Advisors, Inc., New York

Thomas Armbrust, Hamburg
Member of the management of KG CURA Vermögensverwaltung G.m.b.H. & Co., Hamburg

a) C.J. VOGEL AKTIENGESELLSCHAFT für BETEILIGUNGEN, Hamburg (Chairman)
TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman)
Verwaltungsgesellschaft Otto mbH, Hamburg
b) ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Deputy Chairman)
Spiegel Holdings, Inc., Chicago

Dr. Tessen von Heydebreck, Frankfurt am Main
Member of the Board of Managing Directors of Deutsche Bank AG, Frankfurt am Main

a) BASF AG, Ludwigshafen am Rhein
BVV Versicherungsverein des Bankgewerbes a.G., Berlin
Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main
DWS Investment GmbH, Frankfurt am Main
Dürr AG, Stuttgart
Gruner & Jahr AG, Hamburg



b) Deutsche Bank Luxembourg S.A., Luxembourg (Chairman)
Deutsche Bank Polska S.A., Warsaw (Chairman)
Deutsche Bank 000, Moscow (Chairman)
Deutsche Bank Rt., Budapest (Chairman)
EFG Eurobank Ergasias S.A., Athens
Deutsche Bank Trust Corporation, New York
Deutsche Bank Trust Company America, New York

Dr. Jörn Kreke, Hagen
Businessman

a) Douglas Holding AG, Hagen (Chairman)
b) Girmes GmbH, Grefrath (Chairman)

Alexander Otto. Hamburg
CEO of ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg

a) HSH Nordbank AG, Hamburg
Verwaltungsgesellschaft Otto mbH, Hamburg
British American Tobacco (Industrie) GmbH, Hamburg
British American Tobacco (Germany) GmbH, Hamburg
BATIG Gesellschaft für Beteiligungen, Hamburg

Executive Board

Claus-Matthias Böge, spokesman, Hamburg

Dirk Hasselbring, Hamburg (since 18 June 2003)

Jürgen Wundrack, Offenbach (until 15 May 2003)

The **remuneration of the members of the Supervisory Board** amounted to €116 thousand in the year under review, and is broken down as follows:

k€	Variable remuneration
Manfred Zaß	9
Dr. Michael Gellen	16
Thomas Armbrust	18
Dr. Tessen von Heydebreck	9
Alexander Otto	9
Dr. Jörn Kreke	9
Former Members of the Supervisory Board	46
	116

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

The **remuneration of the Executive Board** amounted to €354 thousand, and is broken down as follows:

k€	Fixed salary	Variable remuneration	Other benefits	Total
Claus-Matthias Böge	204	80	10	294
Dirk Hasselbring (since 1 July 2003)	59	0	1	60

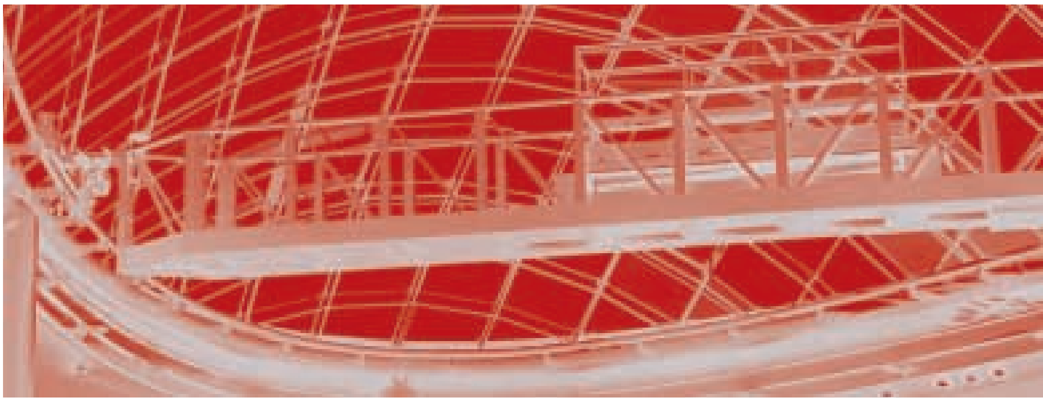
No advances or loans were granted.

The Company has not entered into any contingencies or commitments in favour of these persons.
In addition, the Declaration of Conformity with the **German Corporate Governance Code** required by section 161 of the AktG (German Public Companies Act) has been issued, and was made available to shareholders via publication on the Internet (www.deutsche-euroshop.com) in December 2003.

Eschborn, 25 March 2004

Deutsche EuroShop AG
The Executive Board

Claus-Matthias Böge **Dirk Hasselbring**



Auditors' Report

We have audited the consolidated financial statements of Deutsche Euroshop AG, Eschborn, consisting of the balance sheet, profit and loss account, cash flow statement, segment reporting, statement of changes in equity and notes, and the Group management report for the financial year 1 January to 31 December 2003. The preparation of the consolidated financial statements and the Group management report in accordance with German commercial law is the responsibility of the Company's Executive Board. 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 and the Group management report in accordance with section 317 of the HGB (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations as well as the cash flows in the consolidated financial statements and the Group management report in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the accounting, the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the definition of the basis of consolidation and the accounting and consolidation principles used and significant estimates made by the Executive Board, 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, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group as well as the cash flows during the financial year in accordance with German principles of proper accounting. On the whole, the Group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development.

Frankfurt am Main, 26 March 2004

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Dr. Lemnitzer)
Wirtschaftsprüfer

(Kögler)
Wirtschaftsprüfer

≡ Glossary

Ad hoc disclosures

The Wertpapierhandelsgesetz (German Securities Trading Act) requires issuers to publish ad hoc disclosures, i.e. to immediately publish significant news relating to the company that could materially affect its share price. This is designed to prevent price-sensitive information being known only to insiders who then exploit their knowledge edge to their own advantage.

Annual financial statements

Under German (HGB) accounting principles, the annual financial statements consist of a company's balance sheet, profit and loss account, notes to the financial statements and a management report. The annual financial statements of a public company are prepared by its executive board, audited by a certified public accountant (in Germany: Wirtschaftsprüfer) and adopted by the supervisory board.

Cash flow per share (CFPS)

The cash flow per share is calculated by dividing the cash flow by the number of shares issued by a company. The cash flow per share is taken as the basis for calculating the price/cash flow ratio.

Closed-end fund

In closed-end funds, the sale of units ceases when the set issuing volume has been reached. There is no provision for the issuing company to buy back the units during the term of the fund.

Consumer price index

Also called the cost-of-living index, this is calculated in Germany by the Federal Statistical Office on a monthly basis. The CPI is the most important statistical indicator of a change in prices; the price of a basket of goods during a given period is compared with the price of the same basket during the base year. This change is also known as the inflation rate.

Corporate governance

Corporate governance lays down the rules for good, value-driven corporate management. The objective is to control the company's management and to create mechanisms to ensure executives act in the interests of their shareholders.

Coverage

Information provided on a listed public company in the form of studies and research reports by banks and financial analysts.

DAX

Germany's premier equity index. The composition of the DAX is established by Deutsche Börse AG on the basis of the share prices of the 30 largest listed companies in Germany.

Designated sponsor

A designated sponsor is obliged to provide bid and ask prices for a share on request, thus ensuring additional liquidity.

Dividend

All shareholders are entitled to the portion of the net profit distributed by their company that corresponds to the amount of their shareholding. This payment is known as a dividend.

DVFA earnings

DVFA stands for „Deutsche Vereinigung für Finanzanalyse und Asset Management" (German Society of Investment Analysis and Asset Management). DVFA earnings are calculated on the basis of the DVFA's generally accepted guidelines for the preparation of corporate accounts. As a rule, DVFA earnings differ from the profit or loss reported under the HGB in that they are adjusted for one-time factors. This provides a more objective and comparable view of the company's earnings power.

EBIT

Earnings before interest and taxes.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

EPRA

The European Public Real Estate Association is an organisation based in Amsterdam that represents the interests of the major European property management companies and supports the development and market presence of European public property companies. The well-known international index named after it, the EPRA index, tracks the performance of the largest European and North American listed property companies.

EPS

Earning per share

Free cash flow

The surplus cash generated from operating activities recognised in the profit and loss account. This expresses a company's internal financing power, which can be used for investments, the repayment of debt, dividend payments and to meet funding requirements.

Fungibility

Fungible securities are securities that can be easily bought and sold at an individual level. The stock exchange is a market for fungible goods.

Gross domestic product (GDP)

The value of all goods and services produced or rendered internally against payment by a national economy during a given period.

HGB accounting	The Handelsgesetzbuch (German Commercial Code – HGB) is the primary law governing the activities of business people in Germany and contains regulations governing the preparation of annual financial statements, among other things. The HGB governs the preparation and publication of financial statements by companies domiciled in Germany. HGB accounting is based on the principle of prudence, the aim of which is to protect the interests of creditors.
Macrolocation	The area in which a property is located, including its catchment and surrounding areas such as the relevant district, town, or region.
Market capitalisation	The current quoted price for a share multiplied by the number of shares listed on the stock exchange. Market capitalisation is calculated for individual companies, sectors, and entire stock markets, thus enabling comparisons between them.
MDAX	German mid-cap index comprising the 50 most important securities after the DAX members.
Microlocation	The property itself and its immediate surroundings.
Net asset value (NAV)	The value of an asset after deduction of liabilities. With regards to shares, the NAV constitutes their intrinsic value.
Open-ended fund	The most common type of fund in Germany, in which the number of units issued is unlimited. Depending on the volume of funds received, new units are issued to investors and retired on an ongoing basis. Strong inflows of funds increase the total assets of the open-ended fund. The additional funds are initially allocated to the cash reserves until an investment is made in corresponding assets.
Outsourcing	The term "outsourcing", which originated in the USA, stands for the words "outside resource using". The objective is usually to optimise a company's structures from a financial perspective.
Overage	A rental payment that is calculated on the basis of the sales revenue generated on a leasable space rather than the space itself.
Peer group	A peer group is a share price performance benchmark consisting of companies from similar sectors. It is put together on the basis of individual criteria.

Deutsche EuroShop AG

Performance

The term performance describes the percentage appreciation of an investment or a securities portfolio during a given period.

Regional center

A central location that meets all the needs (including specific and highly specialised requirements) of its own population, as well as of a broad population in the surrounding area. In other words, the purchasing power of a regional center exceeds the amount actually generated there.

Retail space

Space in a building and/or an open area that is used for sales by a retail company and that is accessible to customers. Service areas required for operational and legal purposes are not taken into account, nor are stairways or shop windows. The retail space is part of the leasable space of a business.

Roadshows

Corporate presentations to institutional investors.

SDAX

The small-cap index comprising the 50 most important securities after the members of the DAX and the MDAX.

Share capital

The capital stipulated in a corporation's articles of association. The articles also specify the number of shares into which the share capital is divided. The company issues shares in the amount of its share capital.

Share register

German public companies that issue registered shares must maintain a share register. This lists each shareholder together with his or her name, date of birth and address, thus showing the current shareholder structure and any changes. Shareholders have the right to be informed about the details of their own entry in the share register.

TecDAX

The successor of the NEMAX 50, comprising the 30 largest German listed technology securities.

Xetra

An electronic stock exchange trading system that, in contrast to floor trading, uses and open order book, thus increasing market transparency. The trading hours are currently 9.00 a.m. to 5.30 p.m.

≡ Highlights in 2003

April
Admission to the Prime Standard.

June
Annual General Meeting on 18 June 2003 and distribution once again of a dividend of €1.92 per share.

Appointment of Mr Dirk Hasselbring to the Executive Board.

July
Admission to trading on the SDAX; Deutsche EuroShop heads up Deutsche Börse's SDAX ranking.

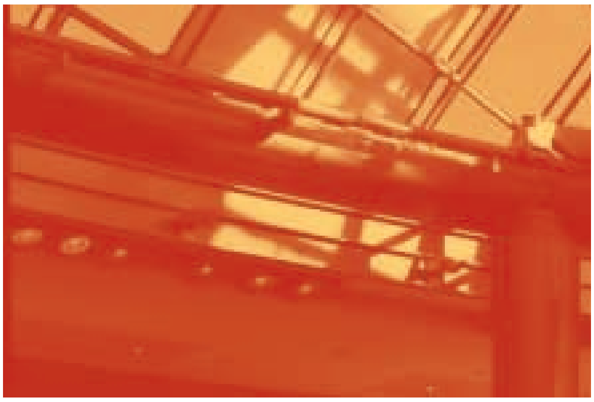
August
50 % interest acquired in the Phoenix-Center, Hamburg effective 1 January 2004.

September
Sale of Deutsche Bank's interest in three tranches; the free float increases to around 79 %.

October
Acquisition of a 65 % interest in the Forum Wetzlar shopping center.

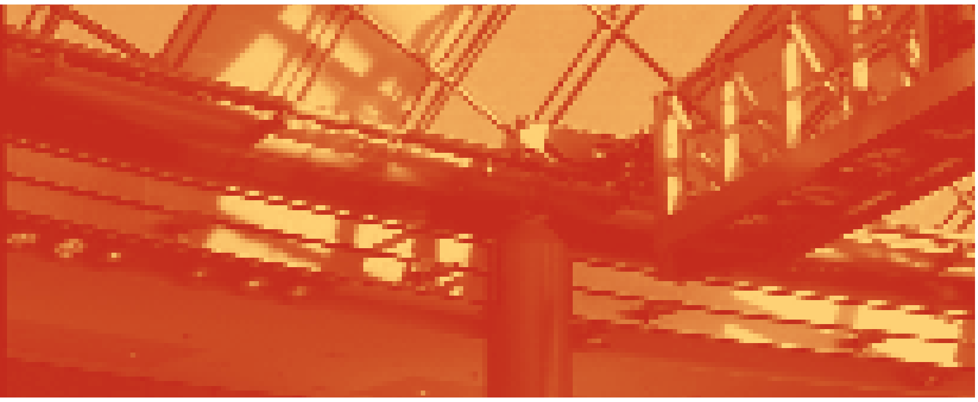
December
Deutsche EuroShop is fully invested following the purchase of a 33 % interest in Galeria Dominikanska, Wroclaw.

Deutsche EuroShop AG



Index DES

≡ Index DES



≡ Corporate Calendar 2004

January

20.	Foundation stone laid at Forum Wetzlar
20.-21.	Road show, Frankfurt/Main

February

03.	Topping-out ceremony at the Phoenix-Center, Hamburg
10.	Road show, Frankfurt/Main

March

02.	Press and analyst conference, Frankfurt/Main
29.	Deutsche Bank German Corporate Conference, Frankfurt/Main
31.	Opening of Pécs Árkád, Pécs/Hungary

April

05.-06.	Road show, Germany
15.	Supervisory Board meeting, Frankfurt/Main
20.	Publication of the 2003 Annual Report
20.	Annual earning press conference, Hamburg
20.	Analyst conference, Hamburg

May

25.	Report on the first quarter of 2004
27.	Kempen & Co European Property Seminar, Amsterdam

June

17.	Annual General Meeting, Frankfurt/Main
17.	Supervisory Board meeting, Frankfurt/Main
18.	Dividend payment

August

17.	Report on the first half of 2004

September

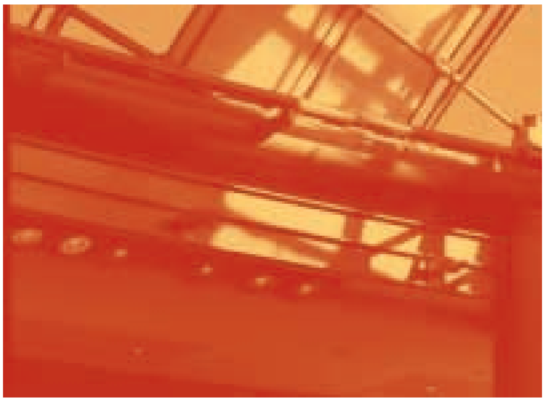
9.-10.	EPRA annual conference, Berlin
15.	Supervisory Board meeting, Hamburg
30.	40th anniversary of the Main-Taunus-Zentrum, Sulzbach

October

	4th professional conference by the Initiative Immobilien-Aktie (Property Share Initiative)
	Opening of the Phoenix-Center, Hamburg

November

16.	Report on the first three quarters of 2004
23.-24.	German Equity Forum, Frankfurt/Main
25.	Supervisory Board meeting, Hamburg



Details

Publications for our shareholders

- Annual Report (German and English)
- Interim Reports for the first, second and third quarters (German and English)

The above information can be obtained from:
Deutsche EuroShop AG, Investor Relations, Oderfelder Straße 23, 20149 Hamburg, Germany

Online Annual Report

The Annual Report of Deutsche EuroShop AG is available online at www.deutsche-euroshop.com in PDF format and as an interactive online version.

Forward-looking statements

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

Trademarks

All trademarks and product names referred to in this Annual Report are the property of their respective owners. This applies in particular to DAX, MDAX, SDAX and Xetra, which are registered trademarks and the property of Deutsche Börse AG.

Imprint

Imprint

Published by
Deutsche EuroShop AG
Oderfelder Straße 23
20149 Hamburg
Germany
Tel.: +49 (0)40 - 41 35 79 20
Fax: +49 (0)40 - 41 35 79 29
e-mail: info@deutsche-euroshop.de
Web: www.deutsche-euroshop.com

Design and Layout
IR-One AG & Co. KG, Hamburg

Print
Hamburg

Pictures
Christian Stelling, Hamburg

Picture Credits
Deutsche EuroShop AG, Hamburg
Ghetty Images

Deutsche EuroShop AG

Oderfelder Straße 23
20149 Hamburg

www.deutsche-euroshop.com