The Art of Shopping

Interim Report Q1 2005

Key Figures

Key Group Figures

€ million	1 Jan.– 31 Mar. 2005	1 Jan.– 31 Mar. 2004	Change
Revenue	17.4	14.9	17%
EBIT	13.8	13.2	5%
Net finance costs	-6.8	-5.0	-36%
EBT	7.0	8.2	-14%
Consolidated net profit for the period	4.4	5.9	-25%
EPS (€)	0.28	0.38	-25%
	31 Mar. 2005	**31 Dec. 2004**	**Change**
Equity	689.6	684.4	1%
Liabilities	623.4	612.6	2%
Total assets	1,377.0	1,370.2	0%
Equity ratio (%)	50.1	49.9	
Gearing (%)	100	100	
Cash and cash equivalents	152.9	150.3	2%

DES Shares – Key Figures

Sector/industry group	Financial Services/Real Estate
Share capital	€20 million
Number of shares (no-par value registered shares)	15,625,000
Proposed dividend 2004 (tax-free)	€1.92
Share price on 31 December 2004	€38.51
Share price on 31 March 2005	€39.00
High/low in the period under review	€38.23/€42.00
Market Capitalisation on 31 March 2005	€609 million
Prime Standard	Frankfurt and Xetra
OTC trading	Berlin-Bremen, Dusseldorf, Hamburg, Munich and Stuttgart
Indices	MDAX, EPRA, GPR 250, EPIX 30
ISIN	DE 000748 020 4
Ticker symbol	DEQ. Reuters: DEQGn,DE

Contents

+++News Ticker+++

In addition to our annual reports, our interim reports will also be made available to you as an interactive online version in future.

Further details can be found on our website at www.deutsche-euroshop.com

Letter from the Executive Board

Dear Shareholders,
Ladies and Gentlemen,

This interim report is the first that we have prepared in accordance with International Financial Reporting Standards (IFRSs). In the first quarter, we generated revenue of €17.4 million (+17%) and EBIT of €13.8 million (+5%). However, consolidated profit for the period does not fully reflect the Company's performance. This is due solely to currency translation effects at our Hungarian investee. In currency-adjusted terms, we were able to increase earnings by 11% year-on-year.

We would like to point out here that the full-year results cannot be extrapolated from the quarterly results, as changes in the properties' fair values are not included in gains and losses on the measurement of financial instruments and properties until the end of the year.

Forum Wetzlar opened fully let in mid-February 2005. It is our fourth shopping center in Hesse. We hold a 65% stake in this property and have invested almost €73 million since October 2003. The center offers an attractive sector mix including well-known chains and local retailers on two levels offering total retail space of around 23,500 m^2. It is situated directly on the Bundesstrasse 49 main road in central Wetzlar and links the pedestrianised area, the railway station and the main bus station. For car drivers, there are around 1,700 parking spaces within the Forum Wetzlar complex itself. 540,000 people live in the center's catchment area.

The Forum Wetzlar investment project was managed by our Executive Board member Mr Hasselbring. Its opening brought to a successful close the planning and construction phase of a project that was, at the

Claus-Matthias Böge

same time, the last major project for Mr Hasselbring as a member of Deutsche EuroShop's Executive Board. He has left the Company of his own volition to pursue other career opportunities abroad. The Supervisory Board and I would like to thank Mr Hasselbring for the work he did at Deutsche EuroShop. We have set in motion the measures necessary to fill the vacant position on the Executive Board.

I hope that I will soon be able to present a new Executive Board member and report to you on further shopping center investments. Until then, I would like to thank you for your confidence in us.

Hamburg, May 2005

Claus-Matthias Böge

Business Developments

In the first three months of financial year 2005, we were able to increase revenue and currency-adjusted earnings sharply. Contributing to these results for the first time were the Árkád Pécs shopping center and the Phoenix Center in Hamburg, both of which opened in 2004, and Forum Wetzlar, which opened for business in mid-February 2005.

Revenue

Revenue up 17%
In the first quarter of 2005, revenue rose by 17% or €2.5 million year-on-year to €17.4 million. On a like-for-like basis, i.e. adjusted for additional revenue from newly opened centers and the Italian property sold in 2004, revenue was up 1%.

Currency effects on other operating income
At €0.5 million, other operating income was €1.5 million down on the first three months of 2004. While, in the prior-year quarter, exchange rate gains (HUF to €) resulted in income of around €1.8 million, the period under review brought exchange rate losses of around €0.1 million.

Expenses slightly higher
Due to the exchange rate losses and the costs associated with the City-Arkaden property under construction in Klagenfurt, Austria, expenses rose by €0.3 million to €3.8 million.

Earnings

EBIT up 5%
Earnings before interest and taxes (EBIT) rose by €0.6 million or 5% to €13.8 million. In currency-adjusted terms, they were up by as much as €2.5 million or 22%.

Net finance costs increase
Income from our investments in the Main-Taunus-Zentrum and Galeria Dominikanska in Wroclaw was on a par with the previous year at €1,0 million. In contrast, net interest expense deteriorated by €1.7 million to €7.7 million. This was due mainly to higher interest expenses, which rose by €1.5 million as a result of the newly opened shopping centers. The interest expenses incurred prior to their opening were capitalised.

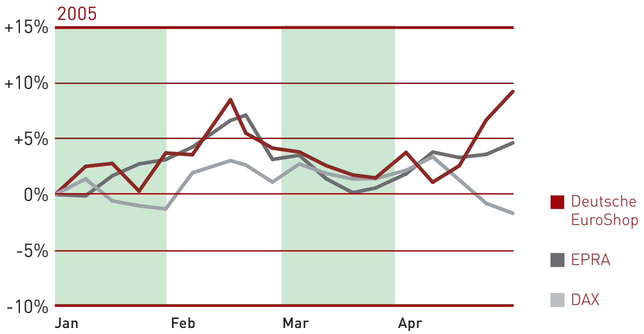
Measurement gains and losses exclude changes in fair values
Measurement gains and losses, i. e. gains and losses on the measurement of financial instruments and properties, only include the investment expenses incurred in relation to operational shopping centers during the period under review. Changes in fair values are not included until the end of the year, as all properties are valued by external appraisers only once a year. We therefore posted net measurement losses of €0.2 million.

Consolidated profit for the period of €4.4 million
At €7.0 million, profit from ordinary activities (EBT) were €1.2 million down overall on the prior-year period. In currency-adjusted terms, however, EBT rose by 11.5% or €0.7 million. After the deduction of taxes and minority interest in earnings, profit for the period amounted to €4.4 million or €0.28 per share. This equates to a currency-adjusted rise of 11% as against the same period of the previous year.

The Shopping Center Share

2005 got off to a positive start for our shares, which gained 1.3%, rising from €38.51 on 30 December 2004 to €39.00 on 31 March 2005. On 11 February 2005, Deutsche Euroshop's share price reached its high for the period of €42.00, setting a new all-time high at the same time.

Deutsche EuroShop vs. DAX and EPRA
January to April 2005
(indexed, basis 100, in %)



International roadshows
In the past quarter, we staged roadshows in Frankfurt, Milan and Stuttgart. In February, we also met with a positive reception during our first visits to investors in Italy.

New analyst coverage
In March, DZ Bank started coverage of our share with a "buy" recommendation. Swiss private bank HSBC Guyerzeller also included our share on its list of buy recommendations. Other banks have announced that they intend to start research coverage of Deutsche EuroShop in the near future.

Events since the End of the Interim Reporting Period

On 30 April 2005, Dirk Hasselbring stepped down from the Executive Board of his own volition and in agreement with the Supervisory Board.

Outlook

At the end of April, the German federal government lowered its GDP growth forecast from 1.6% to 1.0%, following in the footsteps of the majority of the economic research institutes. Due to our good locations, our index- and sales-linked leases and an occupancy rate of over 99%, we are optimistic that we will be able to further increase our income from operations in this environment.

High pre-letting rate in Klagenfurt
Of the properties in our shopping center portfolio, only City-Arkaden Klagenfurt is still under construction. The construction work is making rapid progress, and the pre-letting rate now tops 70%. Due to the healthy demand for retail space in this property, we expect to achieve full occupancy in Klagenfurt by the time of its scheduled opening in spring 2006. It also seems that the investment costs may be lower than originally calculated.

Outlook

Shopping centers still in high demand
There are currently several opportunities for acquisitions in Germany and abroad, but competition for attractive shopping centers remains intense. Nevertheless, we still consider the €100 – 150 million investment volume planned for 2005 to be achievable.

Dividend at least on a par with 2004
We expect to achieve our projected revenue and earnings figures in 2005. We are also confident that we will be able to pay a dividend of at least €1.92 for financial year 2005, too.

Contents

Consolidated
Balance Sheet

Consolidated Balance Sheet

ASSETS € thousand	31 Mar. 2005	31 Dec. 2004
ASSETS		
Non-current assets		
Intangible assets	11	12
Property, plant and equipment	187,601	183,100
Investment property	918,470	918,470
Non-current financial assets	101,669	101,669
Non-current assets	**1,207,751**	**1,203,251**
CURRENT ASSETS		
Trade receivables	3,144	1,985
Receivables from other investees	1,043	0
Other current assets	12,197	14,697
Current financial assets	72,243	63,945
Cash	80,627	86,330
Current assets	**169,254**	**166,957**
Total assets	**1,377,005**	**1,370,208**

EQUITY AND LIABILITIES € thousand	31 Mar. 2005	31 Dec. 2004
EQUITY AND LIABILITIES		
Equity and reserves		
Share capital	20,000	20,000
Capital reserves	496,363	496,363
Retained earnings	118,951	91,042
Consolidated profit for the period	4,445	27,736
Subtotal	**639,759**	**635,141**
Minority interest	**49,834**	**49,271**
Total equity	**689,593**	**684,412**
NON-CURRENT LIABILITIES		
Bank loans and overdrafts	610,340	597,576
Other non-current liabilities	86	86
Non-current liabilities	**610,426**	**597,662**
Deferred tax liabilities	**53,374**	**51,676**
CURRENT LIABILITIES		
Bank loans and overdrafts	3,947	6,675
Trade payables	4,396	3,742
Tax provisions	3,583	3,329
Other provisions	7,009	18,158
Other liabilities	4,677	4,554
Current liabilities	**23,612**	**36,458**
Total equity and liabilities	**1,377,005**	**1,370,208**

Consolidated
Profit and Loss Account/
Statement of Changes in
Equity

Consolidated Profit and Loss Account

€ thousand
Revenue
Other operating income
Staff costs
Other operating expenses
Earnings before interest, taxes and depreciation (EBITD)
Depreciation and amortisation of property, plant and equipment and intangible assets
Earnings before interest and taxes (EBIT)
Net interest expense
Income from investments
Income and expense from the measurement of financial instruments and properties
Net finance costs
Profit from ordinary activities (EBT)
Income tax expense
Other taxes
Profit after taxes
Minority interest in earnings
Consolidated profit for the period
Basic earnings per share (€)

Statement of Changes in Equity

€ thousand	**Share capital**	**Capital reserves**	**Other retained earnings**
1 Jan. 2004	**20,000**	**507,365**	**90,590**
Consolidated profit/loss		19,019	
Change due to currency translation effects			-49
Other changes			
31 Mar. 2004	**20,000**	**526,384**	**90,541**
1 Jan. 2005	**20,000**	**496,363**	**89,042**
Consolidated profit/loss		27,736	
Change due to currency translation effects			173
Other changes			
31 Mar. 2005	**20,000**	**524,099**	**89,215**

	1 Jan. – 31 Mar. 2005	1 Jan. – 31 Mar. 2004
	17,408	14,891
	489	2,015
	-200	-147
	-3,855	-3,536
	13,842	**13,223**
	-4	-3
	13,838	**13,220**
	-7,679	-6,012
	1,043	1,076
	-156	-47
	-6,792	**-4,983**
	7,046	**8,237**
	-1,816	-1,860
	-212	-284
	5,018	**6,093**
	-573	-187
	4,445	**5,906**
	0.28	0.38

	Legal reserve	Profit/loss for the period	Total	Minority interest	Total equity
	1,979	**19,019**	**638,953**	**56,348**	**695,301**
		-13,113	5,906	187	6,093
			-49		-49
			0	-5	-5
	1,979	**5,906**	**644,810**	**56,530**	**701,340**
	2,000	**27,736**	**635,141**	**49,271**	**684,412**
		-23,291	4,445	573	5,018
			173		173
			0	-10	-10
	2,000	**4,445**	**639,759**	**49,834**	**689,593**

Consolidated
Cash Flow Statement

Consolidated Cash Flow Statement

€ thousand	1 Jan. – 31 Mar. 2005	1 Jan. – 31 Mar. 2004
Earnings after taxes	**5,017**	**6,093**
Depreciation of property, plant and equipment	4	3
Investments during the financial year	156	47
Deferred taxes	1,698	-20
Operating cash flow	**6,875**	**6,123**
Changes in receivables	1,341	-290
Changes in current provisions	-10,895	304
Changes in liabilities	777	5,135
Cash flow from operating activities	**-1,902**	**11,272**
Payments to acquire property, plant and equipment and intangible assets	-4,656	-56,306
Payments to acquire non-current financial assets	-1,043	-1,004
Cash flow from investing activities	**-5,699**	**-57,311**
Changes in interest-bearing financial liabilities	10,036	39,140
Payments to owners	-10	-5
Cash flow from financing activities	**10,026**	**39,135**
Net change in cash and cash equivalents	**2,425**	**-6,903**
Cash and cash equivalents at beginning of the period	**150,275**	**101,988**
Other changes	170	-50
Cash and cash equivalents at end of the period	**152,870**	**95,035**

Notes/Disclosures

Basis of presentation

Deutsche EuroShop's interim financial statements as at 31 March 2005 were prepared in accordance with International Financial Reporting Standards (IFRSs).

The consolidated financial statements have not been reviewed by an auditor. In the opinion of the Executive Board, they contain all the necessary adjustments required to give a true and fair view of the results of operations as at the Interim Report date. No conclusions regarding the development of future results can necessarily be drawn from the results of the first three months as at 31 March 2005.

The accounting policies applied correspond to those used in the last consolidated financial statements as at the end of the financial year. A detailed description of these policies was published in the Annual Report 2004.

Consolidated group

The consolidated group is as at 31 December 2004; all consolidation principles used are unchanged. For more information, please refer to the detailed description of the basis and methods of consolidation, and to the principles applied to the annual financial statements, which were printed in full in the Annual Report 2004.

Consolidated financial statement disclosures

In the period under review, the total assets of the Deutsche EuroShop Group increased by €6.8 million to €1,377.0 million. Non-current assets increased by €4.5 million, while receivables and other assets declined by €0.3 million. Cash and cash equivalents increased by €2.6 million to €152.9 million.

Equity increased by €5.2 million to €689.6 million. This equates to an equity ratio of 50.1%, which is slightly higher than the prior-year figure.

Provisions for deferred taxes increased by €1.7 million to €53.4 million as a result of further additions. Non-current bank loans and overdrafts rose by €12.8 million to €610.3 million due to additional loan payments associated with the shopping center under construction. Other provisions dropped by €11.2 million to €7.0 million in the period under review, mainly because invoiced construction services were settled.

For profit and loss account disclosures, please refer to the notes on business developments on pages 6 and 7.

Segment reporting in the Group

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

Sales (€ thousand)	Germany	Abroad	thereof EU	Total
1 Jan. – 31 Mar. 2005	14,644	2,764	2,764	17,408
1 Jan. – 31 Mar. 2004	12,204	2,687	2,687	14,891

Dividend

No dividend was distributed in Q1 2005.

Employees

As at 31 March 2005, the Group employed three people.

Stock options

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

Forward-looking statements

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

Financial Calendar 2005

10 May	Interim report Q1 2005
11 – 12 May	Roadshow London
24 May	Sal. Oppenheim Real Estate Conference, London
01 June	DB German Corporate Conference, Frankfurt am Main
02 June	Kempen & Co European Property Seminar, Amsterdam
09 – 10 June	Roadshow Copenhagen, Helsinki and Stockholm
16 – 17 June	Morgan Stanley Property Conference, London
23 June	Annual General Meeting, Hamburg
10 August	Interim Report H1 2005
23 September	Citigroup Jour Fixe, London
28 – 29 September	HVB German Investment Conference, Munich
26 October	Property Share Initiative, Frankfurt am Main
10 November	Interim Report Q1-3 2005
21 – 23 November	German Equity Forum, Frankfurt am Main

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The English and German versions of this Interim Report are available online at www.deutsche-euroshop.com as PDF files and as interactive online versions.

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