

The Art of Shopping
Interim Report
H1 2005

DES
Deutsche EuroShop AG

Key Figures

Key Group Figures

€ million	1 Jan.- 30 June 2005	1 Jan.- 30 June 2004	Change
Revenue	35.2	30.7	14%
EBIT	28.4	24.3	17%
Net finance costs	-13.9	-12.2	-14%
EBT	14.5	12.2	20%
Consolidated net profit for the period	9.0	8.3	8%
EPS (€)	0,58	0,53	8%
	30 June 2005	31 Dec. 2004	Change
Equity	664.4	684.4	-3%
Liabilities	633.1	612.6	3%
Total assets	1,360.2	1,370.2	-1%
Equity ratio (%)	48.8	49.9	
Gearing (%)	105	100	
Cash and cash equivalents	124.7	150.3	-17%

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 30 June 2005	€44.75
High/low in the period under review	€46.25/€38.23
Market capitalisation on 30 June 2005	€699 million
Prime Standard	Frankfurt and Xetra
OTC trading	Berlin-Bremen, Dusseldorf, Hamburg, Munich and Stuttgart
Indices	MDAX, EPRA, GPR 250, EPIX 30, HASPAX
ISIN	DE 000748 020 4
Ticker symbol	DEQ, Reuters: DEQn.DE

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+++News Ticker+++

Deutsche EuroShop 2004 Annual Report was voted one of the best reports from a property company worldwide in two international competitions.

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

Letter from the Executive Board

Dear Shareholders, Ladies and Gentlemen,

We can look back on a successful first half of 2005. Thanks to the newly opened shopping centers in Pécs, Hamburg and Wetzlar, we increased revenue by 14% to €35.2 million year-on-year. EBIT rose by 17% to €28.4 million. Consolidated profit for the period, at €9.0 million, was up 8% on the previous year's result.

Currency translation effects from our Hungarian investee, which impacted our consolidated profit in Q1/2005, were significantly reduced in the second quarter. As a result, earnings for the half-year actually rose by 30% against the prior-year period in currency-adjusted terms.

On 23 June, the Annual General Meeting approved all agenda items by a large majority. In addition to the dividend distribution of €1.92 per share, these items included the approval of the activities of the executive bodies, remuneration of the Supervisory Board and the appointment of BDO Deutsche Warentreuhand, Hamburg, as auditor for financial year 2005.

In the last Interim Report and at the Annual General Meeting, we informed you that we were looking to appoint a new Executive Board member. I can now announce the successful conclusion to our search: the Supervisory Board has appointed Mr. Olaf G. Borkers to the Executive Board of Deutsche EuroShop. Mr. Borkers will focus on responsibility for finance within the Executive Board with effect from 1 October 2005.



Claus-Matthias Böge

As banker and business administration graduate, Mr Borkers has many years' experience in finance and in the real estate sector. He began his career in 1992 as a credit analyst with Deutsche Bank AG in Frankfurt am Main. Since June 1999, Mr Borkers has been responsible for finance and investor relations on the executive board of a listed property company.

With Olaf Borkers, we have gained an experienced finance expert. His appointment represents a valuable addition to the Executive Board.

The question of our next shopping center investment must remain open at this stage. However, I am certain that we will soon be able to fulfil your expectations in this respect as well.

Hamburg, August 2005

A handwritten signature in blue ink that reads "Claus-Matthias Böge". The signature is written in a cursive, flowing style.

Claus-Matthias Böge

Business Developments

Business Developments

The positive trend in our business development continued in the first half of 2005. Revenue and earnings clearly exceeded the previous year's figures. In particular, our newly opened shopping centers – Árkád Pécs, Phoenix-Center Hamburg and Forum Wetzlar – contributed to this increase.

Revenue

Revenue up 14%

Revenue rose by 14% from €30.7 million in the first half of 2004 to €35.2 million in the period under review. Adjusted for the revenue contributions from the newly opened centers and the Italian shopping center sold in July 2004, revenue was up 1%.

Reduced currency effects

Other operating income was down €0.7 million on the first half of 2004. This was due to two opposing effects. On the one hand, Deutsche EuroShop invested its cash and cash equivalents in money market funds, whose price gains as at 30 June 2005 were €0.5 million higher than in the first six months of the previous year. On the other, exchange rate gains for our Hungarian shopping center amounting to €1.2 million were included in other operating income in 2004; these changed to exchange rate losses of €0.2 million as at 30 June 2005 due to the depreciation of the forint.

Slight decline in expenses

Other operating expenses dropped by €0.3 million to €7.3 million. Ongoing expenses were slightly under the budgeted amounts for all properties and at Deutsche EuroShop AG.

Earnings

17% rise in EBIT

Earnings before interest and taxes (EBIT) rose by €4.1 million from €24.3 million to €28.4 million (+17%). In currency-adjusted terms, earnings were up €5.5 million (+24%).

Net interest expense impacts net finance costs

Net interest expense deteriorated by €3.1 million compared with the first half of the previous year to €-15.5 million. This was primarily due to higher interest expenses for our newly opened properties. In contrast, income from investments improved to €2.4 million, as additional investment income from our property Galeria Dominikanska in Wroclaw amounting to €0.3 million was recorded as a cash gain.

Measurement gains and losses improved

Measurement gains and losses, i.e. income and expense from the measurement of financial instruments and properties, only include the investment expenses incurred in relation to operational shopping centers during the period under review. In the first half of 2004, the expense was €1.2 million higher than the period under review (€0.3 million), due to the cost of expansion measures in the Rhein-Neckar-Zentrum, which must be recognised as expenses under IFRS.

Consolidated profit for the period rises 8%

Profit from ordinary activities (EBT) was up €2.4 million year-on-year at €14.5 million. After the deduction of taxes and minority interest in earnings, profit for the period amounted to €9.0 million or €0.58 per share. This was up €0.7 million or 8% on the first half of 2004. In currency-adjusted terms, earnings rose by 30%.

The Shopping Center Share

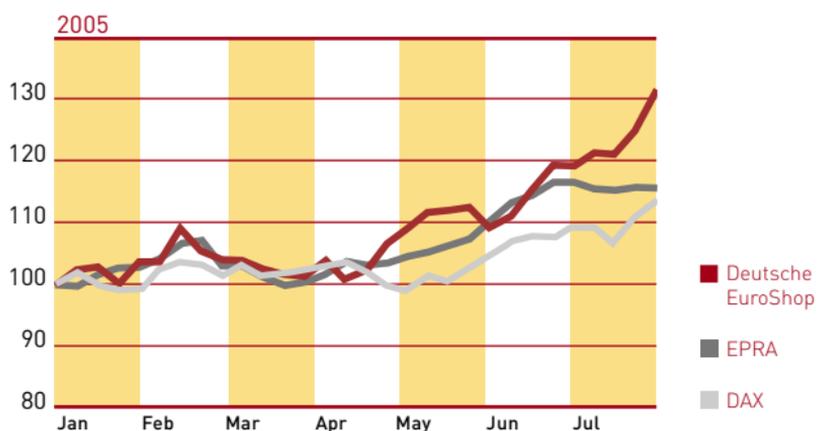
The Shopping Center Share

Our share price increased from €38.51 at the beginning of the year to €44.75 on June 30, 2005. This corresponds to a rise of 16.2%. While the DAX and MDAX performance indices improved by 7.8% and 17.6% respectively, Deutsche EuroShop shareholders achieved a performance of 21.2%, including the dividend amounting to €1.92 per share distributed on 24 June 2005.

Deutsche EuroShop vs. DAX and EPRA

January to July 2005

(indexed, basis 100, in %)



IFRS 2004 results presented

On 18 April, we published our results for financial year 2004 in accordance with IFRSs (International Financial Reporting Standards) at our annual earnings press and analyst conference, held in the Phoenix Center in Hamburg. The event was broadcast simultaneously over the Internet, and met with a positive response from all participants.

Events since the End of the Interim Reporting Period/ Outlook

International roadshows and conferences

We presented our 2004 annual financial statements in accordance with IFRSs, which are internationally comparable for the first time, to institutional investors at roadshows in Germany and abroad. In addition, we presented Deutsche EuroShop at international capital market conferences in Frankfurt, Amsterdam and London.

Approval by Annual General Meeting

An important investor relations event in the first half-year was the Ordinary Annual General Meeting on 23 June 2005, which we hosted in Hamburg for the first time. The around 270 shareholders in attendance represented 57.2% of the capital and approved all agenda items by over 99.8% of the votes.

New analyst recommendations

In June, West LB, another large banking institution, started coverage of our shares. The analyst's initial opinion was "outperform".

Events since the End of the Interim Reporting Period

The Supervisory Board of Deutsche EuroShop AG appointed Mr. Olaf G. Borkers to the Executive Board of the Company. Mr. Borkers will focus on responsibility for finance within the Executive Board with effect from 1 October 2005.

Outlook

After a soft patch in the second quarter, economists are forecasting a slight recovery for the German economy for the second half of 2005, despite higher oil prices. However, a strong upturn is not expected for this year. And although current discussion of an increase in VAT

Outlook

is further unsettling consumers, we expect that the retail situation – the economic segment relevant for Deutsche EuroShop – will also ease somewhat in the second half of the year.

Half-yearly results reinforce forecast for 2005

The results for the first six months of 2005 are in line with our forecast for the full year, which we hereby confirm. Our plan is to lift revenue to €68 – 72 million in 2005. Currency-adjusted earnings before interest and taxes (EBIT) are slated to increase to €53 – 56 million. We expect currency-adjusted earnings before taxes (EBT) to reach €28 – 30 million, excluding measurement gains and losses.

Acquisitions in the second half of the year

From today's viewpoint, we will have positive news to announce in the second half of the year with regard to further acquisitions. We are still planning to expand our portfolio by €100 to 150 million in 2005.

Topping-out ceremony in Klagenfurt

The pre-letting rate at City-Arkaden Klagenfurt, the last of our shopping centers currently under construction, is now over 85%. The topping-out ceremony will take place on 14 September 2005, with the opening planned for spring 2006.

Free cash flow of over €30 million

We continue to expect to pay a dividend of at least €1.92 for financial year 2005 as well, and to generate the necessary cash flow for this of over €30 million.

Consolidated Financial
Statements



Consolidated Balance Sheet

Consolidated Balance Sheet

ASSETS	30 June 2005	31 Dec. 2004
€ thousand		
Non-current assets		
Intangible assets	13	12
Property, plant and equipment	198,271	183,100
Investment property	918,470	918,470
Non-current financial assets	101,669	101,669
Non-current assets	1,218,423	1,203,251
Current assets		
Trade receivables	1,792	1,985
Receivables from other investees	2,085	0
Other current assets	13,197	14,697
Current financial assets	43,438	63,945
Cash	81,290	86,330
Current assets	141,802	166,957
Total assets	1,360,225	1,370,208

EQUITY AND LIABILITIES	30 June 2005	31 Dec. 2004
€ thousand		
Equity and reserves		
Share capital	20,000	20,000
Capital reserves	494,099	496,363
Retained earnings	91,252	91,042
Consolidated profit for the period	9,011	27,736
Subtotal	614,362	635,141
Minority interest	49,999	49,271
Total equity	664,361	684,412
Non-current liabilities		
Bank loans and overdrafts	623,411	597,576
Other non-current liabilities	86	86
Non-current liabilities	623,497	597,662
Deferred tax liabilities	55,180	51,676
Current liabilities		
Bank loans and overdrafts	3,198	6,675
Trade payables	1,572	3,742
Tax provisions	3,658	3,329
Other provisions	3,912	18,158
Other liabilities	4,847	4,554
Current liabilities	17,187	36,458
Total equity and liabilities	1,360,225	1,370,208

Consolidated
Profit and Loss Account/
Statement of Changes in
Equity

Consolidated Profit and Loss Account

€ thousand	1 April- 30 June 2005
Revenue	17,771
Other operating income	412
Staff costs	-215
Other operating expenses	-3,417
Earnings before interest, taxes and depreciation (EBITD)	14,551
Depreciation and amortisation of property, plant and equipment and intangible assets	-5
Earnings before interest and taxes (EBIT)	14,546
Net interest expense	-7,828
Income from investments	1,345
Income and expense from the measurement of financial instruments and properties	-589
Net finance costs	-7,072
Profit from ordinary activities (EBT)	7,474
Income tax expense	-1,887
Other taxes	-193
Profit after taxes	5,394
Minority interest in earnings	-828
Consolidated profit for the period	4,566
Basic earnings per share (€)	0.29

Statement of Changes in Equity

€ thousand	Share capital	Capital reserves
1 Jan. 2004	20,000	507,365
Consolidated profit/loss for the period		19,019
Dividend payments		-30,000
Change due to currency translation effects		
Withdrawals and other changes		
30 June 2004	20,000	496,384
1. Jan. 2005	20,000	496,363
Consolidated profit/loss for the period		27,736
Dividend payments		-30,000
Change due to currency translation effects		
Withdrawals and other changes		
30 June 2005	20,000	494,099

1 April– 30 June 2004	1 Jan.– 30 June 2005	1 Jan.– 30 June 2004
15,856	35,179	30,747
-451	901	1,564
-213	-415	-360
-4,078	-7,272	-7,614
11,114	28,393	24,337
-4	-9	-7
11,110	28,384	24,330
-6,357	-15,507	-12,369
1,078	2,388	2,154
-1,918	-745	-1,965
-7,197	-13,864	-12,180
3,913	14,520	12,150
-1,145	-3,703	-3,005
-289	-405	-573
2,479	10,412	8,572
-76	-1,401	-263
2,403	9,011	8,309
0.15	0.58	0.53

Other retained earnings	Legal reserve	Profit/loss for the period	Total	Minority interest	Total equity
90,590	1,979	19,019	638,953	56,348	695,301
		-10,710	8,309	263	8,572
			-30,000		-30,000
-70			-70		-70
			0	-274	-274
90,520	1,979	8,309	617,192	56,337	673,529
89,042	2,000	27,736	635,141	49,271	684,412
		-18,725	9,011	1,401	10,412
			-30,000		-30,000
210			210		210
			0	-673	-673
89,252	2,000	9,011	614,362	49,999	664,361

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

€ thousand	1 Jan.– 30 June 2005	1 Jan.– 30 June 2004
Earnings after taxes	10,412	8,572
Depreciation of property, plant and equipment	9	7
Investments during the financial year	745	1,965
Deferred taxes	3,504	2,685
Operating cash flow	14,670	13,229
Changes in receivables	1,693	306
Changes in current provisions	-13,917	-2,713
Changes in liabilities	-1,877	-2,408
Cash flow from operating activities	570	8,414
Payments to acquire property, plant and equipment and intangible assets	-15,917	-84,113
Payments to acquire non-current financial assets	-2,085	18,556
Cash flow from investing activities	-18,002	-65,558
Changes in interest-bearing financial liabilities	22,358	70,996
Payments to owners	-30,673	-30,274
Cash flow from financing activities	-8,315	40,722
Net change in cash and cash equivalents	-25,747	-16,422
Cash and cash equivalents at beginning of the period	150,275	101,988
Other changes	200	-71
Cash and cash equivalents at end of the period	124,728	85,495

Notes/Disclosures

Basis of presentation

Deutsche EuroShop's interim financial statements as at 30 June 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 six months as at 30 June 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 declined by €10.0 million to €1,360.2 million. Non-current assets increased by €15.2 million, while receivables and other assets rose by €0.4 million. Cash and cash equivalents decreased by €25.5 million to €124.7 million due to the dividend payment.

Notes/Disclosures

Equity declined by €20.1 million to €664.4 million on the back of the dividend payment in June 2005. This equates to an equity ratio of 48.8%, which is 1.1 percentage points below the figure as at 31 December 2004.

Provisions for deferred taxes increased by €3.5 million to €55.2 million as a result of further additions. Non-current bank loans and overdrafts rose by €25.8 million to €623.4 million due to additional loan payments associated with the shopping center under construction in Klagenfurt. Other provisions dropped by €14.2 million to €3.9 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.–30 Jun. 2005	30,117	5,062	5,062	35,179
1 Jan.–30 Jun. 2005	24,418	6,329	6,329	30,747

Dividend

A dividend for financial year 2004 of €1.92 per share was paid on 24 June 2005.

Employees

As at 30 June 2005, the Group employed four people.

Stock options

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

Forward-looking statements

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

Financial Calendar

10 August	Interim Report H1 2005
16 August	Roadshow Dusseldorf
08-09 September	EPRA Conference, Paris
23 September	Citigroup Jour Fixe, London
29 September	HVB German Investment Conference, Munich
12 October	Deutsche Börse Spotlights, Paris
26 October	Property Share Initiative, Frankfurt am Main
10 November	Interim Report Q1-3 2005
21-23 November	German Equity Forum, Frankfurt am Main
22 June 2006	Annual General Meeting, Hamburg

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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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