feel estate

H1 INTERIM REPORT H1 2007

Deutsche EuroShop

KEY GROUP DATA

€ million	1 Jan.–30 Jun. 2007	1 Jan.–30 Jun. 2006	Change
Revenue	45.6	45.9	-1 %
EBIT	37.8	39.0	-3 %
Net finance costs	-19.7	-19.2	-3 %
EBT	18.2	28.1	-35 %
Consolidated profit	13.5	23.9	-43 %
EPS (€)[1]	0.79	1.39	-43 %

	30 Jun. 2007	31 Dec. 2006	Change
Equity	777.1	796.3	-2 %
Minorities	101.4	101.6	0 %
Liabilities	839.5	797.3	5 %
Total assets	1,815.8	1,796.2	1 %
Equity ratio (%)[2]	48.4	50.0	
Gearing (%)	1071	100	
Cash and cash equivalents	77.6	96.9	-20 %

[1]undiluted [2]incl. minorities

KEY SHARE DATA

status 30 June 2007

Sector/industry group	Financial services/Real estate
Share capital	€21,999,998.72
Number of shares	17,187,499
Dividend 2006 (tax-free)	€2.10
Share price on 29 December 2006	€56.16
Share price on 29 June 2007	€52.50
High/low in the period under review	€60.18/€52.50
Market capitalisation on 29 June 2007	€902 million
Prime Standard	Frankfurt and Xetra
OTC trading	Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart
Indices	MDAX, EPRA, GPR 250, EPIX 30, HASPAX
ISIN	DE 000748 020 4
Ticker symbol	DEQ, Reuters: DEQGn.DE

Foreword by the Executive Board

Dear shareholders, Ladies and Gentlemen,

The first half of 2007 progressed as planned for Deutsche EuroShop. Revenue, at €45.6 million, was close to matching the previous year's level. Our portfolio of thirteen operational shopping centers posted increases in revenue which almost completely offset the revenue loss of the two properties sold in France and Italy. EBIT fell slightly, down 3% to €37.8 million.

Pre-tax profit (EBT) amounted to €18.2 million. This was an area in which the positive trend of the first quarter (€8.5 million) was maintained and built on during the second quarter (€9.8 million). Consolidated profit totalled €13.5 million, which equates to earnings per share of €0.79.

We can report the following news with regard to our shopping center portfolio. In Passau, Germany, the foundation stone for the Stadtgalerie was laid on 20 April. More than 70% of this property has already been let. Meanwhile, the topping out ceremony for Galeria Baltycka in Gdansk, Poland, which has already been fully let, was held on 24 May. The Stadt-Galerie in Hamelin, Germany, was topped out on 4 July. More than 92% of this shopping center has already been let.

Our share price has come under pressure over recent weeks, after having exceeded €60 in mid-April. The environment and market mood with regard to real estate shares in particular have deteriorated. Uncertainty troubling capital markets across the world and rising interest rates are unsettling investors. The interest rates that we have recently agreed upon within the framework of follow-on financing for portfolio properties are below our previous average rate of 5.5% for the borrowing portfolio as a whole. Furthermore, we firmly believe that, looking to the long term, the high quality of the Deutsche Euro-Shop company will, once again, be reflected in rising share prices.

In our interim report for the first quarter we expressed our confidence that we would again be able to pay a tax-free dividend for the 2007 financial year of €2.10 per share (or €1.05 per share following the share split carried out in August). We can now, at the end of the first half-year, affirm this view.

Hamburg, August 2007

Claus-Matthias Böge | Olaf G. Borkers

Business Developments

Revenue performance

Revenue maintained at previous year's level

Revenue for the first six months of the 2007 financial year was €45.6 million and thus at the same level as during the previous year. Our portfolio properties increased their revenues by 3.2% and were able to almost completely offset the absence of income from the foreign properties that were disposed of in 2006.

Income situation

Other operating income down

Other operating income fell from €1.5 million to €0.6 million. The figure for the same period of last year included the profit of €0.8 million made on the sale of the French shopping center.

Falling operating and administrative costs for property

Due to the absence of cost items for the properties that had been sold, current property expenses fell by €0.1 million to €6.4 million.

Other operating expenses up €0.2 million

After unrealised currency effects from the previous year were allocated to measurement gains/losses, other operating expenses amounted to €2.0 million, which represents a slight rise of €0.2 million on the same period of the previous year (€1.8 million).

EBIT slightly down

Earnings before interest and taxes (EBIT) fell by €1.2 million (-3%), from €39.0 million to €37.8 million.

Net finance costs as planned

Net finance costs amounted to €19.7 million, €0.5 million more than the €19.2 million recorded during the previous year. This can be attributed to higher interest expenses for the portfolio properties and, additionally, to the fact that, in the second quarter of 2006, this item included income from our Polish investment, which was somewhat lower this year than last year.

Measurement gains/losses slightly positive

Measurement gains/losses fell from €8.2 million to €0.2 million. This figure was very positively influenced by consolidation and currency effects during the same period of 2006.

EBT down without one-off effects

Pre-tax profit (EBT) fell to €18.2 million, €9.9 million (54%) down on the same period of last year (€28.1 million) due to a lack of one-off effects.

Consolidated profit: €13.5 million = earnings per share of €0.79

Consolidated profit was €13.5 million, down by €10.4 million (-44%) on the previous year (€23.9 million). Earnings per share fell from €1.39 to €0.79 (-43%). Of this, €0.78 related to the operating result and €0.01 to measurement gains/losses.

Net assets and financial situation

Liquidity situation

The total assets of the Deutsche EuroShop Group rose by €19.5 million during the reporting period – compared with 31 December 2006 – to reach €1,815.8 million. Non-current assets rose, due to investments relating to properties under construction, by a total of €54.0 million to €1,690.3 million. Receivables and other assets fell by €15.1 million. Cash and cash equivalents fell by €19.3 million to €77.6 million.

Equity ratio of 48.4% after dividend payout

The equity ratio including minority interests fell slightly compared with the 2006 year-end (50.0%) as a result of the dividend distributed in June, to a level of 48.4%.

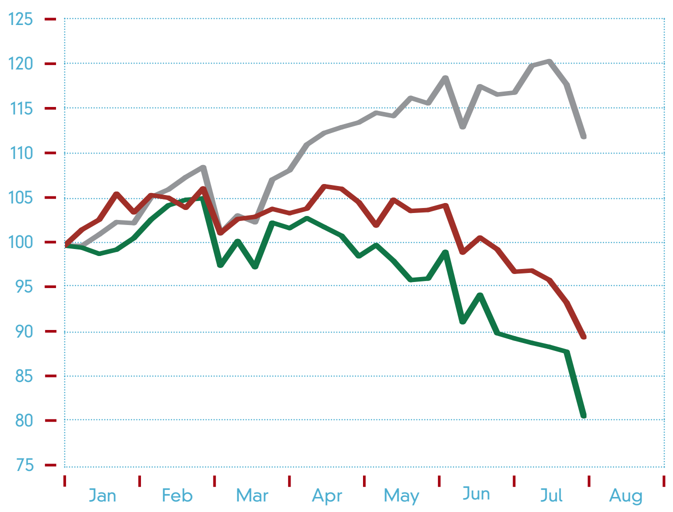
Slight increase in long-term liabilities

Long-term deferred tax liabilities increased by €4.6 million to €85.8 million due to allocations to the current result. Non-current bank loans and overdrafts rose due to further loan drawdowns by our Polish property company in Gdansk. An increase of €39.8 million to €826.6 million was recorded. Short-term bank liabilities rose by €6.2 million to €34.7 million due to short-term credit lines taken up by Deutsche EuroShop AG to finance its partner's contributions to properties under construction. Other liabilities fell by €1.4 million to €11.8 million.

The Shopping Center Share

The Deutsche EuroShop share has moved slightly downwards (-6.5%) over the course of the first half-year from €56.16 (2006 year-end price) to €52.50 (price as at 29 June 2007). The MDAX performance index put on 17.4% over the same period. The weakness of our share can be attributed above all to the negative mood on the market towards real estate companies, and to rising interest rates. Deutsche EuroShop's market capitalisation at the end of the first half-year was €902 million.

Deutsche EuroShop vs. MDAX and EPRA
January to July 2007



(indexed, basis of 100, in %)

Roadshows and conferences

We presented Deutsche Euroshop at roadshows in Belgium, Canada, France, Germany, Ireland, Norway, Portugal, Spain, Switzerland, the UK and the USA over the period from April to June, discussing a wide range of issues with existing and potential investors with the focus on the past financial year. We also presented our company at conferences in Amsterdam, Frankfurt, Milan, New York, Stockholm and Tokyo, raising our profile among international investors in particular.

IR work again outstanding

Deutsche EuroShop's investor relations work won the company first place in the MDAX category of the Capital Investor Relations Prize 2007. Awarded annually by the German business magazine Capital, this renowned prize recognises those companies that engage in the best communication with the financial markets using the criteria of target group orientation, transparency, track record and extra financial reporting.

Annual General Meeting approves proposals

The Ordinary General Meeting was held on 21 June 2007 in Hamburg. The some 450 shareholders who attended the Meeting represented 46.4% of the capital and approved all of the items on the agenda.

Share split

On 6 August we implemented the capital increase from own funds agreed at the General Meeting (an increase of €12,374,999.28 to €34,374,998 without issuing new shares) with a subsequent 2-for-1 share split, to give the company's issue capital a more manageable form. This means that the notional interest in the company represented by each share has been reduced from €1.28 to €1.00 and the number of issued shares doubled to 34,374,998 units. This should improve our share's liquidity and safeguard our inclusion in the MDAX.

New buy recommendation

With Commerzbank, a further major bank has begun covering our share. The recommendation of the Commerzbank analysts is 'buy'. We are optimistic that further banks – in addition to the current 19 – will soon begin to analyse our share and therefore offer investors a broad range of opinions.

Events Since the End of the Interim Reporting Period

The capital increase from own funds agreed at the General Meeting of 21 June 2007 with subsequent share split was entered in the Commercial Register at the Hamburg District Court and implemented on 6 August 2007.

The issued capital, previous split into 17,187,499 shares, was increased from €21,999,998.72 by €12,374,999.28 to €34,374,998.00 without the issue of new shares. Directly following this increase, the issued capital was reallocated by means of a 2-for-1 share split, resulting in a doubling in the number of issued shares from 17,187,499 to 34,374,998.

Risk Report

There have been no significant changes since the beginning of the financial year with regard to the risks associated with future business development. In our opinion the company does not face any risks capable of jeopardising its continued existence. The information provided in the risk report in the consolidated financial statements as at 31 December 2006 is therefore still applicable.

Future Opportunities and Outlook

The German Federal Government has raised its growth forecast for 2007 from 1.7 to 2.3%. The mood in the German economy has also lifted again since the beginning of the year. In revising its growth prediction, the Federal Government is confirming the forecasts prepared by the five leading economic research institutions in Germany, who predicted growth of 2.4% for 2007 in their spring report. Unemployment continues to fall. Growth is robust and broadly based. The rise in value-added tax has not had a significant impact on consumers' propensity to spend. No negative change in buying behaviour has been observed in our shopping centers.

Current status of shopping centers under construction

Our shopping center portfolio currently comprises three construction projects. Galeria Baltycka in Gdansk will be opened on schedule in autumn 2007, our Hamelin property is due to open its doors in spring 2008 and the foundation stone of the Stadt-Galerie in Passau was laid in April, with the opening of this shopping center scheduled for autumn 2008. Preletting rates for all three properties are already satisfactory at 100% for Gdansk, 92% for Hamelin and 70% for Passau.

Rise in prices and interest rates

It is our continued aim to achieve an annual average increase in our portfolio of between €100 million and €150 million. As investor interest in shopping centers in German and Europe is maintained, we are witnessing ongoing price rises with regard to portfolio properties and planned new builds. At the same time, lending rates have climbed by some 75 basis points since the beginning of the year, to a level of around 5.3%. At the end of the first quarter of 2007 our yield expectations for new investments were in excess of 5%, which was already a difficult feat to achieve at that time. Since then, in view of rising interest rates, we have increased this criterion to 5.5%.

Investment opportunities for the portfolio

We are therefore adopting a rather reserved approach to further investments in shopping centers. Should favourable opportunities present themselves, however, we would act accordingly. The expansion of the Main-Taunus-Zentrum in Sulzbach, near Frankfurt, Germany, adding a further 13,000 m^2 of rental space, could offer an attractive investment opportunity. A positive preliminary decision on the building project has already been made. Intensive work is now being carried out to prepare the application for planning permission. The project cannot be expected to get off the ground before the end of the year, however.

Investments affecting 2007 result

Based on the result for the first half-year, we are upholding our forecast for the 2007 financial year as a whole. Based on our planning, revenue will be between €92 and 94 million and thus on a par with last year (2006: €92.6 million). Earnings before interest and taxes (EBIT) should be between €71 and 73 million (2006: €86.3 million). In terms of profit before taxes (EBT) excluding measurement gains or losses, we expect a figure of between €30 million and €32 million (2006: €45.4 million).

We are confident that we will be able to distribute a tax-free dividend of €1.05 per share for the 2007 financial year.

IFRS CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007

ASSETS

€ thousand	30 Jun. 2007	31 Dec. 2006
ASSETS		
Non-current assets		
Intangible assets	11	13
Property, plant and equipment	209,138	155,290
Investment property	1,452,002	1,452,002
Non-current financial assets	29,193	29,077
Total	**1,690,344**	**1,636,382**
Other non-current assets	10,691	16,508
Non-current assets	**1,701,035**	**1,652,890**
Current assets		
Trade receivables	1,193	2,337
Recievables from other investees and investors	0	2,184
Other current assets	35,970	41,900
Current financial assets	1,473	968
Cash	76,086	95,934
Current assets	**114,722**	**143,323**
Total assets	**1,815,757**	**1,796,213**

EQUITY AND LIABILITIES

€ thousand	30 Jun. 2007	31 Dec. 2006
EQUITY AND LIABILITIES		
Equity and reserves		
Share capital	22,000	22,000
Capital reserves	558,588	558,588
Retained earnings	183,019	115,381
Consolidated net profit for the period	13,505	100,307
Total equity	**777,112**	**796,276**
Non-current liabilities		
Bank loans and overdrafts	791,863	752,100
Deferred tax liabilities	85,794	81,158
Right to redeem of limited partners	101,440	101,642
Other non-current liabilities	583	403
Non-current liabilities	**979,680**	**935,303**
Current liabilities		
Bank loans and overdrafts	34,695	28,529
Current trade payables	1,134	6,497
Tax provisions	1,198	1,308
Other provisions	10,758	18,543
Other current liabilities	11,180	9,757
Current liabilities	**58,965**	**64,634**
Total equity and liabilities	**1,815,757**	**1,796,213**

IFRS CONSOLIDATED INCOME STATEMENT FOR THE PERIOD 1 JANUARY TO 30 JUNE 2007

€ thousand	1 Apr.–30 Jun. 2007	1 Apr.–30 Jun. 2006	1 Jan.–30 Jun. 2007	1 Jan.–30 Jun. 2006
Revenue	23,023	23,130	45,643	45,876
Other operating income	295	957	565	1,477
Other operating income	-1,378	-1,596	-3,205	-3,786
Property management costs	-1,748	-1,389	-3,205	-2,719
Other operating expenses	-1,148	-1,127	-2,012	-1,818
Earnings before interest and taxes (EBIT)	**19,044**	**19,975**	**37,786**	**39,030**
Income from investments	206	187	206	587
Interest income	594	752	1,014	1,187
Interest expense	-9,608	-9,937	-19,330	-19,428
Profit/loss attributable to limited partners	-779	-772	-1,601	-1,533
Net finance costs	**-9,587**	**-9,770**	**-19,711**	**-19,187**
Measurement gains/losses	**303**	**1,966**	**154**	**8,211**
Profit before tax (EBT)	**9,760**	**12,171**	**18,229**	**28,054**
Income tax expense	-2,570	243	-4,724	-4,173
Consolidated profit	**7,190**	**12,414**	**13,505**	**23,882**
Basic earnings per share (€)	0.42	0.72	0.79	1.39

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2007

€ thousand	Share capital	Capital reserves	Other retained earnings	Legal reserve	Net profit for the period	Total
Balance at 1 Jan. 2006	**21,999**	**558,588**	**93,362**	**2,000**	**48,705**	**724,654**
Dividend payments			14,330		-48,705	-34,375
Consolidated profit			0		23,882	23,882
Change due to IAS 39 measurement of investments			-1,076			-1,076
Change in profits broad forward			377			377
Change due to currency translation effects			-1,280			-1,280
Balance at 30 Jun. 2006	**21,999**	**558,588**	**105,713**	**2,000**	**23,882**	**712,182**
Balance at 1 Jan. 2007	**22,000**	**558,588**	**113,381**	**2,000**	**100,307**	**796,276**
Dividend payments			64,213		-100,307	-36,094
Consolidated profit			0		13,505	13,505
Change cash flow hedge			2,344			2,344
Change due to currency translation effects			1,081			1,081
Balance at 30 Jun. 2007	**22,000**	**558,588**	**181,019**	**2,000**	**13,505**	**777,112**

IFRS CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD 1 JANUARY TO 30 JUNE 2007

€ thousand	1 Jan.–30 Jun. 2007	1 Jan.–30 Jun. 2006
Profit after tax	**13,505**	**23,882**
Income from the application of IFRS 3	0	-8,117
Profit/loss attributable to limited partners	1,601	1,533
Depreciation of property, plant and equipment	9	9
Investments during the financial year	627	958
Deferred taxes	4,636	-238
Operating cash flow	**20,378**	**18,027**
Changes in receivables	15,074	2,172
Changes in non-current provisions	0	-3,514
Changes in current provisions	-7,895	-5,302
Changes in liabilities	-3,669	7,365
Cash flow from operating activities	**23,888**	**18,748**
Payments to acquire property, plant and equipment and intangible assets	0	40,170
Payments to acquire non–current financial assets	-54,481	-115,064
Payments to acquire non-current financial assets	0	-232
Cash flow from investing activities	**-54,481**	**-75,126**
Changes in interest-bearing financial liabilities	45,930	-15,933
Payments to owners	-37,989	-36,142
Cash flow from financing activities	**7,941**	**-52,075**
Net change in cash and cash equivalents	**-22,652**	**-108,453**
Cash and cash equivalents at beginning of period	**96,902**	**197,192**
Changes in consolidated Group	0	8,573
Other changes	3,309	-16,297
Cash and cash equivalents at end of period	**77,559**	**81,015**

Notes / Disclosures

Basis of presentation

The present financial statements of the Deutsche EuroShop Group as at 30 June 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting and valuation methods applied correspond to those used in the last consolidated financial statements as at the financial year-end. A detailed description of the methods applied was published in the consolidated notes for the year 2006.

Basis of consolidation

The consolidated group was reduced in size due to the sale in 2006 of the properties in France and Italy and resulting deconsolidation.

Audit of half-yearly financial report

The financial statements and interim management report have not been reviewed by auditors, nor subjected to an audit in accordance with section 317 of the German Commercial Code (Handelsgesetzbuch – "HGB").

Other disclosures

Currency effects arising from the incorporation of the market value of the Árkád Pécs property into the consolidated financial statements have been included in measurement gains/losses since 30 June 2006. Measurement gains/losses also include currency effects arising from the consolidated Polish property company in Gdansk.

The inclusion of Galeria Baltycka led to the recognition of a €1.5 million interest rate swap that was not included in the relevant quarter of 2006 being reported in the statement of changes of equity, as the investment was consolidated for the first time on 30 September 2006. Additionally, an interest rate swap in the amount of €2.8 million was also reported under equity for Deutsche EuroShop AG. This relates to a long-term loan taken up at the end of 2006.

In terms of the changes resulting from application of IAS 32, equity no longer includes any minority interests. These are now listed as a separate item under non-current liabilities.

Dividend

A dividend for financial year 2006 of €2.10 per share was paid on 22 June 2007.

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.

Responsibility Statement by the Executive Board

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

Hamburg, August 2007

Claus-Matthias Böge   Olaf G. Borkers

Financial Calendar 2007

August
14. Interim report H1 2007
15. Roadshow Cologne and Dusseldorf, HSBC
16. Roadshow Vienna, Sal. Oppenheim

September
06.–07. EPRA Jahreskonferenz, Athens
12. Roadshow Zurich, WestLB
25. HVB German Investment Conference, Munich

October
08.–10. Expo Real, Munich
18. Société Générale Pan European Real Estate Conference, London
25.–26. Real Estate Share Initiative, Frankfurt

November
09. Interim report Q1–3 2007
12. Roadshow Paris, Berenberg Bank
13. Roadshow Amsterdam, Kempen & Co.
14.–15. WestLB Deutschland Conference, Frankfurt

2008

January
21.–23. CA Cheuvreux German Corporate Conference, Frankfurt

February
27.–28. HSBC Trinkaus Real Estate Conference, Frankfurt

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

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