



## Key Group Data

2007–2008			
€ million	01.01.-31.03. 2008	01.01.-31.03. 2007	Change
Revenue	26.9	22.6	19 %
EBIT	22.5	18.7	20 %
Net finance costs	-11.9	-10.1	-18 %
EBT	12.3	8.5	46 %
Consolidated profit	10.2	6.3	61 %
EPS (€)	0.30	0.18	61 %
	31.03.2008	31.12.2007	
Equity *	979.5	974.0	1 %
Minorities	951.3	1,002.3	-5 %
Total assets	1,930.9	1,976.3	-2 %
Equity ratio (%) *	50.7	49.3	
Gearing (%)*	97	103	
Cash and cash equivalents	52.6	109.0	-52 %

\* incl. minorities

## Key Share Data

Sector/industry group	Financial services/Real estate
Share capital	€ 34,374,998.00
Number of shares (no-par value registered shares)	34,374,998
Dividend 2007 (tax-free)	€ 1.05
Share price on 28.12.2007	€ 23.50
Share price on 31.03.2008	€ 26.58
High/low in the period under review	€ 21.67/€ 26.83
Market capitalisation on 31.03.2008	€ 914 million
Prime Standard	Frankfurt and Xetra
OTC trading	Berlin-Bremen, Dusseldorf, Hamburg, Hannover, Munich and Stuttgart
Indices	MDAX, EPRA, GPR 250, EPIX 30, HASPAX
ISIN	DE 000 748 020 4
Ticker symbol	DEQ, Reuters: DEQGn.DE

## LETTER FROM THE EXECUTIVE BOARD

Dear Shareholders,  
Ladies and Gentlemen,

Deutsche EuroShop has made a good start in the 2008 financial year. With revenue of €26.9 million, we exceeded that of the first three months of the previous year by 19%. The EBIT rose by 20% to €22.5 million.

These increases are attributable to the recently opened shopping centers in Gdansk and Hameln and to positive revenue changes in the other centers. However, the openings incurred higher operating and administrative costs similar to those of the comparable quarter of the previous year.

Consolidated profit rose by 61% from €6.3 million to €10.2 million. Accordingly, earnings per share increased from €0.18 to €0.30. Operating earnings accounted for €0.27 and measurement gains for €0.03 of this amount.

News from our portfolio: The Stadt-Galerie in Hameln opened its doors for business on 11 March 2008. Almost 70,000 visitors on the first day demonstrated the high degree of interest the new shopping center holds for the population. The 100 tenants include many brands previously unknown to the city famous for its piper. On offer to visitors are 25,000 m<sup>2</sup> of lettable space and roughly 500 parking spaces at a central location in the Pferdemarkt area. The catchment area is home to about 400,000 inhabitants. Deutsche EuroShop's share of investment volume amounts to roughly €82 million.

Consistent with our motto for this year, *The Changing Face of Retail*, we see Deutsche EuroShop as a company in the process of transforming. With the chapter of our fully justified restraint in investment during the previous year at an end, we are optimistic about being able to put interesting projects into action in 2008.

Hamburg, May 2008



Claus-Matthias Böge



Olaf G. Borkers

## BUSINESS AND ECONOMIC CONDITIONS

### Group structure and operating activities

#### Operating activities

Deutsche EuroShop is the only public company in Germany that invests solely in shopping centers in prime locations. It currently has investments in 16 shopping centers in Germany, Austria, Poland and Hungary. The Group generated the revenue recognised from rental income for the space let in the shopping centers.

#### Group's legal structure

Due to its lean personnel structure and its concentration on only one operating segment, the Deutsche EuroShop Group is centrally organised. The Group managing company is Deutsche EuroShop AG. It is responsible for corporate strategy, portfolio and risk management, financing and communication.

The Company's headquarters are in Hamburg. Since its establishment in 2000, Deutsche EuroShop AG has been an Aktiengesellschaft (public company) under German law. The individual shopping centers are managed as separate companies. According to interest in the nominal capital, these are either fully (investment over 50%) or proportionately consolidated (investment up to 50%). The investment in Galeria Dominikanska in Wroclaw is recognised under non-current financial assets (investment 33.3%).

The share capital amounts to €34,374,998 and is composed of 34,374,998 no-par value registered shares. The notional value of each share is €1.00.

### Macroeconomic and sector-specific conditions

The economy – both on the German and global levels – performed more poorly than expected. Economic data in the United States of America exhibit a drop in consumer confidence and plummeting consumer spending due to the real estate crisis there. This has also affected Europe somewhat. Continued high energy and food prices have adversely affected consumer sentiment in Germany as well. This was manifested in decreasing revenue. On a positive note, the unemployment rate continued to drop.

## INCOME, FINANCIAL AND NET ASSETS SITUATION

### Results of operations

#### Revenue clearly above previous year's level

Revenue during the first three business months of 2008 came to €26.9 million, representing a 19% rise year-on-year (€22.7 million). The Galeria Baltycka and the Stadt-Galerie Hameln, which opened in October 2007 and March 2008, respectively, contributed significantly to this revenue increase. Moreover, revenue from existing properties increased by 2.2%.

#### Almost no change in other operating income

Other operating income did not change materially, falling from €0.3 million to €0.2 million.

#### Rising operating and administrative costs for property

Operating and administrative costs for property are higher year-on-year because of the Galeria Baltycka and the Stadt-Galerie Hameln, which have been included under costs since they opened. Running property expenses fell by €33.8 million to €63.1 million.

#### Other operating expenses slightly declining

Other operating expenses fell from €1.5 million to €0.8 million.

#### EBIT increases by 20%

Earnings before interest and taxes (EBIT) increased by €3.8 million (+20%) from €18.7 million to €22.5 million. This is chiefly due to contributions to earnings from the two recently opened properties in Gdansk and Hameln.

#### Net finance costs as expected

Net finance costs amounted to €-11.9 million, €1.8 million more than the €-10.1 million recorded during the previous year. This results from interest expense due to the Galeria Baltycka and the Stadt-Galerie Hameln and also from higher profit/loss attributable to minority shareholders.

#### Measurement gains show currency effects

Measurement loss of €-0.1 million rose to become a measurement gain of €1.8 million. The change of €1.9 million is attributable exclusively to unrealised exchange rate gains from the Polish and Hungarian real estate companies.

#### EBT posts 45% increase

Profit before tax (EBT) rose from €8.5 million to €12.3 million. As mentioned above, the year-on-year rise of €3.8 million (45%) results from exchange rate gains and the positive earnings contributed by the Galeria Baltycka and the Stadt-Galerie Hameln.

**Consolidated profit: €10.2 million = €0.30 earnings per share**

Consolidated profit was €10.2 million, up by €6.3 million (61%) on the same period of the previous year (€3.9 million). Earnings per share rose from €0.18 to €0.30. Of this, €0.27 results from operating profit and €0.03 from measurement gains.

**Net assets and liquidity situation**

**Net assets and liquidity**

During the reporting period, the total assets of the Deutsche EuroShop Group declined by €45.5 million to €1,930.9 million. Property, plant and equipment rose due to investments in construction projects by a total of €12.0 million. Receivables and other assets fell by €4.7 million. During the first quarter another €3.5 was invested in money market fund units (other financial investments). Cash and cash equivalents stood at €52.6 million, €56.4 million less than at 31 December 2007.

**Equity ratio of 50.7%**

The equity ratio including minority interests did not change significantly from the previous year and amounts to 50.7%.

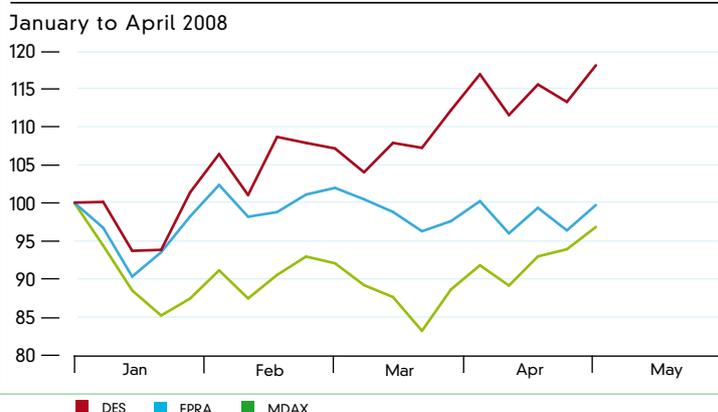
**Liabilities**

Non-current bank loans and overdrafts declined by €2.2 million to €847.1 million as a result of scheduled payments on existing loans. Additions to the current result caused non-current deferred tax liabilities to rise by €2.1 million to €66.4 million. Current bank loans and overdrafts dropped by €37.8 million, specifically as a result of the repayment of a short-term loan. Bank loans and overdrafts declined a total of €896.0 million to €856.0 million. Other liabilities and provisions fell by €8.2 million.

**THE SHOPPING CENTER SHARE**

The Deutsche EuroShop share experienced highs and lows during the first three months of 2008: It initially fell from €23.50 (2007 year-end closing price) to €21.67 (on 9 January 2008), only to rise again and reach a high for the period of €26.83 on 26 February 2008. The quarter closed out on 31 March 2008 at a price of €26.58. This corresponds to a performance of +13.1%. During the same period, the MDAX fell by 10.9%. This put the market capitalisation of Deutsche EuroShop at €914 million at the end of the quarter.

**Deutsche EuroShop versus MDAX and EPRA**



**Roadshows and conferences**

From January to March we introduced Deutsche EuroShop at conferences held by CA Cheuvreux and HSBC Trinkaus & Burkhardt in Frankfurt and by Morgan Stanley in London, at which we met with numerous analysts and investors. We also held roadshows in London, Madrid and Lisbon.

**Investor Relations receives honours**

Deutsche EuroShop was voted the overall winner of the 2007 BIRD (Best Investor Relations in Germany) award by readers of the investor magazine Börse Online, once again making it the company that investors feel treats them most fairly when it comes to open and honest capital market communications.

**Coverage**

At the moment, a total of 21 banks regularly analyse our share, thereby affording investors a broad range of opinions. Investment recommendations are for the most part positive (15); there are three neutral and three negative recommendations as at 8 May 2008. Other institutions, both in Germany and abroad, have signalled that they would like to publish analyses of our shares during the current year.

## EVENTS SINCE THE END OF THE INTERIM REPORTING PERIOD

There have been no material events since the end of the first three months of the 2008 financial year.

## 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 2007 is therefore still applicable.

## OPPORTUNITIES AND OUTLOOK

### Economic conditions

For 2008, the German government is expecting an increase in the growth rate of 1.7%. Economic research institutes forecast a slow-down in the global economy. To date we have not observed any change in the buying behaviour of consumers in our shopping centers. Our centers continue to be popular and report high customer frequencies, thanks to the good mix of sectors. This gives us reason to be optimistic about achieving our targets this year.

### Expected results of operations and financial position

#### Another property under construction

The Stadt-Galerie Passau is set to open in the autumn of 2008. Currently 95% of the retail space has been let to well-known retailers.

#### Investors continue to focus on shopping centers

Interest in shopping centers is still high, even though the number of potential investors has decreased as a result of the sub-prime crisis. Financial investors relying mainly on borrowed capital are hardly in a position in these times to procure the necessary financing. Currently, several banks are being highly selective in their lending practices and requiring significantly higher amounts of equity. On the other hand, investors with high equity, such as German open-ended property funds, are once again able to make even larger investments at any time because of large cash inflows. However, it can be said in summary that the overheated phase of the property markets is over and that prices will gradually level off. According to initial reports by major marketing organisations, transaction volumes have suffered a sharp drop during the first quarter, particularly when the results of major transactions in previous years, such as the disposal of the Karstadt portfolio, are subtracted. Such an environment makes us significantly more optimistic – even more so than just a few months ago – that we will be able to initiate new investments and meet our investment targets of €150 million to €200 million by the end of the year.

#### Openings trigger rise in profits

On the basis of the profits of the first three months, we abide by our forecast for all of 2008: Our planning is based on revenue of between €110 million and €113 million and thus on a significant increase (2007: €95.8 million). Earnings before interest and taxes (EBIT) is expected to reach €90 million to €92 million (2007: €77.2 million). We are expecting earnings before tax (EBT) without measurement gains to reach €43 million to €45 million (2007: €37.7 million).

We are optimistic that we will be in a position to pay out a tax-free dividend of at least €1.05 per share for the 2008 financial year.

IFRS CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2008

**ASSETS**

in € thousands	31.03.2008	31.12.2007
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	7	8
Property, plant and equipment	156,392	144,353
Investment properties	1,658,221	1,658,200
Non-current financial assets	32,914	32,851
Other non-current assets	2,927	3,802
<b>Non-current assets</b>	<b>1,850,461</b>	<b>1,839,214</b>
<b>Current assets</b>		
Trade receivables	2,106	3,179
Other current assets	18,477	21,269
Other financial investments	7,190	3,681
Cash and cash equivalents	52,639	108,993
<b>Current assets</b>	<b>80,412</b>	<b>137,122</b>
<b>Total assets</b>	<b>1,930,873</b>	<b>1,976,336</b>

**EQUITY AND LIABILITIES**

in € thousands	31.03.2008	31.12.2007
<b>Equity and liabilities</b>		
<b>Equity and reserves</b>		
Issued capital	34,375	34,375
Capital reserves	546,213	546,213
Retained earnings	286,424	280,210
<b>Total equity</b>	<b>867,012</b>	<b>860,798</b>
<b>Non-current liabilities</b>		
Bank loans and overdrafts	847,082	849,258
Deferred tax liabilities	66,406	64,303
Right to redeem of limited partners	112,521	113,249
Other non-current liabilities	2,673	540
<b>Non-current liabilities</b>	<b>1,028,682</b>	<b>1,027,350</b>
<b>Current liabilities</b>		
Bank loans and overdrafts	8,917	46,694
Current trade payables	3,786	8,651
Tax provisions	539	520
Other provisions	13,944	25,070
Other non-current liabilities	7,993	7,253
<b>Current liabilities</b>	<b>35,179</b>	<b>88,188</b>
<b>Total equity and liabilities</b>	<b>1,930,873</b>	<b>1,976,336</b>

IFRS CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2008

in € thousands	01.01.–31.03. 2008	01.01.–31.03. 2007
Revenue	26,892	22,620
Other operating income	237	270
Property operating costs	-2,213	-1,827
Property management costs	-1,605	-1,457
Other operating expenses	-842	-864
<b>Earnings before interest and taxes (EBIT)</b>	<b>22,469</b>	<b>18,742</b>
Interest income	527	420
Interest expense	-10,771	-9,722
Profit/loss attributable to limited partners	-1,685	-822
<b>Net finance costs</b>	<b>-11,929</b>	<b>-10,124</b>
<b>Measurement gains</b>	<b>1,784</b>	<b>-149</b>
<b>Profit before tax (EBT)</b>	<b>12,324</b>	<b>8,469</b>
Income tax expense	-2,129	-2,154
<b>Consolidated profit</b>	<b>10,195</b>	<b>6,315</b>
Basic earnings per share (€)	0.30	0.18
Diluted earnings per share (€)	0.30	0.18

STATEMENT OF CHANGES IN EQUITY AS OF 31 MARCH 2008

in € thousands	Share capital	Capital reserves	Other retained earnings	Legal reserve	Total
<b>01.01.2007</b>	<b>22,000</b>	<b>558,588</b>	<b>213,688</b>	<b>2,000</b>	<b>796,276</b>
Cashflow hedge			664		664
Other changes			-286		-286
Total of earnings recognised directly in equity	22,000	558,588	214,066	2,000	796,654
Consolidated profit			6,315		6,315
<b>31.03.2007</b>	<b>22,000</b>	<b>558,588</b>	<b>220,381</b>	<b>2,000</b>	<b>802,969</b>
<b>01.01.2008</b>	<b>34,375</b>	<b>546,213</b>	<b>278,210</b>	<b>2,000</b>	<b>860,798</b>
Cashflow hedge			-2,800		-2,800
Other changes			-1,181		-1,181
Total of earnings recognised directly in equity	34,375	546,213	274,229	2,000	856,817
Consolidated profit			10,195		10,195
<b>31.03.2008</b>	<b>34,375</b>	<b>546,213</b>	<b>284,424</b>	<b>2,000</b>	<b>867,012</b>

IFRS CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD FROM 1 JANUARY BIS 31 MARCH 2008

in € thousands	01.01.–31.03. 2008	01.01.–31.03. 2007
<b>Ergebnis nach Steuern</b>	<b>10,195</b>	<b>6,315</b>
Profit/loss attributable to limited partners	1,685	822
Depreciation of property, plant and equipment	3	4
Other non-cash income and expenses	-1,784	185
Deferred taxes	2,104	2,093
<b>Operating cash flow</b>	<b>12,203</b>	<b>9,419</b>
Changes in receivables	3,939	19,911
Changes in current provisions	-11,107	5,061
Changes in liabilities	-4,061	-7,178
<b>Cash flow from operating activities</b>	<b>974</b>	<b>27,213</b>
Payments to acquire property, plant and equipment	-12,059	-24,067
<b>Cash flow from investing activities</b>	<b>-12,059</b>	<b>-24,067</b>
Veränderung verzinslicher Changes in interest-bearing financial liabilities	-38,424	9,428
Payments to minority shareholders	-1,832	-425
Changes in other financial investments	-3,509	2,688
<b>Cash flow from financing activities</b>	<b>-43,765</b>	<b>11,691</b>
<b>Net change in cash and cash equivalents</b>	<b>-54,850</b>	<b>14,837</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>108,993</b>	<b>94,214</b>
Currency related changes	-1,424	-185
Other changes	-80	-261
<b>Cash and cash equivalents at end of period</b>	<b>52,639</b>	<b>108,605</b>

## DISCLOSURES

### Basis of presentation

The present financial statements of the Deutsche EuroShop Group as at 31 March 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The consolidated financial statements have not been examined by an auditor. In the opinion of the Executive Board, the financial statements contain all of the necessary adjustments required to give a true and fair view of the income situation as at the interim report date. Conclusions regarding future developments cannot necessarily be drawn from the results of the first three months as at 31 March 2008.

The consolidated financial statements were amended to recognise changes in other financial investments, which were still recognised under cash flow from operating activities as at 31 December 2007. In future, this change will be recognised under cash flow from investment activities. The change in presentation is due to the fact that the only item to be recognised under other financial investments are money market fund units, which are purchased as an alternative to term deposits for the purpose of investing in liquid funds over the short term.

In the same quarter of the previous year, the investments of the current year were presented in measurement gains as an expense. In future, they will be recognised over the course of the year as an addition to investment properties.

The accounting and valuation methods applied correspond to those used in the last consolidated financial statements as at the end of the financial year. A detailed description of the methods applied was published in the consolidated notes for 2007

## Other disclosures

### Dividend

No dividend was distributed during the first quarter of 2008.

### Stock options

The variable components of the remuneration of the members of the Executive Board and Supervisory Board do not include any stock options or similar securities-based incentive schemes.

### 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, May 2008



Claus-Matthias Böge



Olaf G. Borkers

## FINANCIAL CALENDAR 2008

14.05.	Interim report Q1 2008
16.05.	Commerzbank Real Estate Conference, Frankfurt
20.05.	Roadshow Vienna, equinet
20.05.	Roadshow Brussels, DZ Bank
21.05.	Roadshow Geneva, UBS
21.05.	Roadshow Paris, Deutsche Bank
22.05.	Dresdner Kleinwort Speed Investing, Milan
27.05.	Roadshow Munich, Sal. Oppenheim
28.05.	Roadshow Liechtenstein, Metzler
28.05.	Kempen & Co. European Property Seminar, Amsterdam
19.06.	Annual General Meeting, Hamburg
	Supervisory Board meeting, Hamburg
14.08.	Interim report H1 2008
25.08.	Roadshow Copenhagen, Kempen & Co
Sept.	Grand opening of Stadt-Galerie Passau
04. – 05.09.	EPRA Annual Conference, Stockholm
06.09.	Hamburg Exchange Convention
17.09.	Roadshow London, Lehman Brothers
18.09.	Supervisory Board meeting, Hamburg
18.09.	Roadshow Paris, MainFirst
23.09.	UniCredit German Investment Conference, Munich
06. – 07.10.	Expo Real, Munich
16.10.	Société Générale Pan European Real Estate Conference, London
20. – 21.10.	Real Estate Share Initiative, Frankfurt
12.11.	WestLB Deutschland Conference, Frankfurt
14.11.	Interim report Q1-3 2008
25.11.	Supervisory Board meeting, Hamburg

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

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