DES Deutsche EuroShop

INTERIM REPORT
Q1 – 3 2008

Q3

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Key Group Data

2007–2008

€ million	01.01.-30.09. 2008	01.01.-30.09. 2007	Change
Revenue	84.1	68.9	22%
EBIT	69.5	55.6	25%
Net finance costs	-36.0	-29.7	-21%
EBT	37.9	25.6	48%
Consolidated profit	31.3	44.5	-30%
FFO per share (€)	1.00	0.76	32%
EPS (€)	0.91	1.29	-30%
	30.09.2008	31.12.2007	
Equity	961.4	974.0	-1%
Liabilities	1,000.3	1,002.3	0%
Total assets	1,961.7	1,976.3	-1%
Equity ratio (%)	49.0	49.3	
LTV ratio (%)	47.4	48.7	

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 30.09.2008	€23.04
High/low in the period under review	€21.67/€28.40
Market capitalisation on 31.03.2008	€792 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 000 748 020 4
Ticker symbol	DEQ, Reuters: DEQGn.DE

LETTER FROM THE EXECUTIVE BOARD

Dear Shareholders,
Dear Readers,

Besides casting a shadow over the capital markets, the global financial crisis has now also reached the real economy. The credit crunch is not only paralysing the property markets, but has also brought funding channels for the entire global economy to a virtual standstill. Transactions involving several billion euro are not materialising, as buyers are no longer able to obtain loans.

As far as we ourselves are concerned, we can say with a clear conscience that we have no problems with regard to funding thanks to our conservative strategy of concluding long-term credit agreements that we have pursued over the last few years. From 2009 to 2012, aroundw76 million of approximately €875 million in bank loans and overdrafts (plan for December 2008) is coming up for renewal. In addition, we will repay almost €50 million from operating cash flow by the end of 2012 as agreed, thus further improving our equity ratio, which currently stands at a solid 49.0%.

In the past quarter we continued to look very intensively at various acquisition possibilities. However, in light of the turmoil in the capital markets, we are of the opinion that even healthy, sustained growth would not win recognition in the present market climate. We very much hope that the situation will ease in the coming months and that our sound and reliable business policy will be reflected in a significantly higher share price. This is a fundamental requirement for further growth.

The business world currently finds itself in an extraordinarily difficult situation, as virtually all industrial sectors are affected by the current upheaval. The hectic and very volatile activity in stock markets around the globe proves that there is a great deal of anxiety and irrationality in the markets. No one can predict with any certainty today what the impact of this crisis will be. We will continue to exercise restraint and can only wait until confidence has returned to the markets. Until such a time, our conservative business model and very well positioned shopping center portfolio will help us to navigate successfully through this low.

We are very satisfied with our business performance during the first nine months of the current financial year.

Following the opening of the fully let Stadtgalerie Passau on 10 September, all 16 of our centers are in operation and contributing to our earnings. Our revenue has climbed from €68.9 million to €84.1 million, representing a rise of 22%.

Accordingly, EBIT was up 25% year-on-year, increasing by €13.9 million to €69.5 million. In addition to the new openings (Gdansk, Hamelin and Passau), positive currency effects boosted pre-tax profit (EBT) by 48%. In the first nine months of 2008, EBT totalled €37.9 million compared with €25.6 million as at 30 September 2007.

The consolidated profit of the same period of the previous year contained the reversal of provisions for deferred taxes as a result of the German business tax reform, creating a one-time positive effect of €23.8 million. Thus, at first sight a direct comparison of the net profit of the first nine months reveals a drop to €31.3 million as compared with €44.5 million in 2007. However, the adjusted figures show an increase of around 51%. Accordingly, earnings per share fell to €0.91, of which €0.83 was due to operating profit and €0.08 to measurement gains.

Based on the nine-month figures, we consider our tax-free dividend of €1.05 per share for the 2008 financial year to be secure. We will discuss with the Supervisory Board at the appropriate time whether to increase the dividend slightly or set an amount aside for the anticipated tough times ahead. We abide by our modified forecast for the current and the coming year.

Hamburg, November 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%) as investment properties. 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

In early October the German government retracted its growth forecast for next year. It had previously assumed a rise in GDP of 1.7%, but is now forecasting economic growth of just 0.2% based on the adjustments of the economic research institutes. It now seems inevitable that the financial crisis will spill over into the real economy. The dramatic reduction in the number of orders received in major industries, by the car manufacturers and in the mechanical engineering sector leads us to assume that in the best case Germany will experience sluggishness in 2009. According to media reports, sentiment in almost all economic sectors has worsened considerably in the last few weeks.

Up to now, consumers have reacted very calmly to the upheaval in the international financial markets. Consumption has been supported by the robust German labour market and falling inflation.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Results of operations

Revenue increases significantly

During the first nine months of 2008 revenue totalled €84.1 million, representing a 22% rise year-on-year (€68.9 million). Besides Galeria Baltycka, which opened in Gdansk back in October 2007, the two properties we opened in March and September this year in Hamelin and Passau contributed to the positive development in revenue. Revenue from existing properties climbed 2.1%.

Slight decline in other operating income

Other operating income did not change materially, declining slightly from €0.8 million to €0.7 million.

Higher operating and administrative costs for property

Higher expenses were incurred for the operation of shopping centers due to the properties in Hamelin, Passau and Gdansk being opened. The operating and administrative costs for property amounted to €11.7 million as at the reporting date compared with €10.6 million in the same period of the previous year.

Other operating expenses up €0.1 million

Other operating expenses climbed €0.1 million to €3.6 million.

EBIT increases by 25%

EBIT increased by €13.9 million (+25%) from €55.6 million to €69.5 million. This is chiefly due to contributions to earnings from the recently opened properties in Gdansk, Passau and Hamelin.

Net finance costs as planned

Net finance costs amounted to €36.0 million, €6.3 million more than the €29.7 million recorded during the previous year. This resulted firstly from interest expense incurred for the first time due to the Galeria Baltycka, the Stadtgalerie Hameln and the Stadtgalerie Passau and secondly from the higher profit/loss attributable to minority shareholders. At €1.4 million, income from investments was higher than in the previous half-year (€0.2 million) due to the dividend distributions of our Polish property company (Galeria Dominikanska). This company switched to quarterly distributions in Q2 2008.

Measurement gains/losses show currency effects

Measurement losses of €-0.3 million moved to become measurement gains of €4.4 million. The change of €4.7 million is attributable exclusively to unrealised currency effects from the Polish and Hungarian property companies.

EBT increases

EBT rose from €25.6 million to €37.9 million. This corresponds to an increase of €12.3 million or 48% compared with the same period of the previous year.

Consolidated profit: €31.3 million; earnings per share: €0.91

Consolidated profit totalled €31.3 million, down by €13.2 million year-on-year (€44.5 million). Last year's net profit was positively impacted by the reversal of the deferred tax item in the amount of €23.8 million due to the German business tax reform. Adjusted for this one-time effect, consolidated profit grew by €10.6 million. This is equivalent to a profit increase of 51%. Earnings per share thus rose from €0.60 to €0.91 adjusted for tax. Of this, €0.83 results from operating profit and €0.08 from measurement gains.

Financial position and net assets

Net assets and liquidity

During the reporting period, the total assets of the Deutsche EuroShop Group decreased by €14.6 million to €1,961.7 million. Property, plant and equipment soared €51.3 million overall. This was attributable to payments for Stadtgalerie Passau, which opened in September, and Stadtgalerie Hameln, which opened in March, as well as for the acquisition of land for expanding Altmarkt-Galerie Dresden. Receivables and other assets fell by €10.8 million. At €52.4 million, cash and cash equivalents were €56.6 million lower than at 31 December 2007.

Equity ratio of 49.0%

The equity ratio including minority interests decreased as a result of the dividend payment from 49.3% to 49.0%.

Liabilities

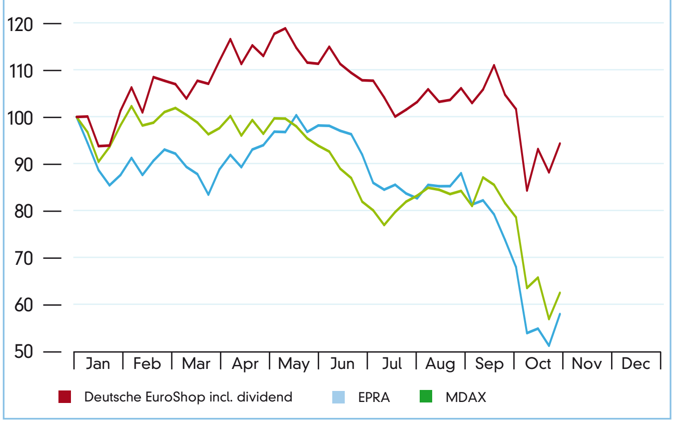
Due to further loan payments to finance Stadtgalerie Passau, non-current bank loans and overdrafts increased by €18.5 million to €867.8 million. Additions to the current profit caused non-current deferred tax liabilities to rise by €6.5 million to €70.8 million. Current bank loans and overdrafts dropped by €17.4 million, primarily due to repayment of a short-term loan. Overall, bank loans and overdrafts increased from €896.0 million to €897.1 million. Other liabilities and provisions were reduced by €9.6 million.

THE SHOPPING CENTER SHARE

After initially having performed well at the start of the year, reaching their high to date this year at €28.40 on 13 May 2008, Deutsche EuroShop's shares fell slightly in the first nine months of 2008.The share price dropped in the weeks that followed in line with the overall very weak market climate. The price at the end of the reporting period as at 30 September 2008 was €23.04. Taking the tax-free dividend of €1.05 per share paid on 19 June 2008 into consideration, this corresponds to an increase of 2.5% in the first nine months of the 2008 financial year. During the same period, the MDAX fell by 29.2%. This put the market capitalisation of Deutsche EuroShop at €792 million as at 30 September 2008.

Deutsche EuroShop vs. MDAX and EPRA

January to October 2008
indexed, basis of 100, %



Roadshows and conferences/Hamburg Exchange Convention

From July to September we conducted numerous meetings with institutional investors and analysts at the UniCredit German Corporate Conference in Munich and at roadshows in Milan, Amsterdam, Helsinki, Copenhagen, Stockholm and Paris. As in previous years, we had our own stand at the Hamburg Exchange Convention on 6 September 2008 and established and maintained personal contact with private investors.

Award for online annual report

Deutsche EuroShop's 2007 online annual report received a prize at the 22nd International ARC Awards Ceremony of the International Academy of Communications Arts and Sciences. A recognised panel awards this prize in acknowledgement of particularly outstanding annual reports. You can find the German version of the award-winning report online at http://gb2007.deutsche-euroshop.de/.

New research study

In September, Rabobank of the Netherlands began coverage of our shares, issuing them with a HOLD recommendation. This means that 22 institutions currently publish regular studies on Deutsche EuroShop, thereby affording investors a broad range of opinions. In addition, further institutions both within Germany and abroad have signalled they would like to publish studies on our shares in the near future. At present, analysts' recommendations are positive for the most part (18). There were two neutral and two negative recommendations as at 29 October 2008.

REPORT ON POST-BALANCE SHEET DATE EVENTS

No events of particular significance took place following the end of the first nine months of 2008.

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.

REPORT ON OPPORTUNITIES AND OUTLOOK

Economic conditions

The German government has lowered its economic forecast and is only expecting GDP to increase by 0.2% in the coming year. The financial crisis has already reached the real economy to some extent. The German car manufacturers anticipate dramatic repercussions, while other industries are preparing for a drastic reduction in order numbers.

We still cannot post any conspicuously negative trends with regard to the revenue from our shopping centers. The behaviour of German consumers is also proving very stable in line with the latest GfK publication on consumer demand. However, in view of the lowered expectations of the economy, we remain cautiously optimistic and are reckoning with sluggishness in the retail sector at best.

Expected results of operations and financial position

Market in a rigid state

Despite all the advantages of investing in retail property, the number of transactions has fallen sharply recently on account of the overall climate of uncertainty. The market has almost come to a complete standstill. Even the German open-ended property funds, which have high equity, are not coming forward as investors at present. For the time being we will be proceeding with great caution with regard to new acquisitions. We are no longer pursuing our objective of investing €150-200 million this year. Our investments will therefore remain at the €75 million announced for the expansion of the Altmarkt-Galerie Dresden. Nevertheless, our credit line of €100 million will enable us to act at any time should an attractive investment proposition arise.

Increase of the forecast for 2008

We will achieve our revenue and earnings targets for this year. On the basis of the earnings generated in the first nine months, we are increasing our forecast for 2008 as a whole: we expect revenue of €113 to €115 million (previously €110 to €113 million; 2007: €95.8 million), EBIT of €93 to €95 million (previously €90 to €92 million; 2007: €77.2 million) and EBT excluding measurement gains/losses of €45 to €47 million (previously €43 to €45 million; 2007: €37.7 million).

Our forecast for 2009 remains unchanged: revenue of €119 to €121 million, EBIT of €100 to €102 million and EBT of €49 to €51 million excluding measurement gains/losses.

We continue to expect a tax-free dividend of €1.05 per share for the 2008 financial year.

IFRS CONSOLIDATED BALANCE SHEET AS OF 30 SEPEMBER 2008

ASSETS € thousand	30.09.2008	31.12.2007
Assets		
Non-current assets		
Intangible assets	28	8
Property, plant and equipment	195,721	144,353
Investment properties	1,658,318	1,658,200
Non-current financial assets	36,949	32,851
Other non-current assets	2,724	3,802
Non-current assets	**1,893,740**	**1,839,214**
Current assets		
Trade receivables	1,397	3,179
Other current assets	13,302	21,269
Other financial investments	881	3,681
Cash and cash equivalents	52,399	108,993
Current assets	**67,979**	**137,122**
Total assets	**1,961,719**	**1,976,336**

EQUITY AND LIABILITIES € thousand	30.09.2008	31.12.2007
Equity and liabilities		
Equity and reserves		
Issued capital	34,375	34,375
Capital reserves	546,213	546,213
Retained earnings	270,040	280,210
Group equity	**850,628**	**860,798**
Right to redeem of limited partners	110,777	113,249
Total equity	**961,405**	**974,047**
Non-current liabilities		
Bank loans and overdrafts	867,770	849,258
Deferred tax liabilities	70,800	64,303
Other non-current liabilities	2,958	540
Non-current liabilities	**941,528**	**914,101**
Current liabilities		
Bank loans and overdrafts	29,341	46,694
Current trade payables	10,170	8,651
Tax provisions	550	520
Other provisions	11,349	25,070
Other non-current liabilities	7,376	7,253
Current liabilities	**58,786**	**88,188**
Total equity and liabilities	**1,961,719**	**1,976,336**

IFRS CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPEMBER 2008

€ thousand	01.07.– 30.09.2008	01.07.– 30.09.2007	01.01.– 30.09.2008	01.01.- 30.09.2007	Change in %
Revenue	28,945	23,218	84,147	68,861	22
Other operating income	130	252	661	817	-19
Property operating costs	-2,165	-2,683	-6,243	-5,888	6
Property management costs	-1,998	-1,519	-5,453	-4,724	15
Net operating income	**24,912**	**19,268**	**73,112**	**59,066**	**24**
Other operating expenses (corporate costs)	-1,400	-1,430	-3,587	-3,442	4
Earnings before interest and taxes (EBIT)	**23,512**	**17,838**	**69,525**	**55,624**	**25**
Income from investments	353	0	1,365	206	563
Interest income	517	477	1,708	1,491	15
Interest expense	-11,665	-9,947	-34,004	-29,277	16
Profit/loss attributable to limited partners	-1,110	-554	-5,065	-2,155	135
Net finance costs	**-11,905**	**-10,024**	**-35,996**	**-29,735**	**21**
Measurement gains/losses	**-16**	**-424**	**4,360**	**-270**	**-1,715**
Profit before tax (EBT)	**11,591**	**7,390**	**37,889**	**25,619**	**48**
Income tax expense	-1,920	23,606	-6,626	18,882	-135
Consolidated profit	**9,671**	**30,996**	**31,263**	**44,501**	**-30**
Earnings per share (€)	0.28	0.90	0.91	1.29	-30

IFRS CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPEMBER 2008

€ thousand	01.01.–30.09.2008	01.01.–30.09.2007
Profit after tax	**31,263**	**44,501**
Income from the application of IFRS 3	-921	0
Profit/loss attributable to limited partners	5,065	2,155
Depreciation of property, plant and equipment	7	13
Other non-cash income and expenses	-3,438	1,436
Deferred taxes	6,497	-18,996
Operating cash flow	**38,473**	**29,109**
Changes in receivables	9,744	7,082
Changes in non-current tax provisions	0	-6,062
Changes in current provisions	-13,692	1,872
Changes in liabilities	1,838	2,596
Cash flow from operating activities	**36,363**	**34,597**
Payments to acquire property, plant and equipment and intangible assets	-51,513	-93,316
Payments to acquire non-current financial assets	-3,898	-475
Cash flow from investing activities	**-55,411**	**-93,791**
Changes in interest-bearing financial liabilities	7,661	60,186
Payments to Group shareholders	-36,094	-36,094
Payments to minority shareholders	-5,286	-2,808
Changes in other financial investments	2,799	2,688
Cash flow from financing activities	**-30,920**	**23,972**
Net change in cash and cash equivalents	**-49,968**	**-35,222**
Cash and cash equivalents at beginning of period	**108,993**	**94,214**
Currency related changes	-6,552	-727
Other changes	-74	4,842
Cash and cash equivalents at end of period	**52,399**	**63,107**

STATEMENT OF CHANGES IN EQUITY AS OF 30 SEPEMBER 2008

€ thousand	Share capital	Capital reserves	Other retained earnings	Legal reserve	Total
01.01.2007	**22,000**	**558,588**	**213,688**	**2,000**	**796,276**
Cashflow hedge			2,344		2,344
Other changes			1,081		1,081
Total of earnings recognised directly in equity	0	0	3,425	0	3,425
Consolidated profit			13,505		13,505
Total profit	22,000	558,588	230,618	2,000	813,206
Dividend payments			-36,094		-36,094
30.09.2007	**22,000**	**558,588**	**194,524**	**2,000**	**777,112**
01.01.2008	**34,375**	**546,213**	**278,210**	**2,000**	**860,798**
Cashflow hedge			-3,109		-3,109
Other changes			-2,230		-2,230
Total of earnings recognised directly in equity	0	0	-5,339	0	-5,339
Consolidated profit			31,263		31,263
Total profit	34,375	546,213	304,134	2,000	886,722
Dividend payments			-36,094		-36,094
30.09.2008	**34,375**	**546,213**	**268,040**	**2,000**	**850,628**

DISCLOSURES

Basis of presentation

The present financial statements of the Deutsche EuroShop Group as at 30 September 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The management report and the abridged financial statements were not audited in accordance with section 317 of the Handelsgesetzbuch (HGB – German Commercial Code) nor were they reviewed by a person qualified to carry out audits. In the opinion of the Executive Board, the report contains all of the necessary adjustments required to give a true and fair view of the results of operations as at the interim report date. The performance of the first nine months as at 30 September 2008 is not necessarily an indication of future performance.

In the income statement, net operating income is shown as a subtotal as at 30 September 2008 in order to underline the operating profit/loss from the management of our shopping centers. This item was deliberately reported separately to EBIT to indicate management and administrative costs that are primarily incurred in Deutsche EuroShop AG independently of the earnings from current operations from our centers.

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 investing activities. The change in presentation is due to the fact that money market fund units purchased as an alternative to term deposits for the purpose of investing in liquid funds over the short term constitute the only item to be recognised under other financial investments.
In the comparative period, the investments of the current year were presented as an expense under measurement gains/losses. In future, they will be recognised over the course of the year as an addition to investment properties. With regard to the posting of market values, these expenses are included in the measurement gains/losses.

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 the methods applied was published in the notes to the consolidated financial statements for 2007.

Other disclosures

Dividend

No dividend was distributed during the third 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, November 2008

Claus-Matthias Böge   Olaf G. Borkers

FINANCIAL CALENDAR

2008

11.11.	Interim report Q1 – 3 2008
12.11.	WestLB Deutschland Conference, Frankfurt
19.11.	Roadshow Zurich, DZ Bank
09.12.	ESN Mid & Small Cap Conference, London
10.-11.12.	Roadshow London, Rabobank

2009

24.04.	Annual earnings press conference, Hamburg
14.05.	Interim report Q1 2009
30.06.	Annual General Meeting, Hamburg
13.08.	Interim report H1 2009
12.11.	Interim report Q1–3 2009

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

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