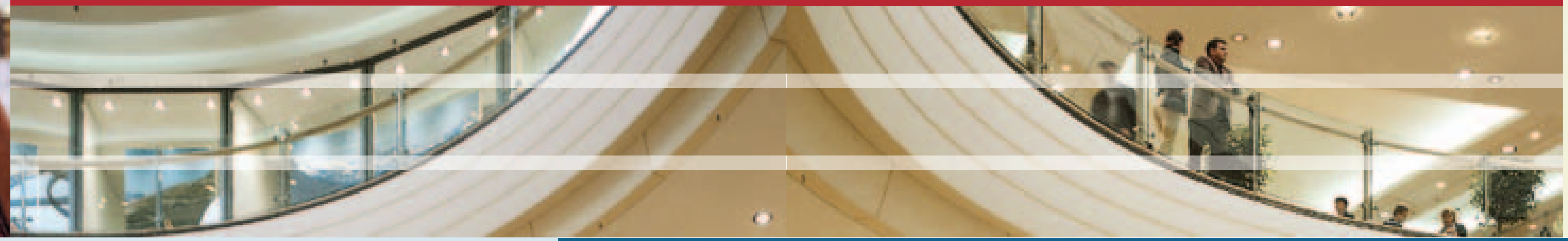

Deutsche EuroShop AG

Mergenthalerallee 73-75
D-65760 Eschborn

Office Hamburg
Oderfelder Strasse 23
D-20149 Hamburg

Investor & Public Relations
Phone: +49 (0)40 - 41 35 79-20
Fax: +49 (0)40 - 41 35 79-29
e-mail: info@deutsche.euroshop.de

Design & Production
GDS GmbH, Gestaltungs-Agentur,
Hamburg

Annual Report 2002

Annual Report 2002

Deutsche EuroShop AG

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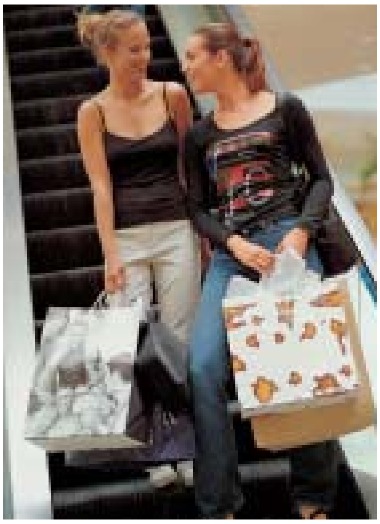


☰ DES shares – Key figures

Business activity	Investments in shopping centres
Share class	No-par value registered shares
Share capital / subscribed capital	€ 20 million
Outstanding shares	15,625,000 shares
Dividend 2002 (tax-free)	€ 1.92
Share price on 2 Jan. 2002	€ 30.50
Share price on 30 Dec. 2002	€ 31.00
Share price on 31 Mar. 2003	€ 30.15
ISIN	DE 0007480204
Indices	DIMAX, EPIX 30, EPIX 50

☰ Deutsche EuroShop – Two-year review

€ m	Group 2002	Group 2001	AG 2002	AG 2001
Sales	46.5	22.7	–	–
Income from investments	4.5	2.8	23.1	12.6
Net interest income / expense	-11.4	-9.6	4.5	6.9
Result from ordinary activities	4.9	-12.3	24.8	18.1
EBITDA	37.0	8.9	–	–
Total assets	1,000.3	932.8	632.0	635.1
Fixed assets	814.7	704.1	513.3	474.1
Equity	556.8	597.1	609.6	621.3
Unappropriated surplus	8.9	0.6	30.0	30.0

☰ Executive Bodies of the Company

Executive Board	Claus-Matthias Böge	**Supervisory Board**	Manfred Zaß (Chairman)
	Jürgen Wundrack		Dr. Michael Gellen (Deputy Chairman)
			Thomas Armbrust
			Dr. Tessen von Heydebreck
			Dr. Jörn Kreke
			Alexander Otto

Dear Shareholders and Friends of Deutsche EuroShop AG,

Deutsche EuroShop AG can look back on a successful financial year in 2002, with an operating result up by 37% over the previous year. This increase is due in particular to the shopping centres in Wolfsburg, Wuppertal, and Viterbo (Italy) generating income for a full financial year for the first time, construction on two additional shopping centres being completed in 2002 and the acquisition of another operating shopping centre for the Company's portfolio. As already announced in our letter to shareholders published in December 2002, we will therefore again propose to the General Meeting to pay out a dividend totalling the full amount of our unappropriated surplus (€1.92 per share). This corresponds to a tax-free dividend yield of 6.4%, based on the current market price of our shares.

The Company's operating activities met all targets last year. Both of our new shopping centres, City-Point in Kassel and Altmarkt-Galerie in Dresden, were completed on schedule – despite the flood disaster in Dresden – and were launched successfully onto the market. The top-to-bottom modernisation and expansion of Rhein-Neckar-Zentrum in Viernheim was finished in November 2002, three months ahead of schedule. We also acquired equity interests in Allee-Center in Hamm and Pécs Árkád in Hungary for our portfolio.

Our shopping centres in central locations and at established sites, and the full occupancy rates for all retail floor spaces thanks to pro-active centre management, are the main cornerstones of stable value growth for our property portfolio. We also anticipate solid earnings growth as the result of long-term and indexed rental contracts. These factors form the foundation for a stable rise in our share price, which we are reinforcing by implementing measures to raise our Company's visibility.

This includes transparent reporting by the Company, support for stock exchange trading in DES shares by a designated sponsor, the issuance of the Company's own corporate governance guidelines, and the organisation of investor fairs in our shopping centres, which attract up to 40,000 visitors daily at peak times. These measures, along with our new logo and optimised Web site, are intended to intensify our dialogue with our shareholders and other interested parties.

Running counter to the general trend on the capital markets, the price of Deutsche EuroShop AG shares remained very stable compared with the previous year; the quoted price was €31 on 31 December 2002, which was €0.50 over the closing price for 2001. This increase in our share price and the dividend paid in June 2002 amounting to €1.92 resulted in a return of around 8% compared with the previous year, whereas the DAX slid by around 44%.

Our clearly defined dividend policy and the reduced volatility in our share price since early 2003 are strong arguments for investing in Deutsche EuroShop AG. We are confident that Deutsche EuroShop AG shares will further cement their position on the capital markets as a core value stock.

Deutsche EuroShop AG

The Executive Board

Claus-Matthias Böge

Jürgen Wundrack

We build value

We are Germany's only public company that invests exclusively in high-yielding shopping centres.

☰ We welcome visitors every day from a catchment area of 9.6 million people.

☰ Our tenants have confidence in our strategy and future growth.

Deutsche EuroShop AG

Strategy

Follow us into the world of shopping centres and discover the background behind the concept and the business strategies of Deutsche EuroShop AG:

Investment strategy

Deutsche EuroShop AG invests exclusively in shopping centres that promise predictable and continuous earnings growth and a long-term increase in value due to their location, the size of the catchment area, their functional concept and the quality of their construction.

The Company's current objective is to acquire an additional two to three investments in high-yielding shopping centres prominent beyond their regional markets using the cash reserves still on hand, which currently total €72 million. Our strategy continues to be based on investment partnerships that help us to ensure a high degree of reliability in future earnings growth due to the greatest possible diversification of our invested capital.

Moreover, we continue to pursue the goal of growth. The extent to which this goal is achievable depends, however, on the development of the capital markets. The reason for this is that the business model underlying Deutsche EuroShop AG is oriented in the long term towards paying out current surplus liquidity generated from our shopping centre management activities to our shareholders in the form of dividends. This approach limits the extent to which we can grow organically. At the same time, we believe firmly that this dividend-oriented policy is advantageous from the point of view of our shareholders. We are confident that our excellent performance will convince our shareholders to entrust us with additional capital in the coming years.

Property and management

All of our shopping centres are located in city centre areas, except Main-Taunus-Zentrum near Frankfurt and Rhein-Neckar-Zentrum in Viernheim, which are firmly established in locations conveniently accessible by various modes of transport due to their long-standing market presence. Deutsche EuroShop AG now holds investments in 11 shopping centres in four countries. These include the most important country for our business, Germany, followed by Italy, France, and Hungary, which will become an EU member state in 2004. Our total retail floor space measures 411,000 m^2, with around 900 shops and more than 16,000 parking spaces for a total investment volume of €1.5 billion.

The Company's aim is to maintain all shopping centres in a comparatively new condition and to manage them for the long term. This dedication to quality is evident in our choice of high-quality building materials for new construction projects and in the modernisation measures both underway and completed to date. We would like visitors to our shopping centres to enter a bright, pleasant and continually welcoming environment, every time they shop. Our annual maintenance programmes aim to preserve the excellent condition of our property for the long term. A prime example of this approach is Allee-Center in Hamm, which is in the same condition as a comparable new shopping centre, despite the fact that it has been in operation for 10 years now. In financial year 2002, 40 of the roughly 80 shop units were renovated, while the shopping centre was kept open. We were able to finance these measures from existing cash reserves.

Centre management

Centre management is supremely important in the shopping centre business. That is the reason we outsource this activity to experienced third-party service providers rather than making it a part of the Group management responsibilities of Deutsche EuroShop AG. These service providers include companies with a European focus, such as ECE Projektmanagement G.m.b.H. & Co. KG for the properties in Germany and Hungary, Espansione Commerciale S.R.L. in Italy, and Espace Expansion S.A., which is a subsidiary of Unibail S.A., in France.

Centre management constantly develops new promotions and exhibitions in the shopping centres. Sometimes a shopping centre is transformed into a tropical rainforest or into an appealing craft fair, an exclusive fashion palace, or an ever-popular children's fun fair. The shopping centres are decked out in impressive Christmas and Easter finery each year as well. The elaborate decorations and promotions are effective magnets to draw in customers and project a positive image for the shopping centres in their catchment areas.

All of the tenants at each shopping centre form their own advertising association and plan the above-mentioned events, publish their own shopping centre newspaper as a supplement in daily regional newspapers, and implement other site-specific marketing measures under the leadership of each centre's manager.

Ultimately, centre management ensures that the shopping centres are visitor-friendly by enforcing uniform business hours at each centre, designing customer-oriented sales floors, and arranging for a convivial atmosphere with greenery and suitable interior furnishings.

Long-term development

The financial success of Deutsche EuroShop AG depends materially on the long-term establishment of the shopping centres in their regional markets and catchment areas. This requires the Company to continually ensure that the properties are of the highest quality by practicing rigorous property and centre management. The continual demand for retail floor space in our shopping centres and our full occupancy rate underscore the correctness of Deutsche EuroShop AG's strategy of guaranteeing the long-term quality of our investments, despite the considerable effort and not insignificant cost of this undertaking. After all, only if visitor demand remains consistently high, and indeed grows, will we be able to generate solid earnings increases and ultimately continue to pursue our regular dividend policy.



DES shares

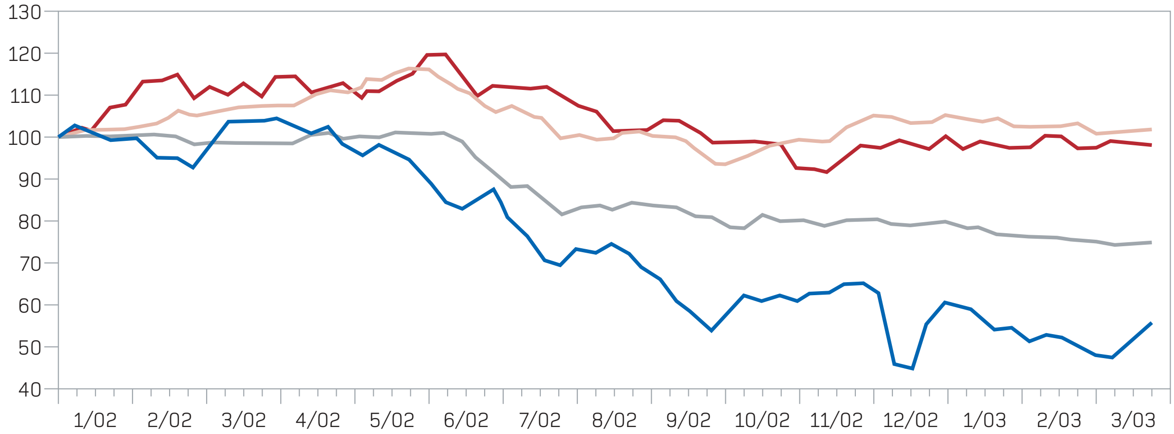
Compared with the shares of other companies, Deutsche EuroShop AG's shares experienced relatively smooth sailing last year. The year-end closing price was €31 – €0.50 up on the opening price for the year of €30.50 on 2 January 2002. This corresponds to an increase of 1.6%. Excluding the volatilities experienced during the course of the year (which we will discuss again later in this report), this level of performance is a success for a listed company in view of the sobering capital market conditions. Shareholders have confidence in the future development of our fully leased shopping centres in prime locations and have priced in a solid increase in the asset value of our properties for the long term. This trend is also a boon to management, which focuses on generating surplus cash in the interests of our shareholders since the Company intends to pay out these funds each year to shareholders in the form of a dividend. The end result is that investors holding shares of Deutsche EuroShop AG in financial year 2002 received a return on their investment of 8% from the share price increase and the dividend, based on the opening price for the year. Compared with the current capital market situation, Deutsche EuroShop AG's shares offer excellent diversification potential for lowering share price risk in any portfolio.

Capital markets

Financial year 2002 again saw recessionary trends on the capital markets, both in Germany and around the world. The German stock markets in particular had a difficult year. The DAX share index closed at 2,893 points on the last trading day of 2002 for a loss of 44% for the year as a whole.

Banks and other financial services providers were forced to lower their forecasts for share index performance considerably to take into account the significant increase in risks since early 2002. These risks include higher than expected crude oil prices, a considerable and possibly ongoing weakening of the US dollar vs. the euro, a deterioration in the situation in the Near and Middle East, and a loss of confidence in the accounting practices of US and European companies.

Deutsche EuroShop AG (Frankfurt Stock Exchange) vs. DAX, DIMAX and EPIX-30 TOT
from January 2002 to March 2003 (indexed, basis 100, in %)



Deutsche EuroShop AG
EPIX-30 TOT
DIMAX
DAX

Retail sector

The debate about price increases as the result of the introduction of the euro, coupled with consumer reluctance to buy due to job loss fears, impacted retail sales considerably last year. Total German retail sales declined by –1.9% to €321 billion according to the Statistisches Bundesamt (German Federal Statistical Office).

However, this is a view encompassing the entire German market, including peripheral regions. Since Deutsche EuroShop AG exclusively invests in shopping centres in prime central locations or other established sites, these trends must necessarily be monitored, but are not an immediate cause for concern. Our grounds for this approach are the full occupancy rate for all of the retail floor space in the shopping centres operated by Deutsche EuroShop AG, as well as the low level of rent losses amounting to around 1% of rental income in the financial year under review.

Nonetheless, the rise in consumer price sensitivity should not be underestimated. Alleged price increases associated with the euro and perceived inflation were hot topics among consumers last year. The economic crisis, political uncertainties and the flood disaster in Germany were additional negative factors adversely affecting the already muted consumer climate. This situation clearly intensified competition and led to an appreciable increase in the number of companies declaring bankruptcy.

In these difficult times, however, some winners have emerged that have transformed the crisis into an opportunity, such as strongly expanding chain stores ranging from H & M, through Zara, to Esprit. Vendors with a strong price-performance profile, such as Aldi, Lidl, and even C & A, are also among the winners in this time of economic difficulty. In addition, numerous new German and international chain stores are ensuring continuing demand for retail floor space in prime locations.

Property market

In contrast to office buildings, which saw a decline in top rental prices by an average of around 7% across Europe last year, the market for retail sales space has been affected only relatively mildly by the current weak economic situation. This situation is generally the rule in economic downturns, because the market for retail floor space reacts less cyclically to changes in demand. Moreover, it is also evident that in many European countries, consumer spending remains relatively robust despite the current economic crisis. Of course, the increase in predatory competition in retail sales has also led to consolidation and earnings losses on the property market. However, this is not a new phenomenon and has little to do with the current economic slowdown.
While the office space segment in particular did not have to adapt to these new market conditions until early 2001, changes in consumer spending habits in the retail sector have been driving forward this continuing process at full speed for several years now. In Germany, the share of private consumption accounted for by retail sales has declined from 42.2% to 31.8% since 1990, but has remained mostly steady in nominal terms.
We have observed an increasing trend toward shopping centres, which have doubled their share of German retail sales in the past 10 years.
Of all of the property market segments, retail floor space is considered to be the most financially attractive in Europe by many investors at this time. This is evident in the fact that substantial investor funds have flowed into this segment in the past year.
According to information from the Hauptverband des Deutschen Einzelhandels (HDE – the main association of German retailers), an additional two million square metres of new retail floor space was constructed in Germany in financial year 2002 – 4% or around 80,000 m² of which was accounted for by Deutsche EuroShop AG properties. These properties enjoy full occupancy rates because Deutsche EuroShop AG invests exclusively in shopping centres in prime locations. The Company intends to continue pursuing this successful investment strategy in the future.

Investor Relations

We established a dedicated Investor Relations department with the opening of our Hamburg office in September 2002. This move is the Company's effort to fulfil the demand for information due to the increased interest expressed by the press, analysts and investors so that we can initiate an even more intimate dialogue about company information in the future. The following measures have already been implemented to meet this goal:

Corporate Governance
The government commission appointed by the German Justice Minister in September 2001 approved the German Corporate Governance Code on 26 February 2002. Section 161 of the Aktiengesetz (AktG – German Public Companies Act) – a new section added by way of the Transparency and Disclosure Act, which entered into force on 26 July 2002 – provides the legal foundation for the Code. For the most part, Deutsche EuroShop AG will conform to the recommendations and suggestions of the version of the Code dated 7 November 2002, and published the following Declaration of Conformity on the Internet in December 2002: ▶

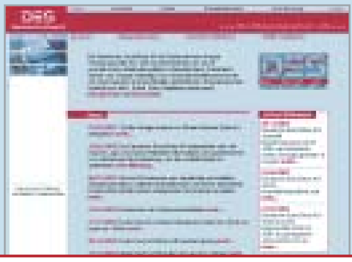
Joint Declaration by the Executive Board and the Supervisory Board of Deutsche EuroShop AG on the recommendations by the Government Commission on the German Corporate Governance Code in accordance with section 161 of the AktG

The Executive Board and the Supervisory Board of Deutsche EuroShop AG declare that the Company conforms with the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the Federal Gazette on 26 November 2002 with the following exceptions:

- No D&O insurance has been taken out for the members of the Executive Board and the Supervisory Board (Code, section 3.8).
- Each member of the two-person Executive Board has a clearly defined scope of responsibilities. We are of the opinion that naming a Executive Board Chairman or Spokesman would not increase the efficiency of this executive body in view of the current business activities of our Company (Code, section 4.2.1).
- The variable portion of the remuneration of the Executive Board does not include stock options (Code, section 4.2.3).
- Membership in committees is not taken into account when determining the remuneration of the Supervisory Board (Code, section 5.4.5 (1)).
- The Supervisory Board receives remuneration that is determined by the Annual General Meeting. To date, no performance-based components have been granted (Code, section 5.4.5 (2)).
- Company information published in English (Code, section 6.8).
- The consolidated and interim financial statements are currently prepared in accordance with the German Commercial Code (HGB) and will not be restated to IASs until financial year 2005 (Code, section 7.1.1).
- The consolidated financial statements are published within 120 days after the end of the financial year, while the interim financial statements (half-yearly report) are published within 60 days after the end of the reporting period (Code, section 7.1.2).
- No stock option programmes or similar share-based incentive systems are currently in place at the Company (Code, section 7.1.3).

Eschborn, December 2002
The Executive Board
The Supervisory Board

The Executive Board and the Supervisory Board have used these guidelines as a foundation to develop the Company's own corporate governance principles, which can be downloaded and viewed at Deutsche EuroShop AG's Web site (http://www.deutsche-euroshop.de) in the form of a PDF file. This measure is a voluntary commitment above and beyond the legal regulations, and even in some aspects the German Corporate Governance Code itself. The requirements of the corporate governance code for the property industry are also covered.



Optimised corporate image

Deutsche EuroShop AG has a new look — and the core element is our logo, the bold, unique design of the abbreviation "DES", which makes a fresh, contemporary impression. Using this logo as a foundation, a clear design concept was developed for the print media, as well as for our Web site. In the structural sense, we considered clarity to be the priority, whereas in content terms, we aimed to present even more information on the Company. The new Web site, which went live in February 2003, features portraits of all of the shopping centres in which the Company holds an equity interest, including photos, maps, key figures, etc. Moreover, users can also access information ranging from general financial figures and reports to the most recent Company presentations and compare the development of the Company's share price with the EPRA index and EPIX 30 benchmarks.

The goal of the PR measures described on the following pages is also to orient the Company to its public, from shareholders through analysts to press representatives, while projecting a corporate image that is as unique as possible.

www.deutsche-euroshop.de

Directors' dealings

We comply with the reporting and disclosure obligation in force since 1 July 2002 applicable to purchases and sales of Deutsche EuroShop AG shares by members of the management and supervisory bodies by publishing this information on our Web site in the Investor Relations section.

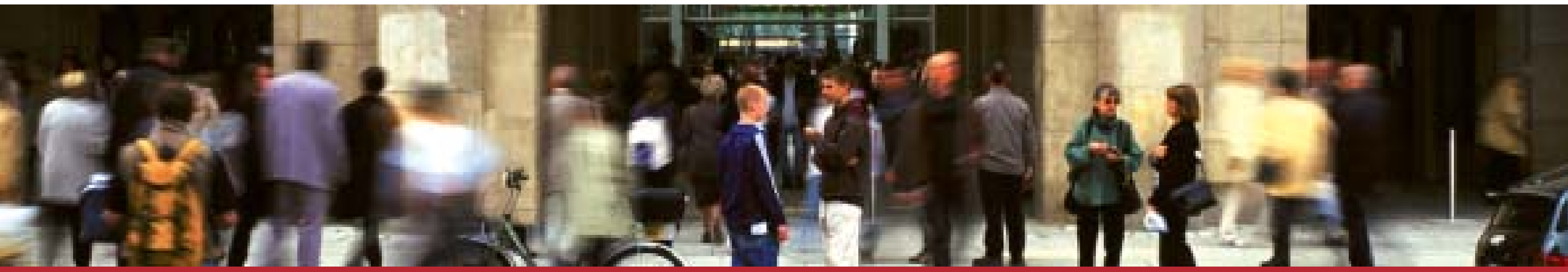
Potentially reportable Deutsche EuroShop AG share transactions by management and supervisory bodies within the past 30 days can be accessed there.

Letter to Shareholders – Quarterly Report

Deutsche EuroShop AG published letters to shareholders in December 2002 and in April 2003; these letters were sent to all shareholders listed in the share register and made available to other interested parties via the Internet. The goal here is to inform our shareholders on a quarterly basis about the Company's current business transactions. From mid-2003 onward, this letter to shareholders will be replaced by the required quarterly reports as part of the Company's application for admission to Deutsche Börse AG's Prime Standard sub-sector. All publications, including this report, will also be published in English in the future.

Designated sponsor

Frankfurt-based Seydler AG has acted as designated sponsor for Deutsche EuroShop AG since January 2003; this measure was also implemented in order to meet the application requirements for the Prime Standard sub-sector. This company ensures support for the Company's share price in XETRA trading and additional liquidity in trading systems in accordance with stock exchange regulations in order to achieve greater availability of the Company's shares and a larger daily trading volume. In the financial year under review, the trading volume in the Company's shares amounted to an average of 1,800 shares per day. Since January 2003, this figure has increased to 2,300 per trading day. This has enabled the Company to eliminate the sharp fluctuations of up to 40% experienced in the past due to low trading volumes. A substantial improvement has been seen since the end of January – average volatility dropped to 10% within a period of 30 days.

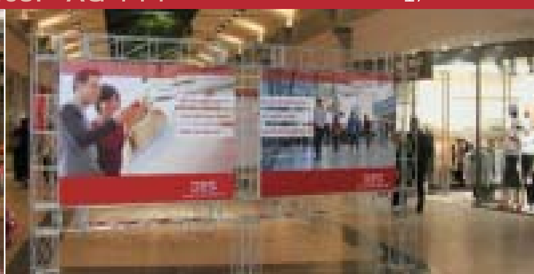


Investor fairs

Deutsche EuroShop AG's shopping centres provide the Company with the advantage of being able to present the investments and equity interests of the Company to shareholders and investors at any time. In addition, all of these shopping centres have a high regional profile in their catchment areas, which are home to a total of 9.6 million people – an excellent platform for investor relations activities. For this reason, Deutsche EuroShop AG kicked off its first investor fair at Rhein-Neckar-Zentrum in Viernheim on 19 February 2003 with an evening event. Around 150 invited guests, including shareholders, Rhein-Neckar-Zentrum tenants and interested customers of several local banks, received an insight into current business data during a presentation, as well as a critical review of Deutsche EuroShop AG investment information and of the current capital market situation, as part of a subsequent panel discussion with the Executive Board and a business journalist specialising in property. In the three days that followed, the 40,000 daily visitors to Rhein-Neckar-Zentrum had an opportunity to inform themselves about the Company and investments in general, thanks to more than 30 posters presented in cooperation with Deutsche Aktieninstitut e.V. Employees of Deutsche EuroShop AG and the banks were available to answer questions.

Property share initiative

Property shares are a form of investment with a future – especially in bear markets. This was one of the statements made by Dr. Rolf E. Breuer (President of the Bundesverband Deutscher Banken — Association of German Banks) at the second professional conference of the Initiativkreis Immobilien-Aktie (Property Investing Initiative) on 14 and 15 October 2002 in Frankfurt am Main. This initiative was launched in 2001 with significant assistance from Deutsche EuroShop AG to raise the visibility of listed German property companies. The conference offers an information platform to interested parties, analysts and press representatives alike. Prominent German and international experts and executive board members of major listed international and German property companies gave presentations on the importance of property shares to the European capital markets, and on their companies. In addition to its company presentation, Deutsche EuroShop AG also published an article on the necessity of increasing the attractiveness of the German capital market for international public property companies, which appeared in the January 2003 issue of the magazine "DIE BANK", published by the Association of German Banks.



Profitable shopping

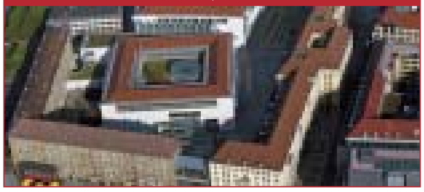
Our shopping centres meet the requirements of our customers and tenants – today and in the future, in Germany and abroad.

≡ On peak days, up to 40,000 visitors enjoy the full range of retail offerings at each of our shopping centres

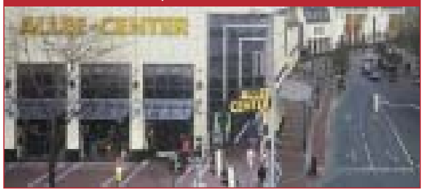
≡ The retail floor spaces in our shopping centres boast full occupancy rates.

Deutsche EuroShop AG

Altmarkt-Galerie, Dresden

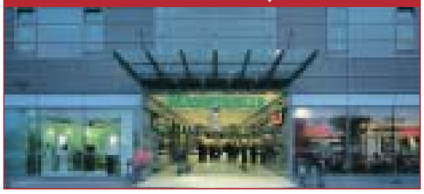


Allee-Center, Hamm

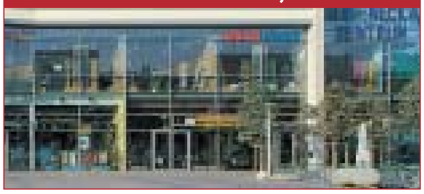


City-Point, Kassel

Main-Taunus-Zentrum, Sulzbach

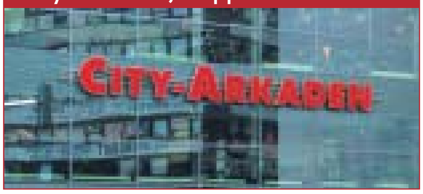


Rhein-Neckar-Zentrum, Viernheim



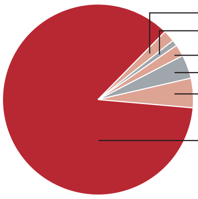
City-Galerie, Wolfsburg

City-Arkaden, Wuppertal

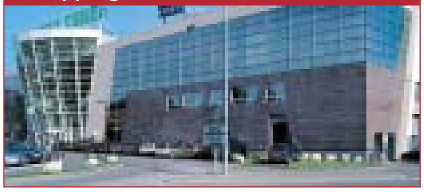


Maturity distribution of rental contracts

(as % of rental income) not including Pécs as at 31 December 2002



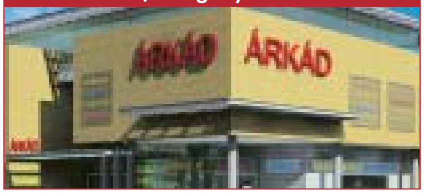
Shopping Etrembières, Annemasse



Centro Commerciale Friuli, Udine

Centro Commerciale Tuscia, Viterbo

Pécs Árkád, Hungary



General overview of DES properties

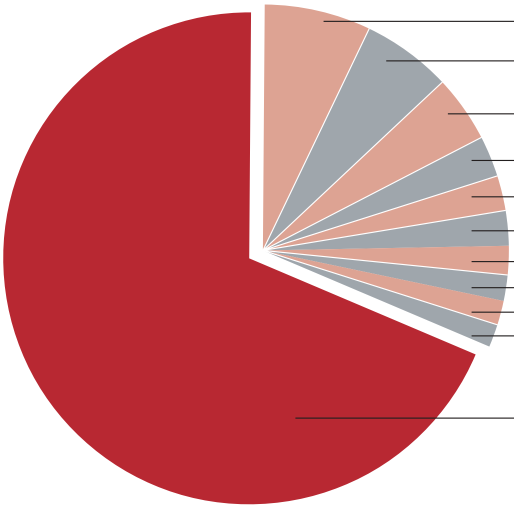
All of the retail floor space at all of our shopping centres has been leased. The only exception is a portion of the office space in Altmarkt-Galerie in Dresden, which opened in September 2002. This corresponds to an occupancy rate of 99% for all of our properties.

The chart below illustrating the maturity distribution of our rental contracts underscores the long-term earnings potential of these properties. 86% of total rental income is contractually secured at least until 2008.

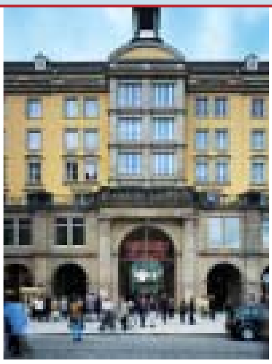
The level of dependence on individual tenants is manageable, with the top ten tenants accounting for 31.2% of total rental income.

Tenant mix broken down by rental income

not including Pécs in %



Catchment area:	around 960,000 inhabitants
Leasable space:	around 43,800 m²
of which retail floor space:	around 26,000 m²
of which office space:	around 4,000 m²
No. of shops:	around 100 specialist shops
Anchor tenants:	Sinn Leffers, Sport Scheck, Esprit, Hugendubel, Douglas, Saturn
Occupancy rate:	100% of retail floor space (92% including office and warehouse space)
Centre management:	ECE
Grand opening:	September 2002



Altmarkt-Galerie in Dresden

It finally happened on 18 September 2002 – after 10 years of planning and 20 months of construction work, Altmarkt-Galerie in Dresden opened its doors on schedule in the presence of Germany's President Johannes Rau, despite the flood disaster that had swept the region. In the first few days after the grand opening, more than a half million visitors streamed through the centre. Altmarkt-Galerie's four-storey building offers everything a shopping centre that considers itself a lively marketplace should offer. The opening of Altmarkt-Galerie enabled the Company to attract further retailers, including Sinn Leffers and Zara, into the city centre in addition to those already resident in the city (such as S. Oliver and Orsay) and to locate them next to regional shops. The food court, featuring fresh produce and gourmet food shops, entices visitors as much as the cafés and restaurants (approximately 2,000 m^2) that invite visitors to sit down, relax and tank up new energy.

This entire project has a historical background. The three complexes, some embedded in listed city centre buildings, bring new life to the warren of alleyways. These groups of buildings are accessible through richly decorated canopied archways and sidewalks, and are connected to one another along the north-south axis by sunlit shopping arcades. The alleyways between the buildings along the east-west axis also feature a glass roof along their entire length.

On 3 April 2003, the International Council of Shopping Centers (ICSC) named Dresden's Altmarkt-Galerie the most beautiful newly built shopping centre in Europe in its category at its annual European conference in Budapest. Altmarkt-Galerie beat numerous competitors from all European countries to win this prestigious European Shopping Centre Award. By awarding this prize to Altmarkt-Galerie, the international specialist jury recognised this unique synthesis of shopping centre and meeting place.

The overwhelming success of Altmarkt-Galerie, which generated initial revenues that greatly exceeded expectations, is due not to the many volunteers who helped to protect the shopping centre from the disastrous floods. Against this backdrop, Deutsche EuroShop AG donated €500,000.00 to the City of Dresden for flood victims, thereby launching the shopping centre on a positive note. Altmarkt-Galerie continues to look forward to a successful future.

Allee-Center in Hamm

The acquisition of a majority interest in Allee-Center in Hamm enabled the Company to further expand its portfolio in 2002. This is an established shopping centre in a prime central site located directly in the pedestrian district. The excellent infrastructure in the area brings around 25,000 visitors to Allee-Center every day. In 2002, we successfully implemented modernisation measures after numerous rental contracts expired – the market hall and a total of 40 shop units received a completely new look. Along with the updates performed in recent years, this refurbishment project means that Allee-Center Hamm still has a modern look, and is in almost new condition even after 10 years. A glass dome over the centre's mall creates a bright and pleasant atmosphere. The four-storey building offers contemporary retail shops on two levels, in addition to a high proportion of clothes shops, such as H&M, Esprit, Peek & Cloppenburg, Jean Pascale, New Yorker, Benetton and many more. Moves to larger rental spaces are planned for Görtz 17 and Esprit in 2003. A spacious food court on the second floor invites visitors to come in and relax. The shopping centre's 2002 revenue remained at the previous year's level despite the effect of the renovation effort on operations.

Catchment area:	around 1,000,000 inhabitants
Leasable space:	around 34,800 m^2
of which retail space:	around 21,000 m^2
No. of shops:	around 80 specialist shops
Anchor tenants:	Hennes & Mauritz,
	Peek & Cloppenburg,
	Real self-service department store
Occupancy rate:	100 %
Centre management:	ECE
Grand opening:	1992

☰ City-Point in Kassel

City-Point Kassel celebrated its one-year anniversary in February 2003 – with good reason. Nearly 10 million people have visited the centre in the first 12 months and contributed to reinforcing Kassel's position as an regional centre, as well as establishing the shopping centre firmly on the market. Various promotions and events in the centre, such as the "vhs-Live" citizen initiative, have created a new social meeting point and entertain around 30,000 visitors to City-Point daily. The shopping centre has therefore become a key element of Kassel's city centre and a factor in reviving the Königsplatz area. In July 2003, Königsplatz will be converted to an arena for the Beach Soccer Cup for the second time. This is just one of the many events organised for the enjoyment of Kassel's residents.

The wide range of fashions available at City-Point will be expanded further in the future with the first Betty Barclay shop in Kassel. S. Oliver, Hallhuber, Vera Moda, Gerry Weber, Eddie Bauer, Street One and CECIL are also represented here, to name just a few of the around 35 fashion shops located in the centre.

The City-Point façade is also notable. A glass wall across the façade was decorated with thousands of images of Kassel. After dark, this artwork is lighted by around 82,000 LEDs, setting the proper mood at City-Point.

Inside the centre, visitors find a tried-and-tested mix of well-known chain stores and regional retailers on five storeys, all of which can be reached easily via escalators and lifts.

We are confident that City-Point Kassel will continue to perform as well as it has in its first year in business.

Catchment area:	around 800,000 inhabitants
Leasable space:	around 29,400 m^2
of which retail space:	around 20,000 m^2
No. of shops:	around 70 specialist shops
Anchor tenants:	Karstadt, Saturn, Tegut, Hugendubel, Esprit
Occupancy rate:	100 %
Centre management:	ECE
Grand opening:	February 2002

Deutsche EuroShop AG

Main-Taunus-Zentrum in Sulzbach

In 2002, Main-Taunus-Zentrum met all expectations resulting from the initial comprehensive modernisation and restructuring measures in 2001. A second construction phase in the renovation process was initiated in January 2003. After the grocery and DIY store was torn down, construction began on a new three-storey building to house a Breuninger clothes shop and a MiniMal grocery market. Completion is slated for spring 2004. This measure will give fresh momentum to the northern end of the centre.
This revival will enable Main-Taunus-Zentrum to further cement its leadership position in the region. Ample glass and steel, light-coloured building materials and new greenery make this shopping centre even more attractive to visitors. The centre's mix of roofed areas and completely or partly open areas make shopping there an extraordinary experience. Thanks to the mix of shops, which was optimised in 2001, and the arrival of several high-quality clothes shops and a media superstore, Main-Taunus-Zentrum is still very popular with shoppers and is the largest shopping centre in Deutsche EuroShop AG's portfolio in terms of area. In 2002, revenue grew by roughly 19% due to the restructuring measures implemented in the previous year. The demand for rental space has remained steadily high.

Catchment area:	around 2,200,000 inhabitants
Leasable space:	around 93,900 m²
of which retail space:	around 73,000 m²
No. of shops:	around 100 specialist shops
Anchor tenants:	Karstadt, Galeria Kaufhof, Peek & Cloppenburg, Ansons, Hennes & Mauritz, Appelrath und Cüpper, Sport-Fink, Media Markt, Kinopolis
Occupancy rate:	100 %
Centre management:	ECE
Grand opening:	1964
Renovation/modernisation:	2001 and 2003 to 2004

Rhein-Neckar-Zentrum in Viernheim

After the modernisation measures and construction work aimed at expanding the shopping centre were finished successfully three months before the planned completion date, Rhein-Neckar-Zentrum has put on a whole new face. The heart of the centre is a fountain in the middle of the row of shops, divided by four square plazas, which invites visitors to shop and stroll with its elegant, contemporary and service-oriented design. Visitors can also choose from a total of 3,800 free parking spaces. In addition, two new entrance halls were created and the older ones thoroughly renovated, so that the outward appearance of the centre clearly indicates what is offered inside.

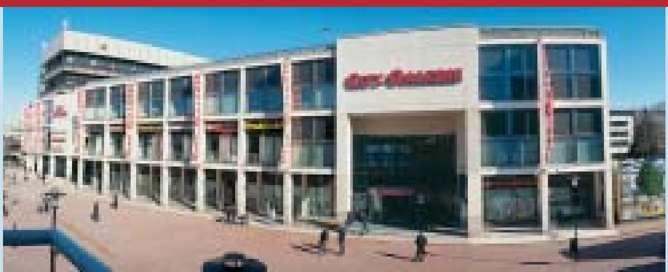
A rental space measuring around 4,000 m^2 that was vacated in January 2003 will be restructured as part of the replacement occupancy concept and is scheduled to open in August 2003. New tenants such as H&M, Esprit and Zara are already increasing the proportion of shops devoted to fashion for young people at Rhein-Neckar-Zentrum – leaving nothing to be desired for fashion-conscious shoppers. We have also succeeded in creating the shortest paths possible between shops for customers within the centre thanks to the optimisation and renovation, as well as moving some businesses. For example, one row of shops was refurbished nearly exclusively to meet visitors' daily grocery shopping needs. The positive feedback from the around 40,000 daily visitors enabled the centre to generate revenue in 2002 that was 26% higher than in the comparable prior-year period, even while the modernisation measures were being implemented.

Catchment area:	around 1,400,000 inhabitants
Leasable space:	around 64,000 m^2
of which retail space:	around 60,000 m^2
No. of shops:	around 100 specialist shops
Anchor tenants:	Peek & Cloppenburg, Engelhorn & Sturm, Hennes & Mauritz, Zara, Sport-Fink, Pro-Markt, Toys 'R' Us, Esprit
Occupancy rate:	100 %
Centre management:	ECE
Grand opening:	1972
Renovation/modernisation:	completed in November 2002

City-Galerie in Wolfsburg

City-Galerie Wolfsburg's first full financial year ended successfully. This shopping centre in the centre of Wolfsburg was launched effectively with a high level of customer acceptance. Visitors can comfortably access the entrance to the centre by way of the well-known "Porschestrasse" pedestrian zone and are channelled from there to the core of the centre, an atrium with fountain in the middle of the elliptical market hall, via the V-shaped row of shops. All three storeys of the shopping centre can be reached comfortably by way of escalators or lifts. An abundance of glass and light creates a bright and friendly ambience for shopping. The extensive offering by specialist shops, including many regional retailers, provides approximately 17,000 visitors daily with a successful mix of consumer electronics, fashion, groceries, and other needs, along with an ample selection of food vendors. City-Galerie has helped the city centre area of Wolfsburg become an even more attractive place.

Catchment area:	around 600,000 inhabitants
Leasable space:	around 30,000 m²
of which retail space:	around 24,700 m²
No. of shops:	around 90 specialist shops
Anchor tenants:	Intermarché, Pro-Markt, Textilhaus Hempel,
	New Yorker, Sport-Scheck
Occupancy rate:	100 %
Centre management:	ECE
Grand opening:	September 2001



City-Arkaden in Wuppertal

City-Arkaden in Wuppertal opened its doors in October 2001 and since then has become a fixture in Wuppertal's city centre neighbourhood of Elberfeld. Visitors to the three-storey centre are offered a wide selection of goods by prominent chain stores and regional retailers. As in other centres, the Company considered it very important to establish a healthy mix of shops tailored to the inhabitants of the area. This shopping centre, which is located directly in the Alte Freiheit pedestrian zone, rounds off the attractiveness of Wuppertal's city centre. An architectural highlight is the approximately 20 meter wide, two-storey, transparent elevated walkway over four-lane "Morianstrasse", which seamlessly connects the western and eastern wings of the group of buildings. The eastern wing features a car park with around 650 parking spaces for customers, spread across four levels above the centre.
The high-quality materials and the abundant use of glass, sandstone and granite welcome visitors to an elegant and sunlit strolling area that entices consumers to shop or browse. Various restaurants in the shopping centre offer culinary delights in the vicinity of refined quiet areas with fountains, numerous plants and seating groups. The gourmet food court on the ground floor and an additional grocery market in the basement provide for every possible need of even the most sophisticated customers.
Positive feedback by visitors – totalling over 40,000 daily at peak times – and the demand for vacant retail space lead us to anticipate continued positive performance by City-Arkaden Wuppertal in the future.

Catchment area:	around 620,000 inhabitants
Leasable space:	around 28,600 m^2
of which retail space:	around 20,000 m^2
No. of shops:	around 90 specialist shops
Anchor tenants:	Hennes & Mauritz, Boecker, Mac Fash, Schmahl, Phönix, Akzenta
Occupancy rate:	100 %
Centre management:	ECE
Grand opening:	October 2001

Shopping Etrembières in Annemasse, France

Shopping Etrembières in France is located directly on the border to Switzerland, only 6 km from Geneva. This large catchment area attracts a considerable number of visitors to the centre daily from both France and Switzerland. In addition to around 1,000 covered parking spaces, customers can expect a broad range of goods and services on up to three levels. Moving walkways bring customers smoothly from one storey to the next. The centre features a self-service department store operated by the Swiss-based Migros Group (owner-occupied) in addition to well-known chain stores, such as Douglas, Naf Naf and the gift article trader 1 2 3. Cafés and restaurants invite visitors to enjoy the pleasant atmosphere.

Catchment area:	around 750,000 inhabitants
Leasable space:	around 8,500 m² plus roughly 8,000 m² occupied by the Migros self-service department store
No. of shops:	around 50 specialist shops
Anchor tenants:	Go Sport, La Brioche Dorée, Aubert, Pro Mod
Occupancy rate:	100 %
Centre management:	Espace Expansion S.A., Paris
Grand opening:	1994

Centro Commerciale Friuli in Udine, Italy

Centro Commerciale Friuli is situated in northern Italy, about 5 km from Udine. The centre's proximity to various transport routes, such as the key north-south connection in the region, the "Strada Provinciale Pontebbana", and Autostrada A 23 (Venice – Klagenfurt) makes it easily accessible to around 270,000 people in the area.

The two-storey building with around 28,600 m² of space features a glass-roofed mall with a self-service department store operated by the Carrefour Group along with 49 additional specialist shops. The centre is leased to the Carrefour Group on a long-term lease by way of a master rental contract.

Catchment area:	around 270,000 inhabitants
Leasable space:	around 28,600 m²
No. of shops:	around 50 specialist shops
Primary tenant:	Carrefour
Occupancy rate:	100 %
Centre management:	Carrefour
Grand opening:	1993

Centro Commerciale Tuscia in Viterbo, Italy

Centro Commerciale Tuscia is located in Viterbo, around 80 km north of Rome in the vicinity of the university and the main bus station. Since the centre opened in 1998, the occupancy rate has been 100%. Over the years Centro Commerciale has established itself as a favourite marketplace for the approximately 300,000 inhabitants of the area. The 40 specialist shops include the Italian self-service department store chain Ipercoop and many regional and national retailers, such as Piazza Italia and Spizzico. A 1,100-space car park is also available for visitors.

Catchment area:	around 300,000 inhabitants
Leasable space:	around 15,000 m^2
No. of shops:	around 40 specialist shops
Anchor tenants:	Ipercoop self-service department store
Occupancy rate:	100 %
Centre management:	Espansione Commerciale S.R.L.
Grand opening:	1998

Pécs Árkád, Hungary

The Pécs Árkád shopping centre in Hungary, in which we hold a 50% equity interest, enabled us to expand our portfolio. Our co-investor is HGA Capital Grundbesitz und Anlage GmbH, a subsidiary of Hamburgische Landesbank. The university town of Pécs is situated in south-western Hungary and has developed into a tourist attraction in Hungary during its 2000-year history. With around 160,000 inhabitants, Pécs is the fifth largest city in Hungary, and is the centre and capital of its southern region.
Construction has been underway on this shopping centre since October 2002 and the grand opening is scheduled for spring 2004. The inhabitants of Pécs can then look forward to a shopping centre that will be unique in this region due to its size, high-quality furnishings and broad spectrum of goods on offer. The sophisticated and elegant design of Pécs Árkád will also bring a new touch to Pécs city centre. Numerous specialist shops, as well as service businesses and restaurants, will be located on two levels. ECE has been successful in attracting large international retailers along with local specialist shops and mid-sized companies as tenants of the shopping centre. We are eagerly awaiting the opening and development of our new shopping centre.

Catchment area:	around 540,000 inhabitants
Leasable space:	around 34,200 m^2
No. of shops:	around 120 specialist shops
Anchor tenants to date:	Media Markt, Interspar, Giacomelli, Douglas,
	Esprit, Reno, Drogerie Roßmann,
	Salamander, Kienast, Mango, Deichmann
Occupancy rate:	around 75% as at Feb. 2003
Centre management:	ECE
Grand opening:	spring 2004

Property shares with a promising future

Our portfolio comprises shopping centres at popular sites with proven management and high-revenue tenants.

- We can look back on a positive financial year 2002 with improved earnings.
- We will continue our dividend policy in the future to the benefit of our shareholders.
- Our shopping centre share offers properties with stable values as a foundation for future growth.

Deutsche EuroShop AG

Report on the position of the Company and the Group for 2002

I. Course of business and position of Deutsche EuroShop AG

Deutsche EuroShop AG can look back on a positive financial year 2002. The result from ordinary activities amounts to €24.8 million. This corresponds to a 37% increase year-on-year, and was 12% or €2.7 million ahead of our planning for financial year 2002.

Proportionate investment cost savings (€ thousands)

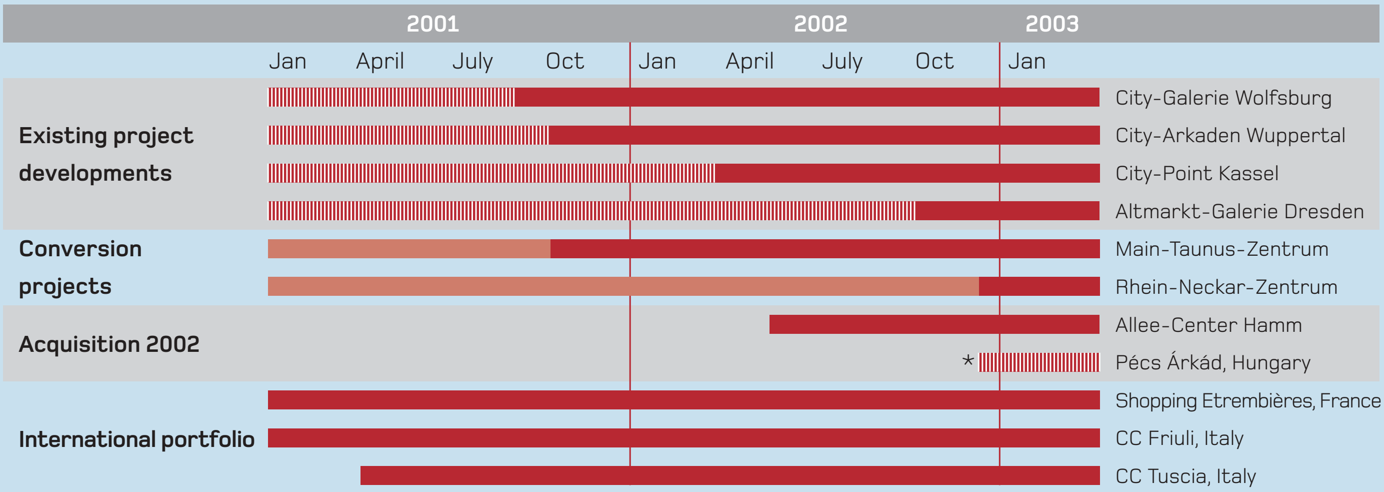
	Proportionate investment cost savings	Distribution to DES 2002	Balance at 31.12.2002
City-Galerie Wolfsburg	8,495	7,031	1,464
City-Arkaden Wuppertal	3,593	1,728	1,865
City-Point Kassel	2,800	2,200	600
Altmarkt-Galerie Dresden	4,161	3,000	1,161
Total	**19,049**	**13,959**	**5,090**

The final two of the four project developments or new construction projects were completed on schedule. Following the opening of the City-Arkaden in Wuppertal and the City-Galerie in Wolfsburg in autumn 2001, the City-Point in Kassel was handed over in February 2002, and the Altmarkt-Galerie in Dresden in September 2002. It is particularly remarkable that the Altmarkt-Galerie in Dresden opened for business exactly as planned, despite the problems caused by the flood disaster. Both properties enjoyed a successful market launch, and initial analyses indicate that sales trends are ahead of expectations.

The cost savings achieved for the completed shopping centres in the investment phase amount to around €19 million, based on Deutsche EuroShop AG's share, of which just on €14 million was distributed to Deutsche EuroShop AG in 2002. The carrying amounts of the investments were reduced correspondingly. The remaining amount of €5.1 million will remain at the property management companies for unforeseeable subsequent investments in the ramp-up phase of the shopping centres.

Finally, the conversion project at the Rhein-Neckar-Zentrum, which was implemented during ongoing operation, was completed in November 2002 (3 months ahead of schedule) following a construction phase of 23 months. The largest investment in Deutsche EuroShop AG's portfolio was completely renovated at a total expense of €85 million, extended by 10,000 m² to 60,000 m², and modernised to meet current tastes.

Status of individual projects



Our property portfolio was increased in financial year 2002 by two acquisitions to a total of 11 investments in shopping centres. We acquired a majority interest in the Allee-Center in Hamm in April 2002. At the end of November 2002, Deutsche EuroShop AG acquired a 50% interest in the Pécs Árkád shopping centre in Hungary currently under construction.

Despite the difficult situation in the retail sector, investment income from the shopping centres is 15% ahead of projections at €23.1 million. €1.3 million of this €3.0 million budget variance is due to the fact that the residual distributions by the investees from financial year 2001, which were only recognised in income at Deutsche EuroShop AG in financial year 2002, were well above the corresponding expected amounts. A further €1.7 million was generated largely from higher interest income, accompanied by lower costs, and from a higher proportionate equity interest, as well as from a change in the loan structure at the Allee-Center in Hamm.

Personnel expenses rose by €164 thousand over budget, as additional employees were recruited as at 1 September 2002 in order to ensure the smooth transition of administrative functions following the termination of the agency agreement with DB Real Estate Management GmbH. Other operating expenses were €1.05 million higher than budgeted. In addition to the €500 thousand donation for the flood victims in Dresden, a provision of €464 thousand had to be established in conjunction with the early termination of the agency agreement with DB Real Estate Management GmbH. An office in Hamburg was also established in addition to the headquarters in Eschborn.

Interest income was €779 thousand ahead of projections because the planned investments in new shopping centres were lower and came in later than planned, thus giving us more capital available for temporary investment. This more than offset the further drop in interest rates during the course of the financial year.

Income from investments (€ thousands)

Property	Projected	Actual	Difference
Rhein-Neckar-Zentrum*	8,407	9,397	990
Main-Taunus-Zentrum	2,829	2,809	-20
City-Galerie Wolfsburg	2,546	3,031	485
City-Arkaden Wuppertal	1,542	2,141	599
City-Point Kassel	769	969	200
Altmarkt-Galerie Dresden	411	771	360
Allee-Center Hamm	973	2,280	1,307
CC Tuscia	1,571	1,741	170
Other planned acquisitions	1,059	0	-1,059
Income from investments	**20,107**	**23,139**	**3,032**

* includes CC Friuli and Shopping Etrembières

As in the previous year, we transferred additional amounts to the deferred tax liabilities, which increased by €6.5 million to €14.2 million, although corresponding tax payments will not be incurred until a property is sold. An amount of €913 thousand was transferred from the net income of €18.3 million to the revenue reserves.

The withdrawal of €12.6 million from the capital reserves produces an unappropriated surplus of €30 million. The amount of the withdrawal from the capital reserves reflects the fact that as in the previous year, the additional amount transferred to the deferred tax liabilities is similar in nature – from today's perspective – to a reserve, and that we are able to pass on some of the savings generated in the investment expenses to our shareholders.

The Executive Board will submit a proposal to the Annual General Meeting to be held in Frankfurt on 18 June 2003 to pay a dividend of €1.92 per share for 2002, as in 2001.

II. Course of business and position of the Group

Consolidated sales more than doubled, from €22.7 million in 2001 to €46.5 million in financial year 2002. The sharp rise can be put down to the fact that rental income from the properties in Wuppertal and Wolfsburg completed in autumn 2001, as well as the CC Tuscia property that we acquired in 2001, were consolidated for a full financial year for the first time, as well as the addition of the Allee-Center in Hamm to our portfolio. The sales from rental income are broken down as follows:

Overview of sales (€ thousands)

Property	2002	2001
Rhein-Neckar-Zentrum	12,537	8,991
City-Galerie Wolfsburg	7,704	2,746
City-Arkaden Wuppertal	7,587	1,984
Shopping Etrembières	3,201	3,099
CC Friuli	4,293	4,139
CC Tuscia	2,465	1,765
Sub-total excl. Hamm	**37,787**	**22,724**
Allee-Center Hamm	8,704	-
Total sales	**46,491**	**22,724**
thereof Germany	36,532	13,720
thereof international	9,959	9,004

Amortisation of intangible assets and depreciation of tangible assets, as well as amortisation of capitalised business start-up and expansion expenses, relate in full to systematic depreciation and amortisation. Depreciation and amortisation expenses amounted to €21.6 million, and were thus €9.7 million above the previous year's figure of €11.9 million. This is also due principally to the first-time inclusion for a full financial year of the depreciation and amortisation charges on the properties completed and acquired in 2001, as well as to the Hamm acquisition. Note that the depreciation and amortisation charges at the German companies are recognised at the maximum amounts allowed under tax law.
Other operating expenses fell by €3.5 million to €12.9 million. The primary reason for this was that expenses relating to the construction and acquisition of new shopping centres in the year under review were considerably lower than those of the previous year, more than offsetting the higher ongoing operating and administrative expenses for these shopping centres.
The reported income from investments rose from €2.8 million in the previous year by 61% to €4.5 million. This increase is due to the completion of the properties in Kassel and Dresden 2002 and the resulting first-time distributions.
Other interest and similar income fell from €13.7 million by 47% to €7.2 million as a consequence of the new investments described above. Interest and similar expenses fell by €4.7 million year-on-year to €18.6 million. This reduction is due in particular to the fact that the one-time expense from offset discounts of €7.0 million incurred in 2001 no longer applies. This was partially offset by higher interest expenses on long-term bank loans for new investments.
The result from ordinary activities improved by €17.2 million over financial year 2001 to €4.9 million. After

deducting income taxes of €7 million (including deferred taxes of €6.5 million) and other taxes (in particular land tax) amounting to €896 thousand, the net loss for the year was €3 million (2001: -€16.8 million). This net loss is due primarily to depreciation charges on real property assets, and does not reflect the Company's actual earnings position (see also reconciliation in section V).

III. Investing activities

Following the two acquisitions in financial year 2002, Deutsche EuroShop AG now has a portfolio of investments in 11 shopping centres in Germany, France, Italy and Hungary. The total volume of investments now amounts to around €1.5 billion. The proportionate investment volume for all property investments exceeded the €1.0 billion mark for the first time in 2002. Invested equity amounts to €528 million.
The newly acquired investments in the Allee-Center in Hamm and the Pécs Árkád shopping centre in Hungary (under construction) increased the total investment volume by around €193 million, of which €137 million is attributable to Deutsche EuroShop AG. The Company acquired a majority interest of just on 87% in the Allee-Center in Hamm in spring 2002. This is a shopping centre opened in 1992 which, following modernisation and a positive change in the tenant structure in 2002, generates a compelling 7% return on investment. With its new exposure in Hungary, the Company intends exploiting the attractive yield opportunities in the EU candidate countries. The proportionate investment volume amounts to around €40 million.
With its remaining cash reserves of around €72 million, the Company expects to be fully invested by the end of 2003 to enable it to achieve a greater continuity of earnings through further diversification of its property portfolio.

IV. Financing activities

Our financing structure remains conservative even after the new investments. With an equity ratio of 51% – calculated across all investments – the Company has more than adequate financial resources for future and long-term developments. The Hamm and Pécs acquisitions were 64% and 50% debt-financed respectively.
The consolidated equity ratio is 55.6%. Consolidated liabilities to banks as at 31 December 2002 now amount to €409 million, up €112 million on the previous year. This increase is due in particular to the first-time consolidation of our Immobilien KG Dr. Anderegg & Co. Einkaufscenter Hamm subsidiary (€71.4 million) and to the residual payouts of the loans totalling €19.1 million raised for the modernisation project at Rhein-Neckar-Zentrum Wieland KG, as well as to bank borrowings of €21.1 million by our SCI Val Commerces Paris subsidiary.
This loan was made available by Deutsche EuroShop AG at short notice in the previous year, and was secured by a corresponding term deposit by Rhein-Neckar-Zentrum Wieland KG.
90% (€368.2 million) of the liabilities to banks have more than five years to maturity, with an average nominal interest rate as at 31 December 2002 of 4.62%.

V. Reconciliation

The following table reconciles the consolidated net loss to the net income of the single-entity parent AG. This is the first time that the Company is presenting such a reconciliation to illustrate our operating result. From the perspective of Deutsche EuroShop AG, this is a logical step, in particular because the necessary depreciation and amortisation charges and other expenses attributable to the investment costs at our investees significantly depress the consolidated result, and would thus produce a distorted picture of the Group's results of operations.

Reconciliation (€ thousands)

		2002	2001
Consolidated net loss		-3,002	-16,778
plus depreciation and amortisation	(1)	21,603	11,852
plus investment phase costs	(2)	2,451	23,196
less addition to cash reserves	(3)	-750	-285
less minority interests	(4)	-2,327	-1,137
plus/minus distribution surplus	(5)	293	-2,498
Net income of single-entity AG		**18,268**	**14,350**

(1) The provisions of German commercial law require depreciation and amortisation to be charged. These depreciation and amortisation expenses reduce the carrying amounts of the Group property, and this reduction is not offset by any corresponding changes in market values.

(2) The expenses in the investment phase are a result of the fact that costs are incurred during this period (for example interest on bridging finance) that are treated as expenses for tax purposes and are thus reported in the consolidated profit and loss account. However, these investment costs are not financed from ongoing operating income, but from existing cash resources. These expenses are broken down across the following individual properties:

	2002	2001
Rhein-Neckar-Zentrum	1,535	5,476
City-Galerie Wolfsburg	279	7,043
City-Arkaden Wuppertal	102	9,669
Allee-Center Hamm	337	n/a*
CC Tuscia	198	1,008
Total	**2,451**	**23,196**

* acquired 2002

(3) Active shopping centre management means that necessary investment and maintenance measures can be identified and their costs quantified at an early stage. All Group companies maintain corresponding cash reserves for these purposes so that they can make available the funds required to implement these measures.

(4) This item reports the shares of distributions attributable to minority shareholders of the Group companies.

(5) The Group companies pay advance distributions of 90% to Deutsche EuroShop AG in each financial year; the amount is normally based on an extrapolation prepared in the autumn of each financial year. The residual amount is transferred in the following year, and only then recognised as income at Deutsche EuroShop AG.
This procedure results in a distribution surplus in financial year 2002, which is broken down as follows (amounts in € thousands):

Residual distribution from 2001	2,498
less: residual distribution for 2002 (due in 2003)	2,205
Balance	**293**

VI. Report on risks and risk management in accordance with the KonTraG (German Law on Control and Transparency in Business)

A range of risks must be taken into account in conjunction with the future earnings development of Deutsche EuroShop AG. These risks have been defined by the Company's management, and an effective risk management system has been established for their early identification, minimisation or avoidance.

1. A risk of rent loss would arise if tenants were to become insolvent and unable to settle their rental contract obligations because of the development of their business activities.
2. A market risk would arise if the retail sector in the wider sense were to suffer sustained revenue shortfalls.
3. A cost risk could arise in particular in the event of unforeseeable additional expenses for current investment projects.
4. An interest rate risk could arise for current debt financing.
5. A foreign currency risk could arise; this would be limited to the investment in the shopping centre in Hungary.

(1) Deutsche EuroShop AG counters the risk of rent loss by regularly analysing the sales trends of the tenants and the development of outstanding accounts. Measures to find new tenants are initiated if there are signs of any sustained negative development. In addition, the Company is protected against the risk of rent loss by the security deposits furnished by the tenants.

(2) The market risk denotes the potential development due to adverse developments in the retail sector, which suffered a drop in revenues of around 1.9% in 2002 in Germany. Deutsche EuroShop AG also tries to anticipate this risk through intensive market studies, and to minimise it by entering into contracts with tenants with strong credit ratings.

(3) Risks from cost over-runs in current investment projects are minimised by conservatively costing-in all identifiable risks in the planning phase. In addition, construction contracts are generally awarded only on a fixed-price basis to prime contractors with strong credit ratings. The construction phase is accompanied by professional project management through corresponding service providers engaged by the Company.

(4) In the case of new property finance, the interest rate risk is reduced by taking out long-term loans with fixed-rate periods of 10 to 15 years.

(5) There is no general foreign currency risk attached to the investment in the Pécs Árkád shopping centre in Hungary because the amounts of the rents stipulated in the rental contracts are measured in euros, although they are payable in Hungarian forints following a monthly recalculation. A risk could arise if the forint were to fall sharply against the euro and the tenants were no longer able to pay the considerably higher resulting rents denominated in forints. However, because the Pécs Árkád property only accounts for around 4% of Deutsche EuroShop AG's aggregate portfolio, this risk is manageable.

As part of its overall risk management system, the Executive Board of Deutsche EuroShop AG is continuously briefed about the course of business at the individual property management companies. Deutsche EuroShop AG's investment decisions are reviewed by the Supervisory Board and discussed with the Investment Committee. External appraisals are also commissioned if required.
Above and beyond the reporting system required by corporation law for a listed company, the effectiveness of the control and monitoring systems is examined at regular Supervisory Board meetings.

VII. Outlook

Following the acquisition of the equity interest in Hungary, Deutsche EuroShop AG still has cash reserves of around €72 million; the Company has plans to invest these funds in additional high-yielding shopping centres in Germany and other European countries by the end of 2003 to enable further earnings growth.
Following the completion of this investment phase, Deutsche EuroShop AG will probably record a result from ordinary activities of €30 million in 2004. Based on the high occupancy rates of an average 99%, coupled with secure long-term rental income, management is again expecting a positive course of business and continuity in dividend payments for 2003.

Eschborn, March 2003

Annual Financial Statements

Deutsche EuroShop AG

Deutsche EuroShop AG

Balance Sheet as at 31 December 2002 of Deutsche EuroShop AG

Assets in €		31.12.2002	31.12.2001
A. Fixed assets			
I. Intangible assets			
Industrial and similar rights and assets		5,333.20	0.00
II. Tangible assets			
Operating and office equipment		32,456.20	2,851.36
III. Financial assets			
1. Shares in subsidiaries	386,891,126.99		344,472,922.67
2. Other investments	126,355,703.40	513,246,830.39	129,642,350.00
		513,284,619.79	**474,118,124.03**
B. Current assets			
I. Receivables and other assets			
1. Receivables from subsidiaries	0.00		21,596,957.44
2. Receivables from other investees	16,175,000.00		2,812,900.00
3. Other assets	1,606,665.01	17,781,665.01	411,732.47
II. Securities			
Other securities		0.00	5,589,799.46
III. Cash and bank balances		100,897,304.06	130,548,972.17
		118,678,969.07	**160,960,361.54**
C. Prepaid expenses		**608.09**	**171.79**
Total assets		**631,964,196.95**	**635,078,657.36**

Equity and liabilities in €		31.12.2002	31.12.2001
A. Equity			
I. Subscribed capital	20,000,000.00		20,000,000.00
II. Capital reserves	557,611,750.44		570,257,004.12
III. Revenue reserves	1,979,565.81		1,066,158.11
IV. Unappropriated surplus	30,000,000.00		30,000,000.00
		609,591,316.25	**621,323,162.23**
B. Provisions			
1. Provisions for taxes	14,183,116.89		7,638,837.61
2. Other provisions	1,216,302.76		370,052.40
		15,399,419.65	**8,008,890.01**
C. Liabilities			
1. Liabilities to banks	9.22		0.00
2. Trade payables	10,951.83		75,881.47
3. Liabilities to other investees	6,962,500.00		5,670,723.65
		6,973,461.05	**5,746,605.12**
Total equity and liabilities		**631,964,196.95**	**635,078,657.36**

Deutsche EuroShop AG

Deutsche EuroShop AG: Statement of Changes in Fixed Assets in accordance

€	Acquisition and production costs at 01.01.2002	Additions
I. Intangible assets		
Industrial and similar rights and assets	0.00	5,625.73
II. Tangible assets		
Operating and office equipment	11,401.81	36,600.28
III. Financial assets		
1. Shares in subsidiaries		
Rhein-Neckar-Zentrum Wieland KG, Hamburg	228,376,875.00	0.00
City-Galerie Wolfsburg KG, Hamburg	50,507,500.00	0.00
City-Arkaden Wuppertal KG, Hamburg	36,000,000.00	0.00
Centro Commerciale Tuscia Viterbo S.r.l., Milan	29,035,450.77	0.00
Centro Commerciale Tuscia Galleria S.r.l., Milan	553,096.90	0.00
Immobilien-Kommanditgesellschaft Dr. Anderegg & Co.		
Einkaufs-Center Hamm, Hamburg	0.00	34,102,604.32
Deutsche EuroShop Verwaltungs GmbH, Eschborn	0.00	17,074,600.00
	344,472,922.67	51,177,204.32
2. Other investments		
DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg	63,290,250.00	0.00
Altmarkt-Galerie Dresden KG, Hamburg	47,102,500.00	0.00
Objekt City-Point Kassel GmbH & Co. KG, Pöcking	19,249,600.00	0.00
City-Point Beteiligungs GmbH, Pöcking	0.00	12,953.40
Einkaufs-Center Arkaden Pecs KG, Hamburg	0.00	18,950,000.00
	129,642,350.00	18,962,953.40
	474,115,272.67	**70,140,157.72**
Total	**474,126,674.48**	**70,182,383.73**

with section 268 (2) of the HGB

Disposals	Reclassifications	Cumulative depreciation and amortisation	Book value at 31.12.2002	Depreciation and amortisation in year under review (memo item)	Book value previous year (memo item)
0.00	0.00	292.53	5,333.20	292.53	0.00
11,401.81	0.00	4,144.08	32,456.20	5,346.55	2,851.36
0,00	0.00	0.00	228,376,875.00	0.00	228,376,875.00
7,031,000.00	0.00	0.00	43,476,500.00	0.00	50,507,500.00
1,728,000.00	0.00	0.00	34,272,000.00	0.00	36,000,000.00
0.00	0.00	0.00	29,035,450.77	0.00	29,035,450.77
0.00	0.00	0.00	553,096.90	0.00	553,096.90
0.00	0.00	0.00	34,102,604.32	0.00	0.00
0.00	0.00	0.00	17,074,600.00	0.00	0.00
8,759,000.00	0.00	0.00	386,891,126.99	0.00	344,472,922.67
0.00	0.00	0.00	63,290,250.00	0.00	63,290,250.00
3,000,000.00	0.00	0.00	44,102,500.00	0.00	47,102,500.00
19,249,600.00	0.00	0.00	0.00	0.00	19,249,600.00
0.00	0.00	0.00	12,953.40	0.00	0.00
0.00	0.00	0.00	18,950,000.00	0.00	0.00
22,249,600.00	0.00	0.00	126,355,703.40	0.00	129,642,350.00
31,008,600.00	**0.00**	**0.00**	**513,246,830.39**	**0.00**	**474,115,272.67**
31,020,001.81	**0.00**	**4,436.61**	**513,284,619.79**	**5,639.08**	**474,118,124.03**

Deutsche EuroShop AG

Profit and Loss Account of Deutsche EuroShop AG

for the period 1 January to 31 December 2002

€		31.12.2002	31.12.2001
1. Other operating income		123,694.77	0.00
2. Personnel expenses			
a) Wages and salaries	472,954.22		17,978.16
b) Social security and other			
pension costs	18,113.11	491,067.33	1,229.00
– thereof for pensions: € 0.00 (previous year: € 488.30)			
3. Depreciation of tangible assets		5,639.08	5,700.00
4. Other operating expenses		2,428,298.09	1,349,193.37
5. Income from investments		23,139,456.22	12,569,874.39
– thereof from subsidiaries: € 18,589,841.47 (previous year: € 9,756,974.39)			
6. Other interest and similar income		4,476,051.61	6,875,642.14
thereof from subsidiaries: € 67,392.96 (previous year: € 93,657.44)			
7. Write-downs of investments classified as current assets		0.00	1,000.00
8. Interest and similar expenses		6.08	0.00
9. Result from ordinary activities		**24,814,192.02**	**18,070,416.00**
10. Taxes on income		6,544,279.28	3,720,363.83
11. Other taxes		1,758.72	0.00
12. Net profit for the year		**18,268,154.02**	**14,350,052.17**
13. Retained profits brought forward		0.00	6,624,454.56
14. Withdrawals from capital reserves		12,645,253.68	9,742,995.88
15. Appropriations to revenue reserves		913,407.70	717,502.61
16. Unappropriated surplus		**30,000,000.00**	**30,000,000.00**

I. Basis of presentation

The annual financial statements have been prepared by the Executive Board in accordance with the accounting and reporting provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and in compliance with the Aktiengesetz (AktG – German Public Companies Act). The total cost (type of expenditure) format was applied to the profit and loss account.

Where disclosures may be optionally presented in the notes or on the face of the balance sheet or profit and loss account, they have been presented in the notes.

II. Accounting policies

Intangible and tangible assets are carried at acquisition cost, and reduced by straight-line amortisation or depreciation. The definition of acquisition cost corresponds to that set out in section 255 (1) of the HGB.

Financial assets are carried at cost, adjusted book values or at the lower fair values. There was no requirement for write-downs in the year under review. The list of shareholdings required by section 285 (11) of the HGB is attached as an appendix to the notes.

Receivables and other assets, as well as **liquid assets**, are carried at their principal amount or at cost.

The **provisions** take account of all identifiable risks and uncertain obligations. They are set up in the amount deemed necessary by prudent commercial judgement to cover identifiable risks and uncertain obligations.

Liabilities are carried at their redemption amount.

Investment income relates to distributions by investees from liquidity surpluses generated, to the extent that the investments have not been permanently impaired.

III. Balance sheet disclosures

(1) Changes in fixed assets

EuroShop Verwaltungs GmbH was formed on 5 June 2002 as a 100% subsidiary of Deutsche EuroShop AG with a fully paid-up share capital of €25 thousand. Effective 31 December 2002, Deutsche EuroShop AG's interest in Objekt City-Point Kassel GmbH & Co. KG was contributed at book value (€17,050 thousand) to Deutsche EuroShop Verwaltungs GmbH under the terms of a non-cash contribution.
This addition was offset by the disposal of the equity interest in Objekt City-Point Kassel GmbH & Co. KG amounting to €19,250 thousand. This amount is composed of the aforementioned transfer at the book value of €17,050 thousand, plus the repayment of savings in investment funds of €2,200 thousand that had already reduced the book value.
The other disposals of fixed assets relate exclusively to repayments of savings in investment funds, which resulted in the reduction of the corresponding book values.
Please refer to the attached statement of changes in fixed assets for information on the further classification of, and changes in, fixed assets.

(2) Receivables and other assets

As in the previous year, all receivables and other assets have less than one year to maturity, with the exception of a new loan receivable described below.

Receivables from other investees relate to two loans totalling €16,175 thousand to Einkaufs-Center Arkaden Pecs KG, Hamburg. One loan of €13,675 thousand is due on the official opening date of the Pécs Árkád shopping centre, and in any event by no later than 31 May 2005. The second loan amounting to €2,500 thousand was repaid on 10 January 2003.

Other assets relate principally to deferred interest income (€779 thousand) and claims against the tax authorities for recoverable investment income taxes and the solidarity surcharge (€827 thousand).

(3) Bank balances

There were current account balances of €152 thousand at the balance sheet date, term deposits of €90,384 thousand and sight deposits of €10,361 thousand.

(4) Equity

The **subscribed capital** amounts to €20,000 thousand and is composed of 15,625,000 no-par value registered shares with a notional value of €1.28 each.

In accordance with section 160 (1) sentence 8 of the AktG, we are disclosing that the shareholders listed below hold interests in the voting rights of Deutsche EuroShop AG of five per cent and more, as required by the disclosure obligations under the German Securities Trading Act:

Shareholder	Shareholding notified as at	Reportable equity interest/share of voting rights	thereof held directly by shareholder	thereof indirectly attributable*	Share of voting rights in registered share capital
		%	%	%	€
Deutsche Bank AG, Frankfurt am Main	08.04.2002	47.47	0.00	47.47	9,494,000
– DB Industrial Holdings AG, Eschborn	08.04.2002	44.78	44.78	0.00	8,956,000
Alexander Otto, Hamburg	02.04.2002	13.50	1.00	12.50	2,699,600
– AROSA Vermögensverwaltungs G.m.b.H., Hamburg	02.04.2002	12.50	12.50	0.00	2,500,000
Benjamin Otto, Hamburg	02.04.2002	7.74	0.00	7.74	1,548,000
– Bravo-Alpha Beteiligungs-G.m.b.H., Hamburg	02.04.2002	7.74	3.71	4.03	1,548,000

* including add-ons in accordance with section 22 (1) sentence 2 of the German Securities Trading Act

By reference to section 161 of the AktG, we are notifying you in accordance with the recommendations of the German Corporate Governance Code (section 6.6) that the Supervisory and Executive Board members listed below held the following quantities of the outstanding shares of Deutsche Euro-Shop AG (total 15,625,000) as at 31 December 2002:

1. Supervisory Board	
Thomas Armbrust, Hamburg	35,400 shares
Alexander Otto, Hamburg	2,109,125 shares
Manfred Zaß, Königstein	800 shares
2. Executive Board	
Claus-Matthias Böge, Hamburg	25,700 shares

(5) Capital reserves

€12,645 thousand was withdrawn from the unappropriated reserves of the Company in accordance with section 272 (2) clause 4 of the HGB in 2002 for preparation of the financial statements in accordance with section 270 (1) sentence 1 of the HGB.

(6) Revenue reserves

As in the previous year, this item consists of the legal reserve, to which €913 thousand was appropriated in financial year 2002.

(7) Unappropriated surplus

The unappropriated surplus for financial year 2002 amounts to €30,000 thousand and is composed of the net income for the year amounting to €18,268 thousand, less the appropriation to the legal reserve of €913 thousand, plus the withdrawal from the capital reserves of €12,645 thousand. The Supervisory and Executive Boards will submit a proposal to the Annual General Meeting on 18 June 2003 to utilise the unappropriated surplus in full to distribute a dividend of €1.92 per share. The previous year's unappropriated surplus was distributed in full to the shareholders.

(8) Provisions

The **provisions for taxes** contain only deferred tax liabilities, which were increased to €14,183 thousand by the addition of €6,544 thousand.
The **other provisions** consist of the following items:

€ thousands	
Annual General Meeting	100
Audit of the annual financial statements	110
Annual Report	115
Supervisory Board remuneration	116
Personnel expenses	159
Agency services by DB Real Estate Management GmbH	464
Outstanding supplier invoices	152
	1,216

The provision for agency services by DB Real Estate Management GmbH contains the remuneration relating to the termination of the agency agreement.

(9) Liabilities

As in the previous year, all of the reported liabilities have less than one year to maturity.

The **trade payables** (€11 thousand) result from various minor items.

The **liabilities to other investees** relate to the outstanding contribution to Einkaufs-Center Arkaden Pecs KG amounting to €6,963 thousand, which is expected to be called in 2003.

IV. Profit and loss account disclosures

Other operating income relates principally to income from the reversal of provisions (€91 thousand).

Other operating expenses are composed of the following items:

€ thousands	2002	2001
Agency services by DB Real Estate Management GmbH	1,044	551
Donation "Dresden Flood Victims"	500	0
Annual Report	128	237
Annual General Meeting	100	224
Expert opinion costs	120	0
Audit and consulting costs	143	195
Supervisory Board remuneration	137	0
Administrative expenses	74	56
Miscellaneous expenses	182	86
	2,428	**1,349**

In addition to the ongoing remuneration, the item "Agency services by DB Real Estate Management GmbH" also contains the payments still due in conjunction with the termination of the agency agreement.

Altmarkt-Galerie Dresden KG, an investee of Deutsche EuroShop AG, contributed to a charitable campaign managed by ECE Projektmanagement G.m.b.H. & Co. KG to help the City of Dresden recover from the flood disaster in August 2001. The item "Donation Dresden Flood Victims" contains the share of this donation by Altmarkt-Galerie Dresden attributable to Deutsche EuroShop, which is offset by a corresponding special distribution from investment cost savings.

The reported **income from investments** is composed of the following items:

€ thousands	2002	2001
Subsidiaries		
Rhein-Neckar-Zentrum Wieland KG, Hamburg	9,397	7,454
City-Galerie Wolfsburg, Hamburg	3,031	1,050
Centro Commerciale Tuscia Viterbo s.r.l., Milan/Italy	1,721	785
Centro Commerciale Tuscia Galleria s.r.l., Milan/Italy	20	0
City-Arkaden Wuppertal KG, Hamburg	2,141	468
Immobilien-Kommanditgesellschaft Dr. Anderegg & Co. Einkaufs-Center Hamm, Hamburg	2,280	0
Other investments		
DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg	2,809	2,813
Altmarkt-Galerie Dresden KG, Hamburg	771	0
Objekt City-Point Kassel GmbH & Co. KG, Pöcking	969	0
	23,139	**12,570**

Interest and similar income primarily relates to interest income on term deposits (€3,843 thousand) and call money (€67 thousand), securities (€398 thousand) and loans granted (€121 thousand). It includes income from subsidiaries amounting to €67 thousand (previous year: €93 thousand) and income from other investees amounting to €54 thousand (previous year: €20 thousand).

Taxes on income relate solely to the addition to deferred tax liabilities.

V. Other disclosures

Employees

The Company employed three staff as at 31 December 2002.

Other financial obligations:

€ thousands	
Rental and lease obligations	
Due in 2003	74
Due in 2004-2007	262
Due after 2007	0
	336
Loan commitment	**6,963**
	7,299

Contingent liabilities are composed of guarantees issued in favour of subsidiaries amounting to €13,256 thousand, and other contingent liabilities amounting to €18,034 thousand.

Corporate Governance

The Declaration of Conformity with the German Corporate Governance Code required by section 161 of the AktG has been issued, and has been made available to the shareholders through publication on the Internet (www.deutsche-euroshop.de) in December 2002.

Supervisory Board and Executive Board

Supervisory Board

a) Membership of other statutory supervisory boards
b) Membership of comparable German and foreign supervisory bodies of economic enterprises

Helmut Ullrich, Königstein im Taunus,
Chairman (until 30 June 2002)
Member of the management of DB Real Estate Management GmbH, Eschborn
Member of the management of DB Real Estate Investment GmbH, Eschborn

Manfred Zaß, Königstein im Taunus,
Chairman (since 1 Oct. 2002)
Banker
a) Deutsche Börse AG, Frankfurt am Main (Deputy Chairman)

Hartwig K. Hasenkamp, Bad Homburg v. d. Höhe,
Deputy Chairman (until 18 June 2002)
Member of the Executive Board of HGA Hamburgische Grundbesitz Beteiligungs AG, Hamburg

Dr. Michael Gellen, Eschborn,
Deputy Chairman
(member since 30 Apr. 2002, Deputy Chairman of the Supervisory Board since 18 June 2002)
Member of the management of DB Real Estate Management GmbH, Eschborn
a) Deutsche Wohnen AG, Eschborn (Deputy Chairman)
DB Real Estate Spezial Invest GmbH, Eschborn (Chairman)
Deutschbau Immobilien-Dienstleistungen GmbH, Düsseldorf
DRIHO Beteiligungs Aktiengesellschaft, Eschborn (Chairman)
b) Deutschbau Holding GmbH, Düsseldorf
Deutschbau Wohnungsgesellschaft mbH, Berlin
Deutsche Bank Realty Advisors, Inc., New York
Wohnungsbaugesellschaft JADE mbH, Wilhelmshaven
Deutsche Bank Fondimmobiliari SGR SpA, Milan

Thomas Armbrust, Hamburg
Member of the management of KG CURA Vermögensverwaltung G.m.b.H. & Co., Hamburg
a) C.J. VOGEL AKTIENGESELLSCHAFT für BETEILIGUNGEN, Hamburg (Chairman)
TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich
Verwaltungsgesellschaft Otto mbH, Hamburg
b) ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Deputy Chairman)
Spiegel Holdings, Inc., Chicago/USA

Dr. Tessen von Heydebreck, Frankfurt am Main
(since 18 June 2002)
Member of the Board of Managing Directors of Deutsche Bank AG, Frankfurt am Main
a) BASF AG, Ludwigshafen
BVV Versicherungsverein des Bankgewerbes a.G., Berlin
Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main
DWS Investment GmbH, Frankfurt am Main
Dürr AG, Stuttgart
Gruner & Jahr AG, Hamburg
b) Deutsche Bank Luxembourg S.A., Luxembourg (Chairman)
Deutsche Bank Polska S.A., Warsaw (Chairman)
Deutsche Bank 000, Moscow (Chairman)
Deutsche Bank Rt., Budapest (Chairman)
EFG Eurobank Ergasias S.A., Athens

Dr. Jörn Kreke, Hagen (since 18 June 2002)
Businessman
a) Douglas Holding AG, Hagen (Chairman)
b) Girmes GmbH, Grefrath (Chairman)

Alexander Otto, Hamburg (since 18 June 2002)
CEO of ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg
a) Hamburgische Landesbank – Girozentrale, Hamburg
Verwaltungsgesellschaft Otto mbH, Hamburg

Gerd Seitz, Hamburg (until 18 June 2002)
Member of the management of ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg

Christoph Woermann, Königstein im Taunus (until 18 June 2002)
Management consultant

Executive Board

Claus-Matthias Böge, Hamburg

Dr. Kurt Neuss, Eppstein-Vockenhausen (until 18 June 2002)

Jürgen Wundrack, Offenbach
Supervisory board appointment:
DB Real Estate Spezial Invest GmbH, Eschborn

The **remuneration of the members of the Supervisory Board** amounted to €21 thousand in the year under review, and is broken down as follows:

€ thousands	Variable remuneration
Helmut Ullrich	5
Hartwig K. Hasenkamp	5
Thomas Armbrust	1
Claus-Matthias Böge	2
Gerd Seitz	3
Prof. Dr. Karl-Werner Schulte	3
Christoph Woermann	2
	21

No advances or loans were granted to the members of the Supervisory Board.

The **remuneration of the Executive Board** amounted to €254 thousand, and is broken down as follows:

€ thousands	Fixed salary	Variable remuneration	Other benefits	Total
Claus-Matthias Böge	204	0	9	213
Jürgen Wundrack	5	25	11	41

No advances or loans were granted.
The Company has not entered into any contingencies or commitments in favour of these persons.

Consolidated financial statements
The Company holds a majority of the shares of Rhein-Neckar-Zentrum Wieland KG, Hamburg, City-Arkaden Wuppertal KG, Hamburg, City-Galerie Wolfsburg KG, Hamburg, Centro Commerciale Tuscia Viterbo s.r.l. and Centro Commerciale Tuscia Galleria s.r.l., both Milan/Italy, Immobilien-Kommanditgesellschaft Dr. Anderegg & Co. Einkaufs-Center Hamm, Hamburg and of Deutsche EuroShop Verwaltungs GmbH, Eschborn. It is thus the group parent and prepares consolidated financial statements, which are filed with the commercial register of the Frankfurt am Main Local Court (Reg. No. HRB 44046).

Eschborn, 28 March 2003

Deutsche EuroShop AG
The Executive Board

Claus-Matthias Böge   Jürgen Wundrack

List of Shareholdings
List of shareholdings in accordance with section 285 (11) of the HGB as at 31 December 2002:

Name and domicile of company	Aggregate share of equity	thereof indirect	Total nominal equity	Total result 2002
	%	%	€	€
Deutsche EuroShop Verwaltungs GmbH, Eschborn	100.00	-	50,000.00	-1,753.96
Centro Commerciale Tuscia Viterbo s.r.l., Milan/Italy	99.86	1.86	10,000.00	182,707.00
Centro Commerciale Tuscia Galleria s.r.l., Milan/Italy	99.86	1.86	10,000.00	61,371.00
Rhein-Neckar-Zentrum Wieland KG, Hamburg	92.82	-	235,000,000.00	603,062.51
SCI Val Commerces, Paris/France	92.76	92.76	5,000.00	925,183.32
Centro Commerciale Friuli Johann Wieland & Co. S.a.s., Milan/Italy	92.82	92.82	5,600,000.00	351,080.80
City-Galerie Wolfsburg KG, Hamburg	89.00	-	50,000,000.00	-117,300.68
Immobilien-Kommanditgesellschaft Dr. Anderegg & Co. Einkaufs-Center Hamm, Hamburg	86.79	-	21,630,000.00	717,403.99
City-Arkaden Wuppertal KG, Hamburg	72.00	-	50,000,000.00	-621,882.87
Altmarkt-Galerie Dresden KG, Hamburg	50.00	-	83,000,000.00	-13,469,671.09
Einkaufs-Center Arkaden Pecs KG, Hamburg*	50.00	-	41,300,000.00	-350.50
DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg	40.77	-	150,000,000.00	10,920,468.44
City-Point Beteiligungs GmbH, Pöcking*	40.00	-	25,564.60	7,507.61
Objekt City-Point Kassel GmbH & Co. KG, Pöcking	40.00	40.00	42,400,000.00	-1,864,299.91
Main-Taunus-Zentrum Wieland KG, Hamburg	37.35	37.35	12,475,521.90	8,001,250.49

* 2001 result

Consolidated Financial Statements

Deutsche EuroShop AG

Deutsche EuroShop AG

Consolidated Balance Sheet as at 31 December 2002

Assets in €	31.12.2002	31.12.2001
A. Business start-up and expansion expenses	**4,335.18**	**5,892.68**
B. Fixed assets		
I. Intangible assets		
Concessions, industrial and similar rights	414,367.58	460,163.10
II. Tangible assets		
1. Land, land rights and buildings	670,675,804.07	573,121,516.10
2. Other equipment, operating and office equipment	167,638.83	135,591.76
3. Payments on account and assets under construction	8,178.28	741,028.81
III. Financial assets		
Other investments	143,405,303.40	129,642,350.00
	814,671,292.16	**704,100,649.77**
C. Current assets		
I. Receivables and other assets		
1. Trade receivables	2,417,571.61	2,520,614.40
2. Receivables from other investees	16,175,000.00	2,812,900.00
3. Other assets	13,128,638.00	21,679,862.59
II. Securities		
Other securities	0.00	5,589,799.46
III. Cash and bank balances	153,860,432.17	196,099,784.34
	185,581,641.78	**228,702,960.79**
D. Prepaid expenses	**1,143.56**	**9,366.91**
Total assets	**1,000,258,412.68**	**932,818,870.15**

Equity and liabilities in €	31.12.2002	31.12.2001
A. Equity		
I. Subscribed capital	20,000,000.00	20,000,000.00
II. Capital reserves	528,511,669.76	570,257,004.12
III. Revenue reserves	1,979,565.81	1,066,158.11
IV. Consolidated unappropriated surplus	8,852,904.52	638,994.88
V. Minority interests	-2,527,245.87	5,092,041.85
	556,816,894.22	**597,054,198.96**
B. Provisions		
1. Provisions for taxes	15,018,071.47	8,021,962.75
2. Other provisions	7,614,784.62	17,497,373.62
	22,632,856.09	**25,519,336.37**
C. Liabilities		
1. Liabilities to banks	409,434,121.86	297,864,965.37
2. Trade payables	900,728.12	2,787,954.82
3. Liabilities to		
other investees	6,962,500.00	5,670,723.65
4. Other liabilities	2,746,191.39	2,918,894.24
	420,043,541.37	**309,242.538.08**
D. Deferred income	**765,121.00**	**1,002,796.74**
Total equity and liabilities	**1,000,258,412.68**	**932,818,870.15**

Deutsche EuroShop AG

Statement of Changes in Fixed Assets as at 31 December 2002

€		Balance at 01.01.2002	Additions	Disposals
A.	**Business start-up and**			
	expansion expenses	7,450.18	0.00	0.00
		7,450.18	**0.00**	**0.00**
B.	**Fixed assets**			
	I. Intangible assets			
	Concessions, industrial and similar rights	511,292.33	7,585.52	0.00
		511,292.33	**7,585.52**	**0.00**
	II. Tangible assets			
	1. Land, land rights and buildings	584,914,254.17	120,436,169.96	2,398,196.20
	2. Other equipment, operating and office equipment	144,832.45	66,407.61	11,401.81
	3. Payments on account and assets under construction	741,028.81	1,500.00	0.00
		585,800,115.43	**120,504,077.57**	**2,409,598.01**
	III. Financial assets			
	Other investments	129,642,350.00	18,962,953.40	5,200,000.00
Total		**715,961,207.94**	**139,474,616.49**	**7,609,598.01**

Reclassifications	Balance at 31.12.2002	Cumulative depreciation and amortisation	Book value at 31.12.2002	Book value at 31.12.2001	Depreciation and amortisation in the financial year
0.00	7,450.18	3,115.00	4,335.18	5,892.68	1,557.50
0.00	**7,450.18**	**3,115.00**	**4,335.18**	**5,892.68**	**1,557.50**
0.00	518,877.85	104,510.27	414,367.58	460,163.10	53,381.04
0.00	**518,877.85**	**104,510.27**	**414,367.58**	**460,163.10**	**53,381.04**
698,634.16	703,650,862.09	32,975,058.02	670,675,804.07	573,121,516.10	21,509,990.75
35,716.37	235,554.62	67,915.79	167,638.83	135,591.76	37,581.49
-734,350.53	8,178.28	0.00	8,178.28	741,028.81	0.00
0.00	**703,894,594.99**	**33,042,973.81**	**670,851,621.18**	**573,998,136.67**	**21,547,572.24**
0.00	143,405,303.40	0.00	143,405,303.40	129,642,350.00	0.00
0.00	**847,826,226.42**	**33,150,599.08**	**814,675,627.34**	**704,106,542.45**	**21,602,510.78**

Consolidated Profit and Loss Account

for the period 1 January to 31 December 2002

€		31.12.2002	31.12.2001
1. Sales		46,491,400.12	22,724,107.77
2. Other operating income		273,229.83	145,843.55
3. Personnel expenses			
a) Wages and salaries	472,954.22		17,978.16
b) Social security and other			
pension costs	18,113.11	491,067.33	1,229.00
– thereof for pensions: €0.00 (previous year: €488.30)			
4. Amortisation of intangible assets and depreciation			
of tangible assets, as well as amortisation of capitalised			
business start-up and expansion expenses		21,602,510.78	11,851,815.04
5. Other operating expenses		12,902,465.79	16,473,654.70
6. Income from investments		4,549,614.75	2,812,900.00
7. Other interest and similar income		7,199,431.29	13,684,823.36
8. Write-downs of investments classified as current assets		0.00	1,000.00
9. Interest and similar expenses		18,626,808.33	23,333,508.42
10. Result from ordinary activities		**4,890,823.76**	**–12,311,510.64**
11. Taxes on income		6,997,140.28	4,144,000.59
12. Other taxes		895,680.12	322,337.12
13. Net loss for the year		**3,001,996.64**	**16,777,848.35**
14. Retained profits brought forward		0.00	6,624,454.56
15. Withdrawals from capital reserves		12,645,253.68	9,742,995.88
16. Appropriations to revenue reserves		913,407.70	717,502.61
17. Minority interest in net loss		-123,055.18	1,766,895.40
18. Consolidated unappropriated surplus		**8,852,904.52**	**638,994.88**

Cash Flow Statement

for the period 1 January 2002 to 31 December 2002

€ thousands	2002	2001
1. Net loss	-3,002	-16,778
2. Depreciation and amortisation of fixed assets	21,603	11,852
3. Increase (+) / decrease (-) in provisions	-2,886	10,767
4. DVFA/SG cash earnings	**15,715**	**5,841**
5. Other non-cash income and expenses	0	1,536
6. Gains on disposal of items of fixed assets	-6	0
7. Increase (-) / decrease (+) in trade receivables and other assets not attributable to investing or financing activities	8,662	59,566
8. Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	-2,298	-1,007
9. Cash flows from operating activities	**22,073**	**65,936**
10. Proceeds from disposals of items of tangible assets	2,109	13
11. Payments to acquire tangible assets	-120,504	-126,461
12. Proceeds from disposal of items of intangible assets	0	0
13. Payments to acquire intangible assets	-8	-517
14. Proceeds from disposal of items of financial assets	5,200	0
15. Payments to acquire financial assets	-17,671	-1,852
16. Receipts from cash investments for short-term financial planning	2,813	0
17. Payments for cash investments for short-term financial planning	-16,175	0
18. Cash flows from investing activities	**-144,236**	**-128,817**
19. Payments to owners (dividends)	-33,963	0
20. Proceeds from borrowings	112,765	95,292
21. Repayments of borrowings	-1,196	-90,226
22. Cash flows from financing activities	**77,606**	**5,066**
23. Net change in cash and cash equivalents	-44,557	-57,815
24. Changes in cash and cash equivalents from remeasurement	0	0
25. Cash and cash equivalents at beginning of period	201,690	259,505
26. Changes in cash and cash equivalents from changes in Group structure	-3,273	0
27. Cash and cash equivalents at end of period	**153,860**	**201,690**

Notes to the Consolidated Financial Statements for Financial Year 2002

I. Basis of presentation

As in the previous year, the consolidated financial statements for financial year 2002 were prepared in accordance with the provisions of sections 290 ff. of the HGB (German Commercial Code).

To enhance the clarity of presentation, supplementary notes required by the statutory provisions to be presented for items of the consolidated balance sheet and the consolidated profit and loss account, as well as those supplementary notes that may be optionally presented in the consolidated balance sheet and the consolidated profit and loss account, or in the notes to the consolidated financial statements, have been presented in the notes to the consolidated financial statements.

II. Basis of consolidation

In addition to Deutsche EuroShop AG, the consolidated financial statements include five (previous year: three) German and four (previous year: four) foreign companies in which Deutsche EuroShop AG directly or indirectly holds a majority of voting rights.

Name and domicile of company	Total nominal equity	Aggregate share of nominal equity	thereof indirect	thereof direct
	€	%	%	%
Deutsche EuroShop Verwaltungs GmbH, Eschborn	50,000.00	100.00	–	100.00
Centro Commerciale Tuscia Galleria s.r.l., Milan/Italy	10,000.00	99.86	1.86	98.00
Centro Commerciale Tuscia Viterbo s.r.l., Milan/Italy	10,000.00	99.86	1.86	98.00
Rhein-Neckar-Zentrum Wieland KG, Hamburg	235,000,000.00	92.82	–	92.82
SCI Val Commerces, Paris/France	5,000.00	92.76	92.76	–
Centro Commerciale Friuli Johann Wieland & Co. S.a.s., Milan/Italy	5,600,000.00	92.82	92.82	–
City-Galerie Wolfsburg KG, Hamburg	50,000,000.00	89.00	–	89.00
Immobilien-Kommanditgesellschaft Dr. Anderegg & Co. Einkaufs-Center Hamm, Hamburg	21,630,000.00	86.79	–	86.79
City-Arkaden Wuppertal KG, Hamburg	50,000,000.00	72.00	–	72.00

The other investments, in which Deutsche EuroShop AG holds more than 20 per cent of the nominal capital, were carried at cost, as the provisions relating to the carrying amounts of, and recognition as, associates under section 311 ff. of the HGB were not applicable.

Name and domicile of company	Nominal equity Total	Aggregate share of nominal equity	thereof indirect	thereof direct
	€	%	%	%
Altmarkt-Galerie Dresden KG, Hamburg	83,000,000.00	50.00	–	50.00
Einkauf-Center Arkaden Pecs KG, Hamburg	41,300,000.00	50.00	–	50.00
DB Immobilienfonds 12 Main-Taunus-Zentrum				
Wieland KG, Hamburg	150,000,000.00	40.77	–	40.77
City-Point Beteiligungs GmbH, Pöcking	25,564.60	40.00	–	40.00
Objekt City-Point Kassel GmbH & Co. KG, Pöcking	42,400,000.00	40.00	40.00	–
Main-Taunus-Zentrum Wieland KG, Hamburg	12,475,521.90	37.35	37.35	–

III. Consolidation methods, reporting date

Capital consolidation of the companies included in the consolidated financial statements uses the German purchase method of accounting (section 301 (1) sentence 2 clause 1 of the HGB), under which the cost of the subsidiaries is eliminated against the equity attributable to the parent at the date of acquisition or of first-time consolidation. In accordance with section 301 (1) sentence 3 of the HGB, differences are added to the Group's interest in the individual assets of the subsidiaries where their value is higher than the previous carrying amount.

The date of first-time consolidation was 31 December 2000.

Immobilien-Kommanditgesellschaft Dr. Anderegg & Co. Einkaufs-Center Hamm, Hamburg, and Deutsche EuroShop Verwaltungs GmbH, Eschborn, were first-time consolidated as at the balance sheet date 31 December 2002. The first-time consolidation of Immobilien-Kommanditgesellschaft Dr. Anderegg & Co. Einkaufs-Center Hamm, Hamburg, as at 1 January 2002 resulted in goodwill amounting to €59,968 thousand. Hidden reserves in this amount were realised in the purchased land with developed shopping centre.
The date of first-time consolidation of Deutsche EuroShop Verwaltungs GmbH, Eschborn was 5 June 2002.

The **minority interests** in equity amounted to – €2,527 thousand, based on the book values of the investees.

In accordance with section 303 (1) of the HGB and section 305 (1) 1 of the HGB, intercompany loans and other receivables, liabilities, sales, income and expenses were eliminated.

The annual financial statements of the consolidated companies were prepared as at 31 December 2002, the reporting date of the consolidated financial statements.

IV. Accounting policies

The assets and liabilities of the companies included in the consolidated financial statements are generally recognised using the accounting policies allowed under German commercial law. Financial statements corresponding to the provisions of German commercial law were prepared for the foreign investees. Any adjustments necessary to ensure the application of uniform accounting policies were applied at Group level.

There was no change in the accounting policies compared with the previous year.

The total cost (type of expenditure) format was applied to the profit and loss account.

The formation expenses of, and the cost of the capital increase at, Centro Commerciale Friuli Johann Wieland & Co. S.a.s., Milan/Italy, the Italian subsidiary of Rhein-Neckar-Zentrum Wieland KG, Hamburg, were recognised as **business start-up and expansion expenses** in the amount of €8 thousand and are reduced by straight-line amortisation over five years.

Intangible and **tangible assets** are carried at acquisition or production cost, and reduced by straight-line amortisation or depreciation.

The consolidated acquisition cost of land, land rights and buildings also includes the hidden reserves realised at the time of first-time consolidation. Depreciation is charged in the amount allowed by law, generally over a period of 33 years.

Financial assets are carried at cost or at the lower fair value.

Receivables and **other assets**, as well as cash and cash equivalents, are carried at their principal amounts or at cost.

Provisions for taxes primarily include deferred tax liabilities under section 274 of the HGB from the single-entity financial statements of Deutsche EuroShop AG.

The **other provisions** take account of all identifiable risks and uncertain obligations. They are set up in the amount deemed necessary by prudent commercial judgement to cover identifiable risks and uncertain obligations.

Liabilities are carried at their redemption amount.

V. Consolidated financial statement disclosures

Consolidated balance sheet

(1) Changes in fixed assets

The classification of, and changes in, fixed assets are presented in the statement of changes in fixed assets.

(2) Intangible assets

These consist primarily of Italian rental licences of Centro Commerciale Tuscia Galleria s.r.l..

(3) Receivables and other assets

All receivables and other assets have less than one year to maturity with the exception of a loan receivable described below and recoverable value added tax at Centro Commerciale Friuli Johann Wieland & Co. S.a.s. in the amount of €9,808 thousand (previous year: €10,862 thousand).

Trade receivables principally relate to rent receivables. Allowances for doubtful accounts were recognised where necessary.

Receivables from other investees relate to two loans totalling €16,175 thousand to Einkaufs-Center Arkaden Pecs KG, Hamburg. One loan of €13,675 thousand is due on the official opening date of the Pécs Árkád shopping centre, and in any event by no later than 31 May 2005. The second loan amounting to €2,500 thousand was repaid on 10 January 2003.

In addition to recoverable taxes amounting to €11,045 thousand, **other assets** consist of deferred interest (€869 thousand), a receivable from Deutsche Bank AG (€654 thousand), receivables from tenants (€231 thousand) and miscellaneous items (€328 thousand).

(4) Bank balances

Bank balances relate primarily to term deposits.

(5) Prepaid expenses

The amounts reported under prepaid expenses relate to expenses prepaid for the following year.

(6) Equity

The registered **share capital** of Deutsche EuroShop AG amounts to €20,000 thousand and is composed of 15,625,000 no-par value registered shares.

An amount of €12,645 thousand was withdrawn from the **capital reserves** as at 31 December 2002.

The **revenue reserves** consist solely of the legal reserve.

The **consolidated unappropriated surplus** for financial year 2002 amounts to €8,853 thousand, and is composed of the consolidated net loss of €3,002 thousand, less the appropriation to the legal reserve of €913 thousand, plus minority interests amounting to €123 thousand and the withdrawal of €12,645 thousand from the capital reserves.

(7) Provisions

The **provisions for taxes** include €685 thousand for real property taxes and €150 thousand for French corporation tax. They also include income tax liabilities expected for future periods from the recognition of appropriate deferred tax liabilities (corporation tax of €13,444 thousand, solidarity surcharge of €739 thousand).

The **other provisions** relate in particular to unbilled construction costs of €3,737 thousand, unbilled maintenance expenses of €1,108 thousand, interest expenses amounting to €693 thousand, outstanding supplier invoices of €521 thousand and agency services by DB Real Estate Management GmbH amounting to €464 thousand.

(8) Liabilities

The maturity structure of liabilities and their allocation to other items are presented below:

As at 31 December 2002, liabilities to banks secured by land charges amounted to €387,374 thousand (previous year: €292,272 thousand).

The **liabilities to banks** relate primarily to long-term loans.

(9) Deferred income

This item principally relates to rental payments received for the following year.

€ thousands	thereof with a remaining maturity of: less than 1 year	1 to 5 years	over 5 years	Total at 31.12.2002
1. Liabilities to banks	4,088	36,240	369,106	409,434
	(2,533)	(2,769)	(292,562)	(297,864)
2. Trade payables	901	0	0	901
	(2,788)	(0)	(0)	(2,788)
3. Liabilities to other investees	6,963	0	0	6,963
	(5,671)	(0)	(0)	(5,671)
4. Other liabilities	2,501	0	245	2,746
	(2,822)	(0)	(97)	(2,919)
thereof taxes	490	0	0	490
	(604)	(0)	(0)	(604)
	14,453	**36,240**	**369,351**	**420,044**
(prior period amounts)	(13,814)	(2,769)	(292,659)	(309,242)

Other financial obligations (€ thousands)

Rental and lease obligations	
Due in 2003	74
Due in 2004-2007	262
Due after 2007	0
	336
Loan commitment	6,963
	7,299

In the previous year, construction costs still to be incurred for projects in progress or completed but not billed as at 31 December 2001 amounting to €26,825 thousand were disclosed here.

There are other **contingent liabilities** in the amount of €18,034 thousand (previous year: €21,591 thousand).

Consolidated profit and loss account

Sales relate to rental income from shops and offices in the shopping centres amounting to €45,629 thousand, plus other income of €862 thousand.

All amounts of the **amortisation** of intangible assets and depreciation of tangible assets, as well as the amortisation of capitalised business start-up and expansion expenses, relate to systematic depreciation and amortisation and are classified in the statement of changes in fixed assets.

The **other operating expenses** are composed of the following items:

€ thousands	2002	2001
Property operating costs	4,726	4,214
Agency agreements / centre management	2,309	1,392
Infrastructure expenses	0	1,994
Agency agreement DB Real Estate Management GmbH	1,765	1,865
Project control DB Real Estate Management GmbH	0	1,790
Letting expenses	1,336	1,965
Demolition expenses	4	875
Donations	506	0
Write-downs of rent receivables	501	67
Miscellaneous	1,755	2,312
	12,902	**16,474**

The reported **income from investments** contains the distributions in the year under review by DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg, Altmarkt-Galerie Dresden KG, Hamburg and Objekt City-Point Kassel GmbH & Co. KG, Pöcking.

Other interest and similar income primarily relates to interest income from term deposits (€6,317 thousand) and from securities (€398 thousand).

The reported **interest and similar expenses** relate almost exclusively to interest on long-term loans amounting to €18,522 thousand.

The **taxes on income** contain the addition to deferred tax liabilities at Deutsche EuroShop AG amounting to €6,544 thousand, as well as French income taxes of €339 thousand and Italian income taxes of €114 thousand.

Cash flow statement

The cash flow statement starts with the net loss for the period gross of minority interests.

The cash and cash equivalents at the end of the period comprise bank balances.

The 2002 cash flow statement is mainly influenced by the progress or completion of construction projects at the shopping centres, as well as by the acquisition of one German and one foreign shopping centre.

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, so no separate segment reporting is therefore presented. Sales are generated exclusively from income from rental and leases. This is broken down as follows:

Sales € thousands	Germany	Foreign	thereof EU	Total
	36,532	9,959	9,959	46,491
(prior period amounts)	(13,720)	(9,004)	(9,004)	(22,724)

Other disclosures

The Group employed three **staff** as at 31 December 2002.

The **remuneration of the members of the Supervisory Board** amounted to €21 thousand in the year under review, and is broken down as follows:

€ thousands	Variable remuneration
Helmut Ullrich	5
Hartwig K. Hasenkamp	5
Thomas Armbrust	1
Claus-Matthias Böge	2
Gerd Seitz	3
Prof. Dr. Karl-Werner Schulte	3
Christoph Woermann	2
	21

No advances or loans were granted to the members of the Supervisory Board.

The **remuneration of the Executive Board** amounted to €254 thousand, and is broken down as follows:

€ thousands	Fixed salary	Variable remuneration	Other benefits	Total
Claus-Matthias Böge	204	0	9	213
Jürgen Wundrack	5	25	11	41

No advances or loans were granted.
The Company has not entered into any contingencies or commitments in favour of these persons.

In addition, the Declaration of Conformity with the **German Corporate Governance Code** required by section 161 of the AktG (German Public Companies Act) has been issued, and has been made available to the shareholders through publication on the Internet (www.deutsche-euroshop.de) in December 2002.

Eschborn, 28 March 2003

Deutsche EuroShop AG
The Executive Board

Claus-Matthias Böge   Jürgen Wundrack

As the parent company, Deutsche EuroShop AG, Eschborn, has exercised its option under section 315 of the HGB to combine the management report and the group management report, and to combine publication of the annual financial statements and the consolidated financial statements. We have issued the following unqualified audit opinion on the annual financial statements and the consolidated financial statements, on whose audit we have issued a separate report, as well as on the combined management report:

We have audited the annual financial statements, together with the accounting, of Deutsche EuroShop AG, Eschborn, as well as the consolidated financial statements and its report on the position of the Company and the Group prepared by the Company for the financial year from 1 January to 31 December 2002. The preparation of these documents in accordance with German commercial law is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements, together with the accounting, as well as on the consolidated financial statements and the report on the position of the Company and the Group, based on our audit.

We conducted our audit of the annual and consolidated financial statements in accordance with section 317 of the HGB (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual and consolidated financial statements in accordance with German principles of proper accounting and in the report on the position of the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the accounting, the annual and consolidated financial statements and the report on the position of the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the annual and the consolidated financial statements and the report on the position of the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual and the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Company and the Group, respectively, in accordance with German principles of proper accounting. On the whole the report on the position of the Company and the Group provides a suitable understanding of the Company's and the Group's position and suitably presents the risks of future development.

Frankfurt am Main, 31 March 2003

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Dr. Lemnitzer) (Kögler)
Wirtschaftsprüfer Wirtschaftsprüfer

Supervisory Board Report

The Supervisory Board comprehensively discussed the business and strategic development of Deutsche EuroShop AG, as well as current events and fundamental issues, at five regular meetings in the past year. The main focus of the reporting by the Executive Board was in particular the position of the Company, strategic goals and projects, the development of current business and risk management. Decisions were taken at the meetings of the Supervisory Board on the transactions and measures required to be submitted for review and assent by the Articles of Association or the rules of procedure of the Supervisory Board and/or the Executive Board. In addition, specific topical issues were discussed at regular meetings between the Executive Board and the Executive Committee of the Supervisory Board. The Executive Committee of the Supervisory Board and the Audit Committee each met once during the period under review.

The meeting of the Supervisory Board on 27 February 2002 discussed the planning for financial year 2002. Another item discussed at this meeting was the acquisition of a majority interest in Immobilien-Kommanditgesellschaft Dr. Anderegg & Co. Einkaufscenter Hamm. The Supervisory Board approved this acquisition. At its meeting on 27 November 2002, the Supervisory Board approved the acquisition of a limited partner's share of 50% in Einkaufs-Center Arkaden Pecz KG. The meeting on 27 November 2002 also discussed the annual planning for 2003. The Supervisory Board members affected abstained in the case of any decisions that could have led to conflicts of interest.

The Company's accounting and annual financial statements, the consolidated financial statements and the report on the position of the Company and the Group as at 31 December 2002 were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and issued with an unqualified audit opinion. Representatives of the auditors attended the Supervisory Board's meeting to approve the financial statements and the meeting of the Audit Committee and provided explanations. The auditors' reports were provided to the Supervisory Board. The Supervisory Board concurs with the findings of this audit.

The Supervisory Board approved the annual financial statements of the Company as at 31 December 2002, the management report and the proposal on the appropriation of net profit prepared by the Executive Board. The annual financial statements have thus been adopted. In addition, the Supervisory Board reviewed and approved the consolidated financial statements as at 31 December 2002 and the Group management report.
Hartwig Hasenkamp, Gerd Seitz and Christoph Woermann left the Supervisory Board at the end of the Annual General Meeting on 18 June 2002. Dr. Tessen von Heydebreck, Dr. Jörn Kreke and Alexander Otto were elected to the Supervisory Board. Dr. Michael Gellen was appointed to the Supervisory Board on 30 April 2002 in accordance with Article 6 (4) of the Articles of Association.
Helmut Ullrich resigned from the Supervisory Board of Deutsche EuroShop AG effective 30 June 2002. On application by the Executive Board, the Frankfurt am Main Local Court appointed Manfred Zaß as a member of the Company's Supervisory Board effective 1 October 2002. The Supervisory Board wishes to thank the retiring members for their work and commitment to the Company, and also expresses its gratitude and appreciation to the Executive Board and the employees for their commitment and performance in financial year 2002.

Eschborn, 9 April 2003

Manfred Zaß
Chairman

Financial calendar

18 June 2003	Annual General Meeting of Deutsche EuroShop AG in Frankfurt am Main
29 August 2003	Publication of report on the first six months

Deutsche EuroShop AG

Glossary

Ad hoc disclosures
The German Securities Trading Act requires issuers to publish ad hoc disclosures, i.e. the immediate publication of significant news relating to the company that could materially affect its share price. This aims to prevent price-sensitive information being known only to insiders, who then exploit their information edge to their own advantage. The information must first be notified to the Federal Supervisory Office for Securities Trading and to the exchange boards of management, who then decide whether to suspend trading in the share.

Annual financial statements
Under German (HGB) accounting principles, the annual financial statements consist of a company's balance sheet and profit and loss account. The annual financial statements of a public company are prepared by its executive board, audited by a certified public accountant (in Germany: Wirtschaftsprüfer) and reviewed by the supervisory board.

Annual General Meeting
The shareholders of a public company meet at least once a year for their Annual General Meeting (AGM). It elects the shareholder representatives to the supervisory board and appoints the auditors, adopts resolutions on the utilisation of reported net profit, on capital increases and decreases, on amendments to the articles of association and on other core issues; only the AGM can formally approve the actions of the supervisory and executive boards.

BAFin
The recently established "Bundesanstalt für Finanzdienstleistungsaufsicht", or "BAFin" (German Federal Financial Supervisory Authority) is responsible in particular for preventing inside trading (formerly the responsibility of the Federal Supervisory Office for Securities Trading).

Designated sponsor
A designated sponsor advises issuers (formerly on the Neuer Markt or SMAX, now Prime Standard) before, during and after an IPO. Because of its obligation to provide bid and ask prices on request, it also ensures additional liquidity for a share. Research reports and information about the company it supports close the information gap between issuer and investor.

Dividend
All shareholders are entitled to a portion of the net profit distributed by their company, termed a dividend, depending on the level of their shareholding.

EBIT
Earnings before Interest and Taxes.

EBITDA
Earnings before Interest, Taxes, Depreciation and Amortisation.

EPRA
The European Public Real Estate Association: http://www.epra.com/EPRA is an organisation headquartered in Amsterdam that represents the interests of the major European property companies and supports the development and market presence of European public property companies. In addition, EPRA organises various events and seminars about the responsibilities of this sector, both for its members and for relevant national government bodies and regulators. The organisation has 130 members worldwide and develops, together with all the companies, "Standards of Best Practice" for general company reports, tax and business transparency and for the application of Corporate Governance principles. The most prominent international index, the EPRA Index, tracks the performance of the largest European and North American listed property companies.

Equity
The liable capital of a public company that is provided by the shareholders by subscribing for shares as part of an issue or by waiving profit distributions. In addition to the share capital, it also includes the capital reserves created from the share premium received from issues, as well as the revenue reserves (retained earnings) created by not distributing profits.

Free cash flow
The surplus cash generated from operating activities. An expression of a company's internal financing strength that is available to it for investments, the repayment of debt, dividend payments and for cash funding requirements.

Issue
The issuance of securities by public offering, normally through a group of banks (underwriting syndicate).

Market capitalisation
The current quoted price for a share multiplied by the number of shares listed on the stock exchange. The market capitalisation is calculated for both individual companies or sectors, or for entire stock markets, and enables comparisons between them.

Share capital
The capital stipulated in the articles of association of a public company. The articles also determine the number of shares into which the share capital is divided. The company issues shares in the amount of its share capital.

Share register
German public companies that issue registered shares must maintain a share register. This lists each shareholder together with their name, date of birth and (e-mail) address, allowing the current shareholder structure and any changes to be identified. Shareholders have the right to be informed about the details of their own entry in the share register.

XETRA electronic trading system
A computerised stock exchange trading system that enables share trading off the floor of the exchange and outside floor trading hours. The trading hours are currently 9:00 am to 8.00 pm.