The Art of Shopping

Interim Report Q1 – 3 2005

Key Figures

Key Group Figures

€ million	1 Jan.– 30 Sept. 2005	1 Jan.– 30 Sept. 2004	Change
Revenue	53,3	45,3	18%
EBIT	42,9	39,7	8%
Net finance costs	-20,8	-17,7	-18%
EBT	22,1	22,0	0%
Consolidated net profit for the period	13,7	14,9	-9%
EPS (€)	0,87	0,96	-9%
	30 Sept. 2005	**31 Dec. 2004**	**Change**
Equity	669,6	684,4	-2%
Liabilities	639,6	612,6	4%
Total assets	1,371,3	1,370,2	0%
Equity ratio (%)	48,8	49,9	
Gearing in %	105	100	
Cash and cash equivalents	129,1	150,3	-14%

DES Shares – Key Figures

Sector/industry group	Financial Services/Real Estate
Share capital	€20 million
Number of shares (no-par value registered shares)	15,625,000
Proposed dividend 2004 (tax-free)	€1.92
Share price on 31 December 2004	€38.51
Share price on 30 September 2005	€46.20
High/low in the period under review	€50.50 /€38.23
Market capitalisation on 30 June 2005	€722 million
Prime Standard	Frankfurt and Xetra
OTC trading	Berlin-Bremen, Dusseldorf, Hamburg, Munich and Stuttgart
Indices	MDAX, EPRA, GPR 250, EPIX 30, HASPAX
ISIN	DE 000748 020 4
Ticker symbol	DEQ, Reuters: DEQGn.DE

Contents

+++News Ticker+++

Website relaunch: Deutsche EuroShop's website was relaunched in early November 2005. We paid particular attention to barrier-free access in the design and programming.

Visit our new website at
www.deutsche-euroshop.de

Letter from the Executive Board

Dear Shareholders,
Ladies and Gentlemen,

The third quarter confirmed the trend of the first six months: Our shopping center portfolio is well positioned and is fully meeting expectations. The newly opened centers in Hamburg and Wetzlar got off to an encouraging start. In the City-Arkaden Klagenfurt, all space was leased long-term to prominent national and international retailers a full six months prior to the planned opening in March 2006. We are therefore upbeat about future prospects.

Overall, we increased revenue by 18% year-on-year to €53.3 million. EBIT rose by 8% to €42.9 million. Consolidated profit for the period, at €13.7 million, was down 9% on the previous year's result. The main reason for this decline was the extraordinary gain realised in 2004 from the sale of the Italian center in Udine. Adjusted for currency translation effects from our Hungarian investee and the sale in Italy mentioned above, earnings rose by 41% as against the prior-year period.

This positive result has prompted us to raise and clarify our forecasts for the full year. We expect revenue of €71-72 million and currency-adjusted earnings before taxes (EBT) of €30-32 million for 2005.

We were unable to make any announcements regarding new acquisitions in the H1 Interim Report. However, we can now report the successful completion of investments, albeit shortly after the reporting period: Effective as at January 2006, we will be increasing our interest in the Main-Taunus-Zentrum to 43.1%, and in the Rhein-Neckar-Zentrum and in the French center Shopping Etrembières to 99.8%.

Claus-Matthias Böge
Olaf G. Borkers (r.)

The Rathaus-Center in Dessau will be the 15th shopping center in our portfolio. Also as at 1 January 2006, we will be acquiring an interest of 94.9% in this property. The initial return is over 7%. The center offers around 80 specialist shops on a leasable space of around 25,000 m² on two levels, as well as 5,000 m² of office space. All shop space in the Rathaus-Center is leased long-term to well-known retail firms; the total economic occupancy rate is 98%.

We intend to increase the dividend, which is still tax-free, for financial year 2005 to €2.00 per share, enabling you to share in Deutsche EuroShop's business success. We intend to continue with our proven strategy and would like to take this opportunity to thank you for your confidence in us.

Hamburg, November 2005

Claus-Matthias Böge — Olaf G. Borkers

Business Developments

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

Revenue

Revenue up 18%
Revenue rose by 18% from €45.3 million to €53.3 million in the first nine months of financial year 2005. Adjusted for the revenue contributions from the newly opened centers and the Italian shopping center sold in July 2004, revenue increased by 2%.

Results of operations

Other operating income down
Other operating income fell by €6.4 million compared with the prior-year period, as the 2004 figure contained a disposal gain of €4.8 million from the sale of our Italian property in Udine in July 2004. Moreover, €2.1 million in foreign currency gains was reported in the previous year, which turned into foreign currency losses due to the volatility of the Hungarian forint in the current financial year, as we explained in the H1 Interim Report. On the other hand, we generated additional gains of €0.5 million from the investment of cash and cash equivalents in near-money market funds, which are reflected in other operating income this year.

Expenses down 12%
Other operating expenses dropped by €1.6 million to €11.1 million. This is attributable in particular to a clear decline in investment-related one-time costs due to the lower number of properties under construction.

EBIT up 8%
Earnings before interest and taxes (EBIT) rose by €3.2 million, from €39.7 million to €42.9 million (+8%). Adjusted for currency effects and the disposal gain mentioned above, earnings were up €10.6 million (+32%).

Increased interest expense impacts net finance costs
Net interest expense increased by €5.0 million compared with the first nine months of the previous year to €23.6 million. This was primarily due to interest expenses for our newly opened properties. In contrast, income from investments improved to €3.6 million as a result of additional investment income from our property Galeria Dominikanska in Wroclaw.

Adjusted consolidated profit for the period: +41%
Unadjusted profit from ordinary activities (EBT) remained virtually unchanged year-on-year at €22.1 million (+€0.1 million). Adjusted for the one-time factors mentioned above from currency translation and the sale of the shopping center in Italy, this results in an increase in EBT of 50%. After deducting for taxes and minority interest in earnings, consolidated profit for the period, at €13.7 million, was €1.3 million or 9% lower than the prior-year period. However, adjusted for the one-time factors, earnings rose by 41%.

Net assets and financial position

Cash and cash equivalents of €129.1 million
In the period under review, the total assets of the Deutsche EuroShop Group increased by €1.1 million to €1,371.3 million. Non-current assets increased by €21.4 million, while receivables and other assets rose by €0.8 million. Cash and cash equivalents decreased by €21.2 million to €129.1 million due to the dividend payment in June.

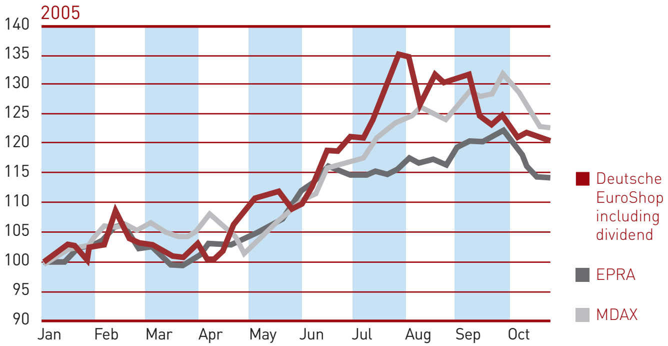
Equity ratio: 48.8%
The distribution of the dividend also led to a reduction in equity by €14.8 million to €669.6 million. This corresponds to an equity ratio of 48.8%, which is 1.1 percentage points below the figure as at 31 December 2004.

Liabilities rise due to new construction projects
Deferred tax liabilities increased by €5.4 million to €57.1 million as a result of further additions. Non-current bank loans and overdrafts rose by €31.1 million to €628.6 million due to additional loan disbursements associated with the shopping centers under construction in Wetzlar and Klagenfurt. Other provisions fell by €15.2 million to €3.0 million, mainly because invoiced construction services were paid.

The Shopping Center Share

Our share price increased from €38.51 at the beginning of the year to €46.20 on 30 September 2005. This corresponds to a rise of 20.0%. While the DAX and MDAX performance indices improved by 18.5% and 32.2% respectively, Deutsche EuroShop shareholders achieved a performance of 25.0%, including the dividend of €1.92 per share distributed on 24 June 2005.

Deutsche EuroShop v. MDAX and EPRA
January to October 2005
(indexed, basis 100, in %)



Numerous investor meetings
In the past quarter, we held roadshows in Dusseldorf and Frankfurt, meeting with a positive response. We presented Deutsche EuroShop at the HypoVereinsbank and Citigroup capital market conferences in Munich and London. In addition, we offered analysts and investors a glimpse behind the scenes during various visits to the Phoenix-Center in Hamburg.

New analyst coverage
In September, the private bank Sal. Oppenheim initiated coverage of our shares with a buy recommendation. Other banks have announced that they intend to initiate analyst coverage of Deutsche EuroShop shares in the near future.

Events since the End of the Interim Reporting Period

By the end of 2005, Deutsche EuroShop will expand its investments in the Main-Taunus-Zentrum (Sulzbach) to 43.1%, and in the Rhein-Neckar-Zentrum (Viernheim) and Shopping Etrembières (Annemasse) to 99.8%. 94.9% of the shares in the Rathaus-Center in Dessau will be acquired as at January 1, 2006.

Outlook

Economic recovery in Germany remains very sluggish. Private consumer spending has fallen short of expectations to date. One reason for this is the increase in energy prices, which is eroding the purchasing power of private households. However, we still expect the situation to improve somewhat in the retail sector, which is the economic segment relevant for us, by the end of the year.

Forecast raised for 2005
On the basis of the results of the first nine months, we are raising and specifying our forecast for full-year 2005: Our projection is now for revenue to increase to €71 – 72 million (previously €68 – 72 million). Currency-adjusted earnings before interest and taxes (EBIT) are expected to increase to €56 – 58 million (previous plan: €53 – 56 million). We are increasing our forecast for currency-adjusted profit from ordinary activities (EBT) before remeasurement from €28 – 30 million to €30 – 32 million.

New shopping center in Germany
By the end of 2005, we hope to report a further acquisition in Germany with a volume of around €80 million. Together with the increase in the investments in the Main-Taunus-Zentrum, Rhein-Neckar-Zentrum and Shopping Etrembières (around €22 million), and the acquisition of the Rathaus-Center Dessau (around €108 million), we have certainly achieved our investment plans for 2005.

Proposed dividend for 2005: €2.00 per share
We expect to generate distributable free cash flow of approximately €32,9 million in 2005. As things stand today, the Executive Board and the Supervisory Board will propose an increase in the dividend from €1.92 to €2.00 per share for financial year 2005 to the Annual General Meeting.

Consolidated Financial Statements

Consolidated
Balance Sheet

Consolidated Balance Sheet

ASSETS € thousand	30 Sept. 2005	31 Dec. 2004
Non-current assets		
Intangible assets	18	12
Property, plant and equipment	204,526	183,100
Investment property	918,470	918,470
Non-current financial assets	101,669	101,669
Non-current assets	**1,224,683**	**1,203,251**
Current assets		
Trade receivables	1,814	1,985
Receivables from other investees	3,320	0
Other current assets	12,348	14,697
Current financial assets	49,070	63,945
Cash	80,048	86,330
Current assets	**146,600**	**166,957**
Total assets	**1,371,283**	**1,370,208**

EQUITY AND LIABILITIES € thousand	30 Sept. 2005	31 Dec. 2004
Equity and reserves		
Share capital	20,000	20,000
Capital reserves	494,327	496,363
Retained earnings	91,565	91,042
Consolidated profit for the period	13,665	27,736
Subtotal	**619,557**	**635,141**
Minority interest	**50,048**	**49,271**
Total equity	**669,605**	**684,412**
Non-current liabilities		
Bank loans and overdrafts	628,637	597,576
Other non-current liabilities	86	86
Non-current liabilities	**628,723**	**597,662**
Deferred tax liabilities	**57,069**	**51,676**
Current liabilities		
Bank loans and overdrafts	3,220	6,675
Trade payables	1,960	3,742
Tax provisions	2,058	3,329
Other provisions	2,991	18,158
Other liabilities	5,657	4,554
Current liabilities	**15,886**	**36,458**
Total equity and liabilities	**1,371,283**	**1,370,208**

Consolidated Profit and Loss Account/ Statement of Changes in Equity

Consolidated Profit and Loss Account

€ thousand	1 July–30 Sept. 2005
Revenue	18,149
Other operating income	385
Staff costs	-174
Other operating expenses	-3,816
Earnings before interest, taxes and depreciation (EBITD)	**14,544**
Depreciation and amortisation of property, plant and equipment and intangible assets	-5
Earnings before interest and taxes (EBIT)	**14,539**
Net interest expense	-8,137
Income from investments	1,235
Income and expense from the measurement of financial instruments and properties	-82
Net finance costs	**-6,984**
Profit from ordinary activities (EBT)	**7,555**
Income tax expense	-1,963
Other taxes	-306
Profit after taxes	**5,286**
Minority interest in earnings	-632
Consolidated profit for the period	**4,654**
Basic earnings per share (€)	0.30

Statement of Changes in Equity

€ thousand	Share capital	Capital reserves
1 Jan. 2004	**20,000**	**507,365**
Consolidated profit/loss for the period		19,019
Dividend payments		-30,000
Change in first-time adoption reserve		
Change due to currency translation effects		
Withdrawals and other changes		
30 Sept. 2004	**20,000**	**496,384**
1 Jan. 2005	**20,000**	**496,363**
Consolidated profit/loss for the period		27,736
Dividend payments		-30,000
Change due to currency translation effects		
Withdrawals and other changes		228
30 Sept. 2005	**20,000**	**494,327**

1 July– 30 Sept. 2004	1 Jan.– 30 Sept. 2005	1 Jan.– 30 Sept. 2004
14,593	53,328	45,340
6,154	1,286	7,718
-247	-589	-607
-5,088	-11,088	-12,702
15,412	**42,937**	**39,749**
-2	-14	-9
15,410	**42,923**	**39,740**
-6,228	-23,644	-18,597
1,078	3,623	3,232
-409	-827	-2,374
-5,559	**-20,848**	**-17,739**
9,851	**22,075**	**22,001**
-3,095	-5,666	-6,100
-221	-711	-794
6,535	**15,698**	**15,107**
92	-2,033	-171
6,627	**13,665**	**14,936**
0.42	0.87	0.96

Other retained earnings	Legal reserve	Profit/loss for the period	Total	Minority interest	Total equity
90,590	**1,979**	**19,019**	**638,953**	**56,348**	**695,301**
		-4,083	14,936	171	15,107
			-30,000		-30,000
-1,697			-1,697	293	-1,404
-83			-83		-83
			0	-3.992	-3.992
88,810	**1,979**	**14,936**	**622,109**	**52,820**	**674,929**
89,042	**2,000**	**27,736**	**635,141**	**49,271**	**684,412**
		-14,071	13,665	2,034	15,699
			-30,000		-30,000
523			523		523
			228	-1,257	-1,029
89,565	**2,000**	**13,665**	**619,557**	**50,048**	**669,605**

Consolidated
Cash Flow Statement

Consolidated Cash Flow Statement

€ thousand	1 Jan.– 30 Sept. 2005	1 Jan.– 30 Sept. 2004
Earnings after taxes	**15,698**	**15,107**
Depreciation of property, plant and equipment	14	9
Investments during the financial year	827	2,374
Gains on disposal of non-current assets	0	-4,825
Deferred taxes	5,393	3,532
Operating cash flow	**21,932**	**16,197**
Changes in receivables	2,520	3,923
Changes in current provisions	-16,438	-722
Changes in liabilities	-679	2,127
Cash flow from operating activities	**7,336**	**21,525**
Proceeds from disposals of items of property, plant and equipment	0	62,000
Payments to acquire property, plant and equipment and intangible assets	-22,259	-121,802
Payments to acquire non-current financial assets	-3,320	17,043
Cash flow from investing activities	**-25,579**	**-42,760**
Changes in interest-bearing financial liabilities	27,606	94,070
Payments to owners	-31,029	-33,992
Cash flow from financing activities	**-3,423**	**60,078**
Net change in cash and cash equivalents	**-21,666**	**38,844**
Cash and cash equivalents at beginning of the period	**150,275**	**101,988**
Other changes	509	-1,492
Cash and cash equivalents at end of the period	**129,118**	**139,340**

Notes/Disclosures

Basis of presentation
Deutsche EuroShop's interim financial statements as at 30 September 2005 were prepared in accordance with International Financial Reporting Standards (IFRSs).

The consolidated financial statements have not been reviewed by an auditor. In the opinion of the Executive Board, they contain all the necessary adjustments required to give a true and fair view of the results of operations as at the Interim Report date. No conclusions regarding the development of future results can necessarily be drawn from the results of the first nine months as at 30 September 2005.

The accounting policies applied correspond to those used in the most recent consolidated financial statements as at the end of the financial year. A detailed description of these policies was published in the Annual Report 2004.

Basis of consolidation
The consolidated group is the same as at 31 December 2004; all consolidation principles used are unchanged. For more information, please refer to the detailed description of the basis and methods of consolidation, and to the principles applied to the annual financial statements, which were printed in full in the Annual Report 2004.

Segment reporting
As the holding company, Deutsche EuroShop AG holds equity interests in German and foreign shopping centres as a single business segment. No separate segment reporting is therefore presented. Sales are generated exclusively from rental and lease income.

Information by geographical segment

Sales (€ thousand)	Germany	Abroad	thereof EU	Total
1 Jan 2005 – 30 Sept 2005	45,865	7,463	7,463	53,328
1 Jan 2004 – 30 Sept 2004	36,441	8,899	8,899	45,340

Dividend

No dividend was distributed in Q3 2005.

Employees

As at 30 September 2005, the Group employed five people.

Stock options

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

Forward-looking statements

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

Financial Calendar

10 November 2005	Interim Report Q1-3 2005
22 November 2005	German Equity Forum, Frankfurt am Main
13 February 2006	HSBC Real Estate Conference, Frankfurt am Main
20 April 2006	Annual earnings report press conference, Hamburg
15 May 2006	Interim Report Q1 2006
22 June 2006	Annual General Meeting, Hamburg
11 August 2006	Interim Report H1 2006
14 November 2006	Interim Report Q1-3 2006

The English and German versions of this Interim Report are available online at www.deutsche-euroshop.com as PDF files and as interactive online versions.

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