

PROJECT: INTERIM REPORT
Q1 2006

BUILDING BUSINESS

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DES

Deutsche EuroShop AG

KEY FIGURES

KEY GROUP FIGURES

€ million	01 Jan.– 31 Mar. 2006	01 Jan.– 31 Mar. 2005	Change
Revenue	22.7	17.4	31%
EBIT	17.3	13.6	27%
Net finance costs	-8.7	-6.6	-30%
EBT	16.6	6.9	143%
Share of consolidated profit attributable to Group shareholders	11.5	4.4	158%
EPS (€)	0.67	0.28	139%
	31 Mar. 2006	31 Dec. 2005	Change
Equity	791.3	787.4	0%
Liabilities	749.3	677.1	11%
Total assets	1,622.0	1,543.6	5%
Equity ratio (%)	48.8	51.0	
Gearing (%)	105	96	
Cash and cash equivalents	98.8	197.2	-50%

DES SHARES – KEY FIGURES

Sector/industry group	Financial services/Real estate
Share capital	€21.999.998.72
Number of shares (no-par value registered shares)	17,187,499
Proposed dividend 2005 (tax-free)	€2.00
Share price on 30 December 2005	€47.45
Share price on 31 March 2006	€58.24
High/low in the period under review	€58.24/€47.78
Market capitalisation on 31 March 2006	€1.0 billion
Prime Standard	Frankfurt and Xetra
OTC trading	Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart
Indices	MDAX, EPRA, GPR 250, EPIX 30, HASPAX
ISIN	DE 000748 020 4
Ticker symbol	DEQ, Reuters: DEQn.DE

►► News Ticker

You can access an interactive online version of our 2005 Annual Report on our website.

You can find the online annual report at
<http://report.deutsche-euroshop.com/des/AR2005>

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TOPIC: Key Group Figures/
DES Shares – Key Figures

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LETTER FROM THE EXECUTIVE BOARD

DEAR SHAREHOLDERS,
LADIES AND GENTLEMEN,

Deutsche EuroShop's positive development continued in 2006. With revenue of €22.7 million, we exceeded the prior-year quarter by 31% in the first three months of 2006. EBIT rose accordingly by 27% to €17.3 million.

These results are largely due to the first-time inclusion of the Rathaus-Center Dessau and the Main-Taunus-Zentrum. The expanded consolidated group and the increased size of our investments rate in the Rhein-Neckar-Zentrum and Shopping Etrembières led to a clearly positive one-time effect in the measurement gains and losses item, which in the first three quarters of the year normally only includes the investment expenses incurred in relation to operational shopping centers.

Consolidated net profit for the period thus increased by 144% from €5.0 million to €12.2 million. After deducting minority interests in earnings, Group shareholders accounted for €11.5 million. Earnings per share rose by 139% from €0.28 to €0.67. Of this amount, operating profit accounted for €0.33 (+22%) and measurement gains and losses for €0.34.

News from our portfolio: On 29 March 2006, we celebrated the opening of Deutsche EuroShop's first shopping center in Austria: City Arkaden Klagenfurt was completed after one and a half years under construction. On the opening day, the approximately 120 specialist shops, cafés and restaurants on three levels attracted around 70,000 visitors. All shop space has been leased long-term since October 2005.



► Claus-Matthias Böge

► Olaf G. Borkers

Shortly after the end of the quarter, on 12 April 2006, the construction of the Stadt-Galerie in Hamelin began with the ground-breaking ceremony. The preletting rate is already 57%, two years prior to the scheduled opening.

Also after the end of the reporting period, in mid-April, we sold our French center Shopping Etrembières in Annemasse for strategic reasons. We expect at least €3.5 million after tax from this as an additional contribution to profit for Q2.

In line with our motto for this year, "Building Business", we want to drive forward the further expansion of our real estate business, and would like to take this opportunity to thank you for your confidence in us.

Hamburg, May 2006

Claus-Matthias Böge

Olaf G. Borkers

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TOPIC: Letter from the Executive Board

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BUSINESS DEVELOPMENTS

Revenue and earnings developed positively in the first three months of financial year 2006. Both key figures were clearly above the figures for the prior-year quarter. The main factors influencing these improvements were the changes in the consolidated group due to additions. Moreover, the Forum Wetzlar, which opened on 16 February 2005, contributed to earnings over the full reporting period for the first time.

REVENUE PERFORMANCE

Revenue up 31%

Revenue rose by 31% from €17.4 million to €22.7 million in the first three months of financial year 2006. This increase is mainly attributable to the acquisition of the Rathaus-Center in Dessau and the first-time inclusion of the Main Taunus-Zentrum. Rental income from the portfolio properties rose by around 1%.

RESULTS OF OPERATIONS

Other operating income unchanged

Other operating income amounted to €0.5 million and remained on a par with the previous year.

Property operating and administrative costs in line with expectations

Current property expenses totalled €3.5 million and increased as a result of the new investments.

Other operating expenses up

The increase in other operating expenses to €2.4 million is due to unrealised currency losses of €1.7 million incurred in the quarter under review at our Hungarian investment.

EBIT up 27%

Earnings before interest and taxes (EBIT) rose by €3.7 million, from €13.6 million to €17.3 million (+27%). In currency-adjusted terms, earnings were up €5.3 million (+39%).

Net finance costs deteriorate in line with expectations

Net finance costs deteriorated by €2.0 million to €-8.7 million. This was due on the one hand to higher interest expenses for our newly opened centers and expenses relating to the companies consolidated for the first time. On the other, investment income was lower, as the proportionate inclusion of the Main-Taunus-Zentrum from 2006 onwards meant that the company's earnings were included in consolidated net profit and as a result, the distributions were no longer recognized as investment income.

Measurement gains and losses with one-time effects

Measurement gains and losses in the first three quarters include as a rule the investment expenses incurred in relation to operational shopping centers during the period under review. Remeasurement is performed annually when the annual financial statements are prepared. However, in Q1 2006, the measurement gains and losses item was positively impacted by the initial consolidation of the Rathaus-Center Dessau and the Main-Taunus-Zentrum in conjunction with the reduced minority interests in the Rhein-Neckar-Zentrum and Shopping Etrembières: the net measurement gain amounted to €8.0 million.

Consolidated net profit for the period significantly improved

Unadjusted profit from ordinary activities (EBT) greatly exceeded the prior-year figure at €16.6 million (+€9.8 million). Adjusted for measurement gains and losses and currency effects, EBT rose by 46% to €10.4 million.

Consolidated net profit for the period amounted to €12.2 million. Of this, €11.5 million was accounted for by Group shareholders, as against €4.4 million in the prior-year period. Earnings per share rose accordingly from €0.28 to €0.67 (+139%). Of this amount, €0.33 resulted from operating profit and €0.34 from measurement gains and losses.

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Q1 2006

TOPIC: Business Developments

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NET ASSETS AND FINANCIAL POSITION

Cash and cash equivalents of €98.8 million

In the period under review, the total assets of the Deutsche EuroShop Group increased by €78.4 million to €1,622.0 million. Non-current assets increased by €177.6 million due to the changes in the consolidated group that occurred in this quarter. Receivables and other assets declined by €0.7 million. Cash and cash equivalents decreased by €98.4 million to €98.8 million, mainly as a result of the payment of the purchase price for the Rathaus-Center Dessau as at 1 January 2006.

Equity ratio: 48.8%

As a result of the changes relating to the investments that were consolidated for the first time, the equity ratio decreased by 2.2 percentage points to 48.8% as against the reporting date of 31 December 2005.

Liabilities increase due to the consolidation of new properties

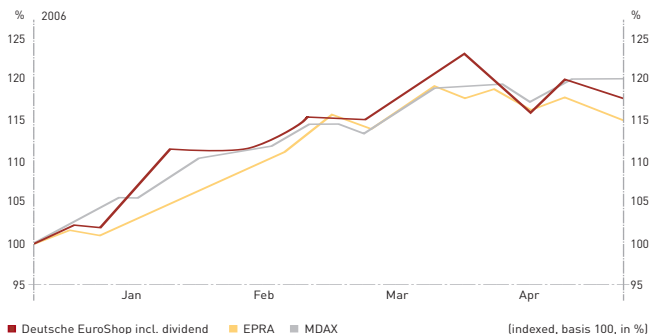
Deferred tax liabilities increased by €4.4 million to €74.2 million as a result of further additions. Non-current bank loans and overdrafts rose primarily due to the initial proportionate inclusion of the Main-Taunus-Zentrum property. In addition, further loan disbursements were made for our City Arkaden Klagenfurt shopping center, which opened in March. In total, non-current bank loans and overdrafts increased by €72.6 million to €686.5 million.

THE SHOPPING CENTER SHARE

Our shares had a very encouraging start to 2006. It rose by 22.7% from €47.45 (2005 year-end price) to €58.24 (as at 31 March 2006). This share price was also the highest price in the period under review, as well as marking a new record high. As a result, Deutsche EuroShop thus had a market capitalisation of over €1 billion for the first time.

Deutsche EuroShop v. MDAX and EPRA

January to April 2006



International roadshows

In the quarter under review, we held roadshows in Belgium, the Netherlands, Sweden, Finland and Denmark. In addition, we presented ourselves at capital market conferences held by Morgan Stanley in London and HSBC Trinkaus & Burkhardt in Frankfurt, where we held numerous discussions with investors.

New analyst recommendations

In February, the Hamburg-based private bank M.M.Warburg & CO began coverage of our shares with a buy recommendation. Other banks both in Germany and abroad have announced that they intend to initiate analyst coverage of our shares in the near future.

EVENTS SINCE THE END OF THE INTERIM REPORTING PERIOD

Deutsche EuroShop sold the Shopping Etrembières center in Annemasse to French investors via a share deal in mid-April 2006. We expect an additional contribution to profit after tax of at least €3.5 million from this transaction in Q2 2006.

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TOPIC: The Shopping Center Share/Events since
the End of the Interim Reporting Period

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OUTLOOK

The federal government raised the growth forecast for GDP in 2006 from 1.4% to 1.6% at the beginning of May. In fact, German economic research institutes on average expect an increase of 1.8%. We are also optimistic that we will be able to further increase our income from operations in this environment.

Ground-breaking ceremony in Hamelin

Following the successful opening of City Arkaden in Klagenfurt, only the Stadt-Galerie in Hamelin remains under construction. The ground-breaking ceremony was held on 12 April 2006, and the opening is planned for spring 2008. Today, 57% of space is already leased long-term, around two years prior to the scheduled opening.

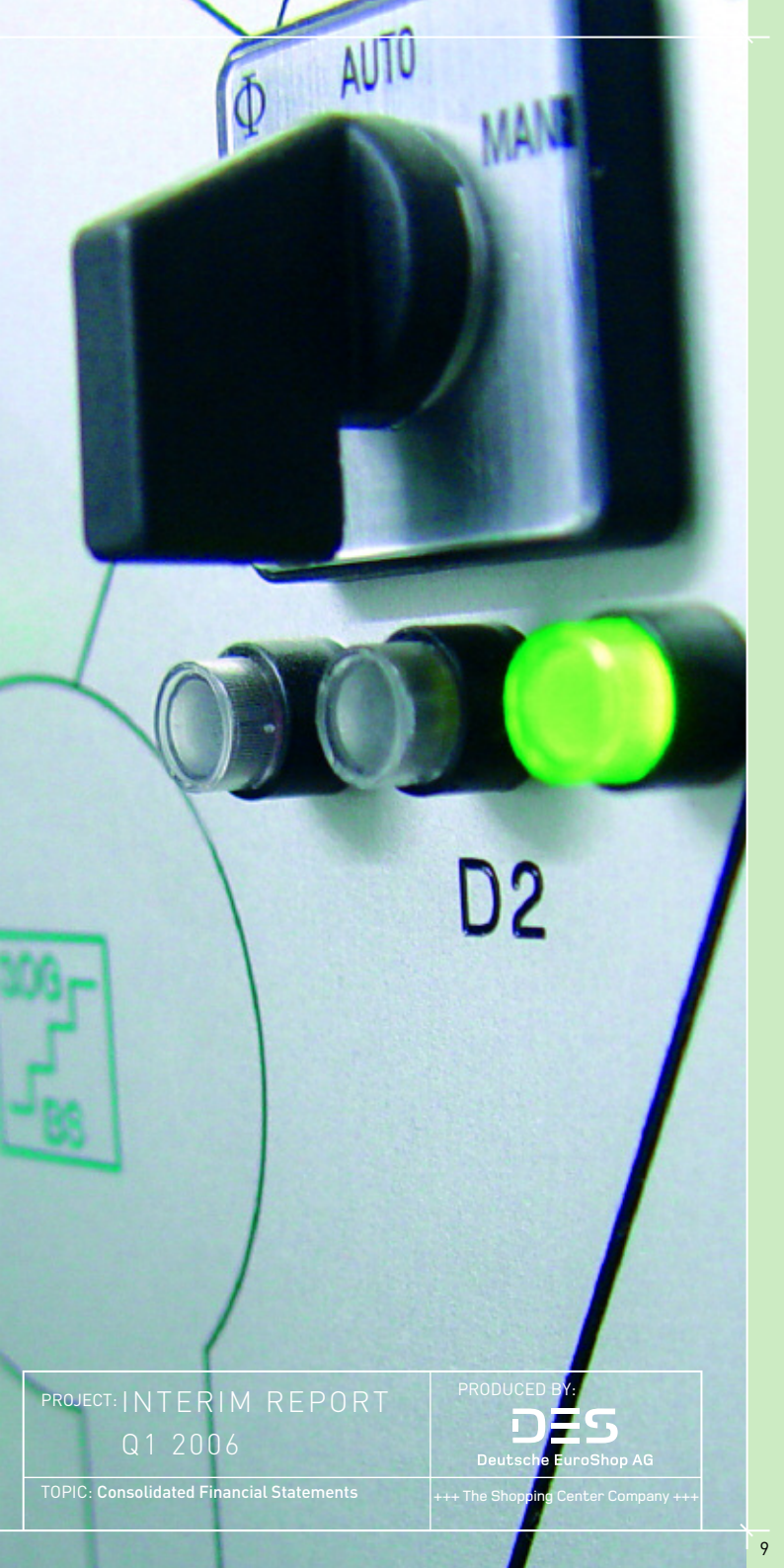
Investment volume of €100-150 million planned in 2006

Following the sale of our French shopping center, our portfolio now comprises 15 shopping centers. We are continuing our intensive search for attractive acquisition opportunities. In view of the significant excess demand for retail real estate in Germany and in our other target markets in the rest of Europe, this requires paying close attention. We are currently examining various projects that are still in a very early review phase. Overall, we believe that our planned investment volume of €100–150 million in 2006 is achievable.

Forecast

We expect to achieve our projected revenue and earnings figures in 2006. We expect revenue of €91–94 million, EBIT of €72–75 million and currency-adjusted EBT excluding measurement gains and losses of €37–40 million.

In addition, we are confident that we will again be able to distribute a tax-free dividend of €2.00 per share for financial year 2006.



PROJECT: INTERIM REPORT
Q1 2006

TOPIC: Consolidated Financial Statements

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CONSOLIDATED BALANCE SHEET

as at 31 March 2006

ASSETS € thousand	31 Mar. 2006	31 Dec. 2005
ASSETS		
Non-current assets		
Intangible assets	17	18
Property, plant and equipment	77,150	71,912
Investment properties	1,406,808	1,138,271
Non-current financial assets	20,643	116,803
Non-current assets	1,504,618	1,327,005
Current assets		
Trade receivables	2,081	2,059
Other current assets	16,531	17,302
Current financial assets	16,166	22,002
Cash	82,595	175,190
Current assets	117,373	216,553
Total assets	1,621,991	1,543,558

EQUITY AND LIABILITIES € thousand	31 Mar. 2006	31 Dec. 2005
EQUITY AND LIABILITIES		
Equity and reserves		
Share capital	21,999	21,999
Capital reserves	607,293	558,588
Retained earnings	96,040	95,362
Consolidated net profit for the period	11,468	48,705
Subtotal	736,800	724,654
Minority interest	54,491	62,792
Total equity	791,291	787,446
NON-CURRENT LIABILITIES		
Bank loans and overdrafts	686,471	613,829
Deferred tax liabilities	74,176	69,826
Noncurrent trade payables	0	2,000
Other non-current liabilities	630	544
Non-current liabilities	761,277	686,199
CURRENT LIABILITIES		
Bank loans and overdrafts	54,156	50,505
Current trade payables	3,084	6,544
Tax provisions	2,052	2,076
Other provisions	5,192	7,098
Other non-current liabilities	4,939	3,690
Current liabilities	69,423	69,913
Total equity and liabilities	1,621,991	1,543,558

PROJECT: INTERIM REPORT
Q1 2006

TOPIC: Consolidated Balance Sheet

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CONSOLIDATED INCOME STATEMENT

for the period 1 January to 31 March 2006

€ thousand

Revenue
Other operating income
Property operating costs
Property management costs
Other operating expenses
Earnings before interest and taxes (EBIT)
Income from investments
Interest income
Interest expense
Net finance costs
Measurement gains/losses
Profit before tax (EBT)
Income tax expense
Consolidated profit
Attributable to Group shareholders
Minority interest
Earnings per share (€)

STATEMENT OF CHANGES IN EQUITY

as at 31 March 2006

€ thousand	Share capital	Capital reserves
Balance at 1 Jan. 2005	20,000	496,363
Consolidated profit		27,736
Change due to currency translation effects		
Other changes		
Balance at 31 Mar. 2005	20,000	524,099
Balance at 1 Jan. 2006	21,999	558,588
Consolidated profit		48,705
Changes due to IAS 39 measurement of investments		
Change due to currency translation effects		
Changes in consolidated Group		
Withdrawals		
Other changes		
Balance at 31 Mar. 2006	21,999	607,293

	01 Jan.- 31 Mar. 2006	01 Jan.- 31 Mar. 2005
	22,746	17,408
	520	489
	-2,190	-2,209
	-1,330	-1,078
	-2,421	-967
	17,325	13,643
	400	1,043
	435	455
	-9,491	-8,134
	-8,656	-6,636
	7,975	-156
	16,644	6,851
	-4,415	-1,833
	12,229	5,018
	11,468	4,445
	761	573
	0.67	0.28

Other retained earnings	Legal reserve	Net profit for the period	Total	Minority interest	Total equity
89,042	2,000	27,736	635,141	49,271	684,412
		-23,291	4,445	573	5,018
173			173		173
			0	-10	-10
89,215	2,000	4,445	639,759	49,834	689,593
93,362	2,000	48,705	724,654	62,792	787,446
		-37,237	11,468	761	12,229
-1,076			-1,076		-1,076
1,754			1,754		1,754
			0	5,490	5,490
				-704	-704
			0	-13,848	-13,848
94,040	2,000	11,468	736,800	54,491	791,291

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Q1 2006

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TOPIC: Consolidated Income Statement/
Statement of Changes in Equity

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CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 31 March 2006

€ thousand	01 Jan.– 31 Mar. 2006	01 Jan.– 31 Mar. 2005
Profit after tax	12,229	5,018
Depreciation of property, plant and equipment	4	4
Income from the application of IFRS 3	-8,551	0
Investments during the financial year	575	156
Increase in deferred taxes	4,350	1,698
Operating cash flow	8,607	6,876
Changes in receivables	2,003	1,341
Changes in current provisions	-2,578	-10,895
Changes in liabilities	-5,118	777
Cash flow from operating activities	2,914	-1,901
Payments to acquire property, plant and equipment and intangible assets	-104,387	-4,656
Payments to acquire non-current financial assets	-232	0
Cash flow from investing activities	-104,619	-4,656
Changes in interest-bearing financial liabilities	9,028	10,036
Payments to owners	-704	-10
Cash flow from financing activities	8,324	10,026
Net change in cash and cash equivalents	-93,381	3,469
Cash and cash equivalents at beginning of period	197,192	150,275
Changes in consolidated Group	8,120	0
Other changes	-13,170	170
Cash and cash equivalents at end of period	98,761	153,914

NOTES/DISCLOSURES 2.7

Basis of presentation

Deutsche EuroShop's interim financial statements as at 31 March 2006 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 three months as at 31 March 2006.

The accounting policies applied correspond to those used in the last consolidated financial statements as at the end of the financial year. A detailed description of these policies was published in the Annual Report 2005.

Basis of consolidation

The consolidated group was expanded as a result of the inclusion of the Rathaus-Center in Dessau, acquired as at 1 January 2006, and by the increased investment in the Main-Taunus-Zentrum and its proportionate inclusion in the financial statements in the quarter under review. 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 2005.

Segment reporting

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

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TOPIC: Consolidated Cash Flow Statement/
Notes/Disclosures

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Information by geographical segment

€ thousand	domestic	foreign	thereof EU	Total
Revenue	20,025	2,721	2,721	22,746
(prior-year figures)	(14,644)	(2,764)	(2,764)	(17,408)

Other disclosures

In the consolidated financial statements as at 31 December 2005, the income statement was reclassified in the area of operating expenses. In addition, real property taxes were transferred to operating expenses. The operating expenses of the shopping centers are now recorded in the Property operating and administrative costs item. The holding company's management costs and the other expenses of the shopping centers are recorded in the Other operating expenses item. For this reason, the prior-year figures had to be restated accordingly. Property operating and administrative expenses and other operating expenses as at 31 March 2005 were calculated using best estimates in the absence of detailed figures.

In addition, income taxes for our Hungarian shopping center that were previously included in the Other income taxes item are recorded in the Income tax expense item starting in 2006.

Dividend

No dividend was distributed in Q1 2006.

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 2006

May

- 15. Interim report Q1 2006
- 16. Roadshow Paris, DZ Bank
- 17. Roadshow Zurich, Sal. Oppenheim
- 19. Roadshow Edinburgh, Berenberg Bank
- 25. Citigroup Jour Fixe, London
- 26. Roadshow Dublin, Equinet
- 31. Deutsche Bank German Corporate Conference, Frankfurt am Main

June

- 01. Kempen & Co European Property Seminar, Amsterdam
- 07. Cheuvreux European Small & MidCap Conference, London
- 15. Morgan Stanley Property Conference, London
- 22. Annual General Meeting, Hamburg
- 22. Supervisory Board meeting, Hamburg
- 23. Dividend payment
- 29. WestLB German Properties & Financials Conference, Zürich

August

- 11. Interim report H1 2006
- 16. Roadshow Vienna, HSBC Trinkaus & Burkhardt

September

- 13. Supervisory Board meeting, Hamburg
- 26. HVB German Investment Conference, Munich

October

- 07. Hamburg Stock Exchange Fair
- 12. 6th Property Share Initiative Conference, Frankfurt am Main

November

- 14. Interim report Q1-3 2006
- 15./16. WestLB Deutschland Conference 2006, Frankfurt am Main
- 21. Roadshow Milan, HVB
- 27. German Equity Forum, Frankfurt am Main
- 29. Supervisory Board meeting, Hamburg

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

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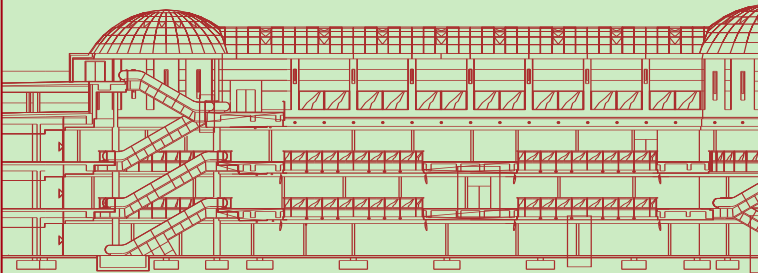
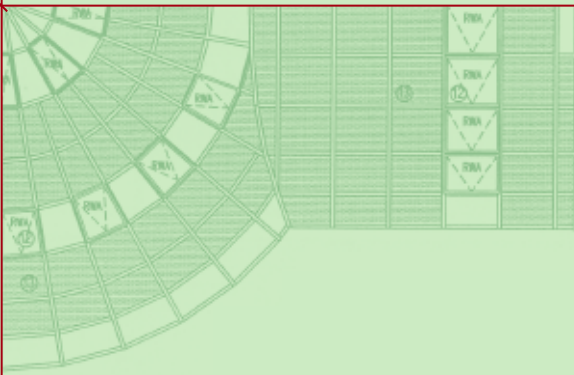
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Financial Calendar 2006

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