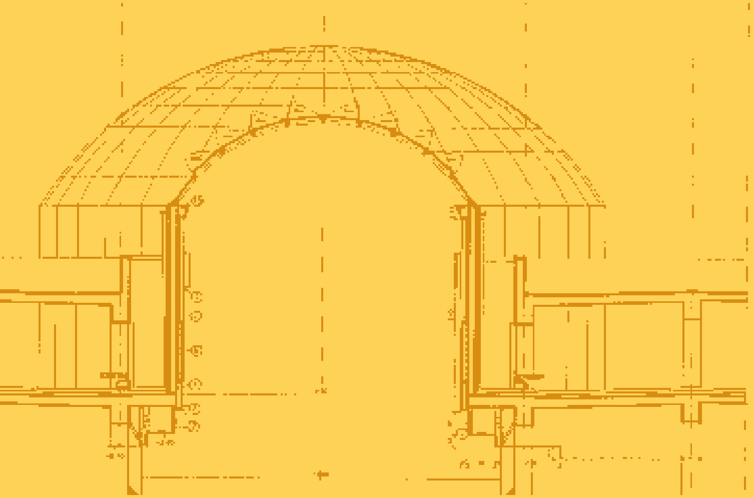

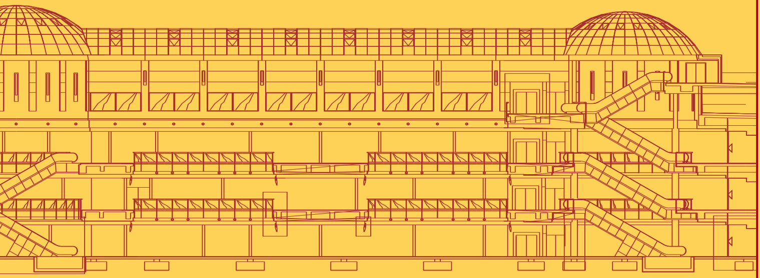

OBJEKT: INTERIM REPORT
H1 2006

BUILDING BUSINESS

PRODUCED BY:

Deutsche EuroShop AG

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# KEY FIGURES

## KEY GROUP FIGURES

| € million | 1 Jan.– 30 June 2006 | 1 Jan.– 30 June 2005 | Change |
|---|---|---|---|
| Revenue | 45.9 | 35.2 | 30% |
| EBIT | 39.0 | 28.2 | 38% |
| Net finance costs | -17.7 | -13.1 | -35% |
| EBT | 29.6 | 14.1 | 110% |
| Share of consolidated profit attributable to Group shareholders | 23.9 | 9.0 | 166% |
| EPS (€) | 1.39 | 0.58 | 140% |
| | **30 June 2006** | **31 Dec. 2005** | **Change** |
| Equity | 766.4 | 787.4 | -3% |
| Liabilities | 737.3 | 677.1 | 9% |
| Total assets | 1,574.4 | 1,543.6 | 2% |
| Equity ratio (%) | 48.7 | 51.0 | |
| Gearing (%) | 105 | 96 | |
| Cash and cash equivalents | 81.0 | 197.2 | -59% |

## 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 |
| Dividend 2005 (tax-free) | €2.00 |
| Share price on 30 December 2005 | €47.45 |
| Share price on 30 June 2006 | €54.40 |
| High/low in the period under review | €58.24/€47.78 |
| Market capitalisation on 30 June 2006 | €935.0 million |
| Prime Standard | Frankfurt and Xetra |
| OTC trading | Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart |
| Indices | MDAX, EPRA, GPR 250, EPIX 30, HASPAX |
| ISIN | DE 000748 020 4 |
| Ticker symbol | DEQ, Reuters: DEQGn.DE |

### ▸▸ News-Ticker

Platinum and gold: Deutsche EuroShop's 2005 Annual Report received awards for being one of the world's best in two international competitions.

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# LETTER FROM THE EXECUTIVE BOARD

DEAR SHAREHOLDERS,
LADIES AND GENTLEMEN,

We continued our sustained growth trend in the first half of 2006, lifting both revenue and earnings. Revenue rose by 30%, from €35.2 million to €45.9 million, due in part to the contribution by City Arkaden Klagenfurt, which opened in late March. Including the proceeds from the sale of our French center, EBIT rose 38% to €39.0 million.

As previously discussed in the interim report on the first quarter, 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 increase in our investments in the Rhein-Neckar-Zentrum and Shopping Etrembières also led to a positive one-time effect in the measurement gains and losses item.

In future, measurement gains and losses will also include unrealized currency effects from non-current assets and liabilities of our Hungarian subsidiary. In this context, we have reclassified items in the income statement and restated the results for Q1 2006. This provides a more accurate presentation of currency effects not affecting liquidity in our income statement.

Consolidated net profit for the period increased by 144% from €10.4 million to €25.4 million. After deducting minority interests in earnings, Group shareholders accounted for €23.9 million. Earnings per share rose by 140% from €0.58 to €1.39.

▶ Claus-Matthias Böge ▶ Olaf G. Borkers

News from our shopping center portfolio: On 12 April 2006, construction of the Stadt-Galerie in Hameln began with the ground-breaking ceremony. The stone-laying ceremony was held on 27 July 2006. Construction is on schedule and the letting rate is already in excess of 60%.

In the interim report on the first quarter, we were confident that we would again be able to distribute a tax-free dividend of €2.00 per share for financial year 2006. At the end of the first half of the year we can reaffirm that confidence.

Hamburg, July 2006

Claus-Matthias Böge Olaf G. Borkers

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# BUSINESS DEVELOPMENTS

## REVENUE PERFORMANCE

**Revenue up 30%**

Revenue rose by 30% from €35.2 million to €45.9 million in the first six months of financial year 2006. This increase is amongst others attributable to City Arkaden Klagenfurt, which contributed to revenue for a complete quarter for the first time. The acquisition of the Rathaus-Center in Dessau and the first-time inclusion of the Main-Taunus-Zentrum also had a positive effect on revenue. Rental income from the portfolio properties rose by approximately 1%.

## RESULTS OF OPERATIONS

**One-time effect lifts other operating income**

Other operating income rose by €0.6 million to €1.5 million, as this item includes the gain from the sale of our French shopping center (€0.8 million). Adjusted for this effect, other operating income fell short of the prior-year figure by €0.2 million.

**Property operating and administrative costs in line with expectations**

Current property expenses totalled €6.5 million and increased as a result of the new investments.

**Other operating expenses up**

After the reclassification of unrealized currency effects, other operating expenses amounted to €1.8 million. This does not represent a significant change on the (restated) prior-year period. In the first quarter, this item included €1.7 million in unrealized currency losses, which are now included in measurement gains and losses.

**EBIT up 38%**

Earnings before interest and taxes (EBIT) rose by 38%, from €28.2 million to €39.0 million.

**Net finance costs in line with forecasts**

Net finance costs deteriorated by €4.6 million to €-17.7 million. This was primarily due to higher interest expenses for our newly opened centers.

**Currency effects now included in measurement gains and losses**

For the first time, the market value of the Árkád Pécs property was no longer reported at the Group level in the second quarter, but rather in forints in the Hungarian annual financial statements. The translation into forints resulted in an unrealized currency gain. The unrealized currency effects relating to non-current liabilities reported in the Hungarian annual financial statements, which had previously been reported under other operating expenses and other operating income, were reclassified as measurement gains and losses. The figures for the first quarter of 2006 and the first half of 2005 were restated retroactively. In total, measurement gains and losses includes a €1.1 million currency gain in the first half of 2006.

**EBT significantly improved**

At €29.6 million, profit from ordinary activities (EBT) substantially exceeded the prior-year figure (€14.1 million). Adjusted for measurement gains and losses, EBT rose by 41% to €21.4 million.

**Consolidated net profit more than doubled**

Consolidated net profit for the period amounted to €25.4 million (2005: €10.4 million). Of this, €23.9 million was attributable to Group shareholders, as against €9.0 million in the prior-year period. Earnings per share rose accordingly from €0.58 to €1.39 (+140%). Of this amount, €1.03 resulted from operating profit and €0.36 from measurement gains and losses.

## NET ASSETS AND FINANCIAL POSITION

**Comfortable liquidity situation**

In the period under review, the total assets of the Deutsche EuroShop Group rose by €30.8 million to €1,574.4 million. Non-current assets increased by a total of €147.7 million, due to the first-time inclusion of the investments in the Main-Taunus-Zentrum and the Rathaus-Center in Dessau. In addition, the market value of the Shopping

Etrembières property in Annemasse is no longer included in non-current assets as a result of its sale during the second quarter of 2006. Receivables and other assets declined by €0.7 million. Cash and cash equivalents decreased by €116.2 million to €81.0 million, mainly as a result of the payment of the purchase price for the Rathaus-Center Dessau and the dividend payment.

**Sound finances**

As a result of the changes relating to the investments that were consolidated for the first time, as well as the June dividend distribution, the equity ratio decreased by 2.3 percentage points to 48.7% as against the reporting date of 31 December 2005.

**Liabilities increase due to new properties**

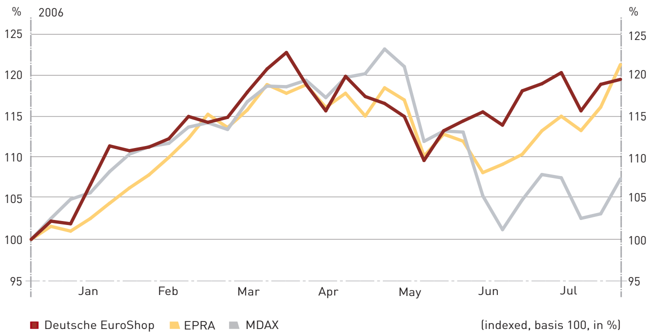
The deferred tax liabilities relating to the sale of the French property management company were reversed. In addition, tax payments due in Italy in Q3 2006 were reclassified as other liabilities. Overall, deferred tax liabilities were reduced by €3.7 million to €66.1 million. Non-current bank loans and overdrafts rose due to the initial proportionate inclusion of the Main-Taunus-Zentrum property. In contrast, current bank loans and overdrafts and other liabilities declined by €14.0 million due to the sale of the French property management company. 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 €77.9 million to €691.7 million.

## THE SHOPPING CENTER SHARE

Our share price rose from €47.45 at the beginning of the year to €54.40 as at 30 June 2006. This corresponds to a 14.6% increase. If one adds the dividend of €2.00 that was distributed on 23 June 2006, this amounts to a performance of 18.9% for Deutsche EuroShop shareholders. The MDAX performance index rose by 7.9% during the same period.

**Deutsche EuroShop v. MDAX and EPRA**

January to July 2006




## International roadshows and conferences

As part of our investor relations activities we presented Deutsche EuroShop at nine conferences in Amsterdam, Frankfurt, London, New York and Zurich from April to June. In addition, we held road shows in France, Scotland, Switzerland, the US, and for the first time in Ireland, in order to bring investors up to speed on the latest developments in the Company.

## Award for IR activities

In June, Deutsche EuroShop received the 2006 "Capital Investor Relations Prize" in the MDAX category for its investor relations activities. Each year, the financial magazine "Capital" awards this well-known prize for the best communication with the financial markets, judging companies on their target group focus, transparency, track record and extra financial reporting.

## Approval by Annual General Meeting

The Annual General Meeting was held on 22 June 2006 in Hamburg. The around 250 shareholders in attendance represented 50.5% of the capital and approved all agenda items by over 99.4% of the votes in each case.

**New outperform and buy recommendations**
At the beginning of June, French investment bank CA Chevreux initiated coverage of our shares with an outperform recommendation. Kepler Equities followed shortly thereafter with a buy recommendation.

## EVENTS SINCE THE END OF THE INTERIM REPORTING PERIOD

There were no particularly significant events after the end of the first half of 2006.

## OUTLOOK

In July, the federal government confirmed its 1.6% GDP growth forecast for 2006 despite the renewed rise in the price of oil. The German economic research institutes are also maintaining their optimism and expect GDP to increase by 1.8% on average. The ifo Business Climate Index suggests that the German economy is now on a broader basis. With export performing well, the domestic economy is now also gaining speed. This environment should bolster our efforts to increase our operating results even further.

**Acquisition in third quarter realistic**
Regarding new shopping center investments, we are optimistic that we shall have good news to report in the third quarter. We therefore expect to be able to reach our goal of €100 – €150 million in acquisitions in 2006.

**Forecast**
We are maintaining our revenue and earnings targets for 2006. We expect revenue of €91 – €94 million (2005: €72.1 million) and EBIT of €72 – €75 million (€57.5 million). We expect to increase EBT excluding measurement gains and losses from €32.1 million to €37 – 40 million.

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


OBJEKT: INTERIM REPORT H1 2006

PRODUCED BY: Deutsche EuroShop AG

TOPIC: **Consolidated Financial Statements**

+++ The Shopping Center Company +++

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# CONSOLIDATED BALANCE SHEET

as at 30 June 2006

| ASSETS<br>€ thousand | 30 Jun. 2006 | 31 Dec. 2005 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Intangible assets | 16 | 18 |
| Property, plant and equipment | 87,362 | 71,912 |
| Investment properties | 1,366,637 | 1,138,271 |
| Non-current financial assets | 20,642 | 116,803 |
| **Non-current assets** | **1,474,657** | **1,327,005** |
| | | |
| **Current assets** | | |
| Trade receivables | 1,266 | 2,059 |
| Other current assets | 17,428 | 17,302 |
| Current financial assets | 11,483 | 22,002 |
| Cash | 69,532 | 175,190 |
| **Current assets** | **99,708** | **216,553** |
| **Total assets** | **1,574,365** | **1,543,558** |

| EQUITY AND LIABILITIES<br>€ thousand | 30 Jun. 2006 | 31 Dec. 2005 |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| **Equity and reserves** | | |
| Share capital | 21,999 | 21,999 |
| Capital reserves | 572,918 | 558,588 |
| Retained earnings | 93,383 | 95,362 |
| Consolidated net profit for the period | 23,882 | 48,705 |
| **Subtotal** | **712,182** | **724,654** |
| **Minority interest** | **54,185** | **62,792** |
| **Total equity** | **766,367** | **787,446** |
| | | |
| **NON-CURRENT LIABILITIES** | | |
| Bank loans and overdrafts | 691,743 | 613,829 |
| Deferred tax liabilities | 66,074 | 69,826 |
| Noncurrent trade payables | 0 | 2,000 |
| Other non-current liabilities | 573 | 544 |
| **Non-current liabilities** | **758,390** | **686,199** |
| | | |
| **CURRENT LIABILITIES** | | |
| Bank loans and overdrafts | 23,812 | 50,505 |
| Current trade payables | 4,820 | 6,544 |
| Tax provisions | 2,009 | 2,076 |
| Other provisions | 2,627 | 7,098 |
| Other non-current liabilities | 16,340 | 3,690 |
| **Current liabilities** | **49,608** | **69,913** |
| | | |
| | | |
| | | |
| **Total equity and liabilities** | **1,574,365** | **1,543,558** |

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# CONSOLIDATED INCOME STATEMENT

for the period 1 January to 30 June 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 30 June 2006

| **€ thousand** | **Share capital** | **Capital reserves** |
|---|---|---|
| | | |
| **Balance at 1 Jan. 2005** | **20,000** | **496,363** |
| Consolidated profit | | 27,736 |
| Dividend payment | | -30,000 |
| Change due to currency translation effects | | |
| Withdrawals | | |
| **Balance at 30 June 2005** | **20,000** | **494,099** |
| | | |
| **Balance at 1 Jan. 2006** | **21,999** | **558,588** |
| Consolidated profit | | 48,705 |
| Dividend payment | | -34,375 |
| Changes due to IAS 39 measurement of investments | | |
| Change due to currency translation effects | | |
| Changes in consolidated Group | | |
| Changes in first-time application reserves | | |
| Withdrawals | | |
| Other changes | | |
| **Balance at 30 June 2006** | **21,999** | **572,918** |

| | 01 Apr.– 30 Jun. 2006 | 01 Apr.– 30. Jun. 2005 | 01 Jan.– 30. Jun. 2006 | 01 Jan.– 30. Jun. 2005 |
|---|---|---|---|---|
| | 23,130 | 17,771 | 45,876 | 35,179 |
| | 821 | 412 | 1,477 | 901 |
| | -1,596 | -1,748 | -3,786 | -3,957 |
| | -1,389 | -1,100 | -2,719 | -2,178 |
| | -1,127 | -854 | -1,818 | -1,708 |
| | **19,839** | **14,481** | **39,030** | **28,237** |
| | 187 | 1,345 | 587 | 2,388 |
| | 752 | 621 | 1,187 | 1,076 |
| | -9,937 | -8,449 | -19,428 | -16,583 |
| | **-8,998** | **-6,483** | **-17,654** | **-13,119** |
| | **2,102** | **-700** | **8,211** | **-969** |
| | **12,944** | **7,298** | **29,588** | **14,149** |
| | 242 | -1,904 | -4,173 | -3,737 |
| | **13,186** | **5,394** | **25,415** | **10,412** |
| | 12,414 | 4,566 | 23,882 | 9,011 |
| | 772 | 828 | 1,533 | 1,401 |
| | | | | |
| | 0.72 | 0.29 | 1.39 | 0.58 |

| | 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** |
| | | | -18,725 | 9,011 | 1,401 | 10,412 |
| | | | | -30,000 | | -30,000 |
| | 210 | | | 210 | | 210 |
| | | | | 0 | -673 | -673 |
| | **89,252** | **2,000** | **9,011** | **614,362** | **49,999** | **664,361** |
| | **93,362** | **2,000** | **48,705** | **724,654** | **62,792** | **787,446** |
| | | | -24,823 | 23,882 | 1,533 | 25,415 |
| | | | | -34,375 | | -34,375 |
| | -1,076 | | | -1,076 | | -1,076 |
| | -1,280 | | | -1,280 | | -1,280 |
| | | | | 0 | 5,569 | 5,569 |
| | -5,497 | | | -5,497 | | -5,497 |
| | | | | 0 | -1,768 | -1,768 |
| | 5,874 | | | 5,874 | -13,941 | -8,067 |
| | **91,383** | **2,000** | **23,882** | **712,182** | **54,185** | **766,367** |

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# CONSOLIDATED CASH FLOW STATEMENT

for the period 1 January to 30 June 2006

| € thousand | 01 Jan.– 30 Jun. 2006 | 01 Jan.– 30 Jun. 2005 |
|---|---|---|
| **Profit after tax** | **25,415** | **10,412** |
| Depreciation of property, plant and equipment | 9 | 9 |
| Income from the application of IFRS 3 | -8,117 | 0 |
| Currency gains | -1,053 | 0 |
| Investments during the financial year | 958 | 745 |
| Increase in deferred taxes | -238 | 3,504 |
| **Operating cash flow** | **16,974** | **14,670** |
| | | |
| Changes in receivables | 2,172 | 1,693 |
| Changes in non-current tax provisions | -3,514 | 0 |
| Changes in current provisions | -5,302 | -13,917 |
| Changes in liabilities | 7,365 | -1,877 |
| **Cash flow from operating activities** | **17,695** | **570** |
| | | |
| Proceeds from the disposal of non-current assets | 40,170 | 0 |
| Payments to acquire property, plant and equipment and intangible assetes | -114,011 | -15,917 |
| Payments to acquire non–current financial assets | -232 | -2,085 |
| **Cash flow from investing activities** | **-74,073** | **-18,002** |
| | | |
| Changes in interest-bearing financial liabilities | -15,933 | 22,358 |
| Payments to owners | -36,142 | -30,673 |
| **Cash flow from financing activities** | **-52,075** | **-8,315** |
| | | |
| **Net change in cash and cash equivalents** | **-108,453** | **-25,747** |
| | | |
| **Cash and cash equivalents at beginning of period** | **197,192** | **150,275** |
| | | |
| Changes in consolidated Group | 8,573 | 0 |
| Other changes | -16,297 | 200 |
| | | |
| **Cash and cash equivalents at end of period** | **81,015** | **124,728** |

**Basis of presentation**

Deutsche EuroShop's interim financial statements as at 30 June 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 six months as at 30 June 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.

As a result of the sale of our French shopping center, SCI Val Commerces was deconsolidated in the second quarter.

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.

### Information by geographical segment

| € thousand | domestic | foreign | thereof EU | Total |
|---|---|---|---|---|
| **Revenue** | **40,268** | **5,608** | **5,608** | **45,876** |
| (prior-year figures) | (30,117) | (5,062) | (5,062) | (35,179) |

### 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 30 June 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 taxes item are recorded in the income tax expense item starting in 2006.

For the first time, the market value of the Árkád Pécs property was no longer reported at the Group level in the second quarter, but rather in forints in the local Hungarian annual financial statements. The translation into forints resulted in an unrealized currency gain. The currency effects previously reported in other operating expenses and other operating income are now reported in measurement gains and losses. The income statements for the prior-year period and for the first quarter of 2006 were restated accordingly.

### Dividend

A dividend for financial year 2005 of €2.00 per share was paid on 23 June 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

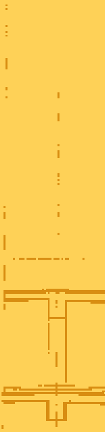
| **August** | |
|---|---|
| 11. | Interim report H1 2006 |
| 16. | Roadshow Vienna, HSBC Trinkaus & Burkhardt |
| 17. | Roadshow Liechtenstein, Metzler |

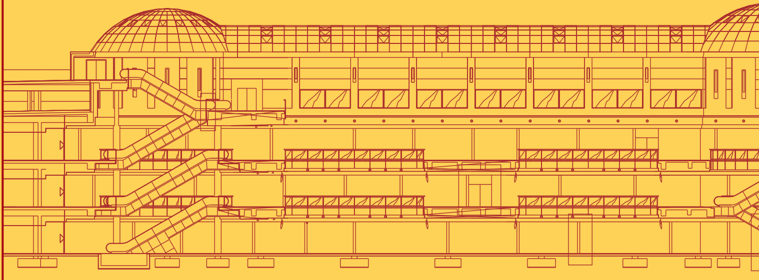
| **September** | |
|---|---|
| 04. | Roadshow Luxembourg, M.M. Warburg |
| 05. | Roadshow Paris, Kepler Equities |
| 13. | Supervisory Board meeting, Hamburg |
| 26. | HVB German Investment Conference, Munich |

| **Oktober** | |
|---|---|
| 05. | DrKW German MidCap Investment Conference, New York |
| 07. | Hamburg Stock Exchange Fair |
| 12. | 6th Property Share Initiative Conference, Frankfurt am Main |

| **November** | |
|---|---|
| 14. | Interim report Q1-3 2006 |
| 15. | 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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