feel estate

INTERIM REPORT 1ST QUARTER 2007

Deutsche EuroShop

KEY GROUP DATA

€ million	1 Jan.–31 Mar. 2007	1 Jan.–31 Mar. 2006	Change
Revenue	22.6	22.7	-1%
EBIT	18.7	19.0	-2%
Net finance costs	-10.1	-9.4	-8%
EBT	8.5	15.9	-47%
Consolidated profit	6.3	11.5	-45%
EPS (€)[1]	0.37	0.67	-45%

	31 Mar. 2007	31 Dec. 2006	Change
Equity	803.0	796.3	1%
Minorities	102.0	101.6	0%
Liabilities	799.5	797.3	0%
Total assets	1,812.7	1,796.2	1%
Equity ratio (%)[2]	50.0	50.0	
Gearing (%)	100	100	
Cash and cash equivalents	108.6	96.9	12%

[1] undiluted [2] incl. minority interest

KEY SHARE DATA

Sector/industry group	Financial Services/Real Estate
Share capital	€21,999,998.72
Number of shares	17,187,499
Proposed dividend 2006 (tax-free)	€2.10
Share price on 29 December 2006	€56.16
Share price on 30 March 2007	€58.21
High/low in the period under review	€60.11 /€53.70
Market capitalisation on 29 Sep. 2006	€1.0 billion
Prime Standard	Frankfurt and Xetra
OTC trading	Berlin-Bremen, Dusseldorf, Hamburg, Hannover, Munich and Stuttgart
Indices	MDAX, EPRA, GPR 250, EPIX 30, HASPAX
ISIN	DE 000748 020 4
Ticker symbol	DEQ, Reuters: DEQGn.DE

Letter from the Executive Board

**Dear shareholders,
Ladies and Gentlemen,**

We are delighted that, in reporting on the first quarter of 2007, we are once again in a position to present gratifying results. Revenue, at €22.6 million, almost matched the previous year's level. The contribution to revenue made by the City Arkaden in Klagenfurt, Austria and index-linked rent increases came close to offsetting the lost sources of revenue from the two shopping centers that were sold in France and Italy. As expected, EBIT fell slightly, down 1.6% to €18.7 million.

With measurement gains/losses during the same quarter of last year being strongly affected by consolidation effects, we believe that the result from ordinary business activity (EBT) of €8.5 million marks a good start to the financial year. This result includes minority interests. Consolidated net profit was €6.3 million. Expressed as earnings per share, this equates to €0.37.

So what is there to report on developments in our portfolio during the first quarter? The City Arkaden in Klagenfurt celebrated its first anniversary at the end of March. The center is developing very well and has established itself as a popular meeting place in the center of Klagenfurt. We are also very satisfied with the properties in our portfolio that are currently still under construction. Galeria Baltycka in Gdansk, Poland, has been fully let since the end of February. Construction work is progressing on schedule with the topping-out ceremony due to be held on 24 May and the official opening in early October 2007. The foundation stone for the Stadtgalerie in Passau, Germany was laid on 20 April. The Stadtgalerie is due to open in autumn 2008, with more than 70% of the shop premises already let. Meanwhile, in Hamelin, everything is also on schedule. We are looking forward to the topping-out ceremony on 4 July, with the opening planned for spring 2008. More than 75% of the property has already been let.

On 30 March the Bundesrat, the Upper House of German Parliament, approved the Act on the Introduction of REITs (Real Estate Investment Trusts) in Germany. The Act will enter into force with retrospective effect from 1 January 2007. This marks the end of many years of high-level debate on this issue, which you may have been following in the media. We at Deutsche EuroShop will in all probability not be able to recommend to our shareholders that our company switch to REIT status. Such a move would have negative tax implications for our shareholders in particular, as it would no longer be possible for dividends to be paid on a tax-free basis. Rather, the full amount of any dividends paid would be liable for tax as the half-income method (Halbeinkünfteverfahren) is not to be applied to REIT dividends.

Hamburg, May 2007

Claus-Matthias Böge　　　　Olaf G. Borkers

Business Developments

Revenue performance

Revenue maintained at previous year's level

Revenue for the first three months of the 2007 financial year was €22.6 million and thus at the same level as during the previous year. Whilst revenue has been lost following the sale of foreign properties, the revenue generated from portfolio properties was increased by 2.8%.

Income situation

Other operating income slightly down

Other operating income fell from €0.5 million to €0.3 million.

Falling operating and administrative costs for property

Due to the absence of cost items for the properties that had been sold, current property expenses fell by €0.2 million to €3.3 million.

Other operating expenses up €0.2 million

After unrealised currency effects from the previous year were allocated to measurement gains/losses, other operating expenses amounted to €0.9 million, which represents a slight rise of €0.2 million on the same period of the previous year (€0.7 million).

EBIT almost at previous year's level

Earnings before interest and taxes (EBIT) fell by €0.3 million, from €19.0 million to €18.7 million.

Net finance costs as expected

Net finance costs amounted to €10.1 million, €0.7 million more than the €9.4 million recorded during the previous year. This can be attributed to higher interest expenses for the portfolio properties and, additionally, to the fact that, in the first quarter of 2006, this item included income from our Polish investment, an amount that will not be recognised in the accounts until a later stage during this financial year.

'Normal' measurement gains/losses

Measurement gains/losses during the first quarter of last year were significantly affected by consolidation and currency effects. This has resulted in a fall from €6.2 million to - €0.1 million. For the quarter under review, this item only includes investments in tangible fixed assets and small currency effects.

EBT down 47% due to lack of one-off effects

Pre-tax profit (EBT) fell to €8.5 million, €7.4 million (47%) down on the same period of last year (€15.9 million).

Consolidated profit: €6.3 million = earnings per share of €0.37

Consolidated profit was €6.3 million, down by €5.2 million (-45%) on the previous year (€11.5 million in Q1). Earnings per share fell from €0.67 to €0.37 (-45%). Of this total, €0.38 related to operating profit and -€0.01 to measurement gains/losses.

Net assets and financial situation

Liquidity situation

The total assets of the Deutsche EuroShop Group rose by €16.5 million during the reporting period to reach €1,812.7 million. Non-current assets rose due to investments relating to properties under construction by a total of €24.0 million. Receivables and other assets fell by €19.2 million.

Equity ratio of 50%

There was no change in the equity ratio including minority interests compared with the previous year. The ratio remained at 50.0%.

Slight increase in long-term liabilities

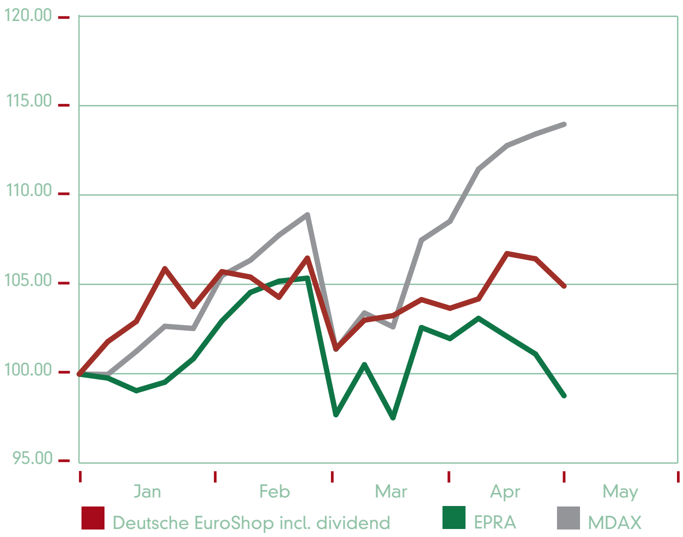
Long-term deferred tax liabilities increased by €2.1 million to €83.3 million due to allocations to the current result. Non-current bank loans and overdrafts rose primarily due to further loan drawdowns by our Polish project development company. An increase of €20.2 million to €772.3 million was recorded. Short-term bank liabilities were reduced by €10.7 million to €17.8 million due to repayment of a short-term credit line by Deutsche EuroShop AG. Other liabilities fell by €2.1 million to €7.7 million.

The Shopping Center Share

Our share was again able to record price increases during the first quarter of 2007, gaining 3.7% from €56.16 (2006 year-end price) to €58.21 (as at 31 March 2007). The MDAX performance index put on 8.5% over the same period. The market capitalisation of Deutsche EuroShop was therefore €1.0 billion as at the end of the quarter.

DEUTSCHE EUROSHOP VS. MDAX AND EPRA

January to April 2007



(indexed, basis of 100, in %)

Roadshows and conferences

During the period from January to March we presented Deutsche EuroShop at conferences hosted by CA Cheuvreux and HSBC Trinkaus & Burkhardt in Frankfurt, and at a Morgan Stanley conference in London, where we held many meetings with analysts and investors. We also used a roadshow in South Africa to brief existing and potential shareholders on company development. Currently, more than 3% of DES shares are held in South African securities accounts.

Award for investor communication

Deutsche EuroShop was voted the overall winner of the BIRD 2006 award (Best Investor Relations in Germany) by the readers of the German investment magazine Börse Online, who judged it to be the company that treated its investors the most fairly in terms of open and honest capital market communications.

Coverage

In March, Cazenove, a London-based investment bank, began coverage of our share with the recommendation "outperform". Currently, seventeen banks regularly analyse our share, thereby providing investors with a broad range of opinions. Further institutions in Germany and abroad have indicated their interest in publishing analysis of our share this year.

Events Since the End of the Interim Reporting Period

There have been no material events since the end of the first three months of the 2007 financial year.

Risk Report

There have been no significant changes since the beginning of the financial year with regard to the risks associated with future business development. In our opinion the company does not face any risks capable of jeopardising its continued existence. The information provided in the risk report in the consolidated financial statements as at 31 December 2006 is therefore still applicable.

Future Opportunities and Outlook

The German Federal Government has raised its growth forecast for 2007 from 1.7 to 2.3%. The mood in the German economy has also lifted again since the beginning of the year. In revising its growth prediction, the Federal Government is confirming the forecasts prepared by the five leading economic research institutions in Germany, who predicted growth of 2.4% for 2007 in their spring report. Unemployment continues to fall. Growth is robust and broadly based. The rise in valueadded tax has not had a significant impact on consumers' propensity to spend. No change in buying behaviour has been observed in our shopping centers.

Current status of shopping centers under construction

Our shopping center portfolio currently comprises three construction projects. Galeria Baltycka in Gdansk will be opened on schedule in autumn 2007, our Hamelin property is due to open its doors in spring 2008 and the foundation stone of the Stadt-Galerie in Passau was laid in April. This center is due to open in autumn 2008. Preletting rates for all three properties are already satisfactory at 100% for Gdansk, 85% for Hamelin and 70% for Passau.

Shopping centers still a key investor focus

Looking back at our comments in our 2006 Annual Report, we can state that demand for retail properties remains as high as ever and that the basic parameters have deteriorated further on the yield side. Initial yields, in other words the ratio between the expected rental income during the first year of operation and the total investment, remain under pressure this year. We are sticking to our investment target of extending our portfolio by an average of €100 to 150 million per year, but are tending towards a reserved approach at the current time.

Investments affecting 2007 result

Based on the result for the first three months of the year, we are upholding our forecast for the 2007 financial year as a whole. Based on our planning, revenue will be between €92 and 94 million and thus on a par with last year (2006: €92.6 million). Earnings before interest and taxes (EBIT) should be between €71 and 73 million (2006: €86.3 million). In terms of profit from ordinary business activity (EBT) excluding measurement gains or losses, we expect a figure of between €30 million and €32 million (2006: €45.4 million).

We are optimistic that we will be able to pay a tax-free dividend of €2.10 per share, or €1.05 per share following the 1:2 share split, for the 2007 financial year.

IFRS CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

ASSETS

€ thousand	31 Mar. 2007	31 Dec. 2006
ASSETS		
Non-current assets		
Intangible assets	12	13
Property, plant and equipment	179,355	155,290
Investment property	1,452,002	1,452,002
Non-current financial assets	29,040	29,077
Total	**1,660,409**	**1,636,382**
Other non-current assets	13,564	16,508
Non-current assets	**1,673,973**	**1,652,890**
Current assets		
Trade receivables	1,008	2,337
Recievables from other investees and investors	0	2,184
Other current assets	29,120	41,900
Current financial assets	15,957	968
Cash	92,648	95,934
Current assets	**138,733**	**143,323**
Total assets	**1,812,706**	**1,796,213**

EQUITY AND LIABILITIES

€ thousand	31 Mar. 2007	31 Dec. 2006
EQUITY AND LIABILITIES		
Equity and reserves		
Share capital	22,000	22,000
Capital reserves	558,588	558,588
Retained earnings	216,066	115,381
Consolidated net profit for the period	6,315	100,307
Total equity	**802,969**	**796,276**
Non-current liabilities		
Bank loans and overdrafts	772,270	752,100
Deferred tax liabilities	83,251	81,158
Right to redeem of limited partners	102,040	101,642
Other non-current liabilities	396	403
Non-current liabilities	**957,957**	**935,303**
Current liabilities		
Bank loans and overdrafts	17,787	28,529
Current trade payables	1,371	6,497
Tax provisions	1,251	1,308
Other provisions	23,659	18,543
Other current liabilities	7,712	9,757
Current liabilities	**51,780**	**64,634**
Total equity and liabilities	**1,812,706**	**1,796,213**

IFRS CONSOLIDATED INCOME STATEMENT FOR THE PERIOD 1 JANUARY TO 31 MARCH 2007

€ thousand	1 Jan.–31 Mar. 2007	1 Jan.–31 Mar. 2006
Revenue	22,620	22,746
Other operating income	270	520
Other operating income	-1,827	-2,190
Property management costs	-1,457	-1,330
Other operating expenses	-864	-691
Earnings before interest and taxes (EBIT)	**18,742**	**19,055**
Income from investments	0	400
Interest income	420	435
Interest expense	-9,722	-9,491
Profit/loss attributable to limited partners	-822	-761
Net finance costs	**-10,124**	**-9,417**
Measurement gains/losses	**-149**	**6,245**
Profit before tax (EBT)	**8,469**	**15,883**
Income tax expense	-2,154	-4,415
Consolidated profit	**6,315**	**11,468**
Basic earnings per share (€)	0.37	0.67

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2007

€ thousand	Share capital	Capital reserves	Other retained earnings	Legal reserve	Net profit for the period	Total
Balance at 1 Jan. 2006	**21,999**	**558,588**	**93,362**	**2,000**	**48,705**	**724,654**
Consolidated profit		48,705			-37,237	11,468
Change due to IAS 39 measurement of investments			-1,076			-1,076
Change due to currency translation effects			1,754			1,754
Balance at 31 Mar. 2006	**21,999**	**607,293**	**94,040**	**2,000**	**11,468**	**736,800**
Balance at 1 Jan. 2007	**22,000**	**558,588**	**113,381**	**2,000**	**100,307**	**796,276**
Consolidated profit			100,307		-93,992	6,315
Change cash flow hedge			664			664
Change due to currency translation effects			-286			-286
Balance at 31 Mar. 2007	**22,000**	**558,588**	**214,066**	**2,000**	**6,315**	**802,969**

IFRS CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD 1 JANUARY TO 31 MARCH 2007

€ thousand	1 Jan.–31 Mar. 2007	1 Jan.–31 Mar. 2006
Profit after tax	**6,315**	**11,468**
Income from the application of IFRS 3	0	-8,551
Profit/loss attributable to limited partners	822	761
Depreciation of property, plant and equipment	4	4
Investments during the financial year	334	575
Deferred taxes	2,093	4,350
Operating cash flow	**9,568**	**8,607**
Changes in receivables	19,236	2,003
Changes in current provisions	5,061	-2,578
Changes in liabilities	-7,178	-5,118
Cash flow from operating activities	**26,687**	**2,914**
Payments to acquire property, plant and equipment and intangible assets	-24,401	-104,387
Payments to acquire non-current financial assets	0	-232
Cash flow from investing activities	**-24,401**	**-104,619**
Changes in interest-bearing financial liabilities	9,428	9,028
Payments to owners	-425	-704
Cash flow from financing activities	**9,003**	**8,324**
Net change in cash and cash equivalents	**11,289**	**-93,381**
Cash and cash equivalents at beginning of period	**96,902**	**197,192**
Changes in consolidated Group	0	8,120
Other changes	414	-13,170
Cash and cash equivalents at end of period	**108,605**	**98,761**

Notes/Disclosures

Basis of presentation

The present financial statements of the Deutsche EuroShop Group as at 31 March 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have not been reviewed by our external auditors. In the opinion of the Executive Board, the financial statements contain all of the necessary adjustments required to give a true and fair view of the income situation as at the Interim Report date. Conclusions regarding future developments cannot necessarily be drawn from the results of the first three months as at 31 March 2007.

The accounting and valuation methods applied correspond to those used in the last consolidated financial statements as at the financial year-end. A detailed description of the methods applied was published in the consolidated notes for the year 2006.

Basis of consolidation

The consolidated group was reduced in size due to the sale in 2006 of the properties in France and Italy and resulting deconsolidation.

Other disclosures

Currency effects arising from the incorporation of the market value of the Árkád Pécs property have been included in measurement gains/losses since 30 June 2006. To ensure comparability of the quarterly figures as at 31 March 2007, the currency losses from the first quarter of the previous year were reallocated from other operating expenses to measurement gains/losses.

The inclusion of Galeria Baltycka led to the recognition of a €1.6 million interest rate swap that was not included in the first quarter of 2006 being reported in the statement of changes of equity, as the investment was consolidated for the first time on 30 September 2006. Additionally, an interest rate swap was also reported under equity for Deutsche EuroShop AG. This relates to a long-term loan taken up at the end of 2006.

In terms of the changes resulting from application of IAS 32, equity no longer includes any minority interests. These are now listed as a separate item under non-current liabilities.

Dividend

No dividend was distributed during the first quarter of 2007.

Stock options

The variable components of the remuneration of the members of the Executive Board and Supervisory Board do not include any stock options or similar securities-based incentive schemes.

Forward-looking statements

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

Financial Calendar 2007

May

11. Interim report Q1 2007
14. Roadshow Edinburgh, Morgan Stanley
    Roadshow Zurich, Kempen & Co
15. Roadshow Dublin, HVB
14. – 15. Deutsche Bank German Corporate Conference, Tokyo
16. Roadshow Frankfurt, HVB
24. Roadshow London, M.M. Warburg
30. Kempen & Co. European Property Seminar, Amsterdam
31. UniCredit Financials Conference, Stockholm

June

21. Annual General Meeting, Hamburg
29. Sal. Oppenheim Real Estate Conference, Zurich

August

14. Interim report H1 2007
15. Roadshow Köln und Dusseldorf, HSBC
16. Roadshow Vienna, Sal. Oppenheim

September

06. – 07. EPRA Jahreskonferenz, Athens
12. Roadshow Zurich, WestLB
25. – 27. HVB German Investment Conference, Munich

October

08. – 10. Expo Real, Munich
18. Société Générale Pan European Real Estate Conference, London
25. – 26. Real Estate Share Initiative, Frankfurt

November

09. Interim report Q1-3 2007
12. Roadshow Paris, Berenberg Bank
14. – 15. WestLB Deutschland Conference, Frankfurt

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

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