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Deutsche EuroShop



INVITATION
TO THE
ANNUAL GENERAL MEETING
2007

**INVITATION AND AGENDA FOR
THE ANNUAL GENERAL MEETING
ON 21 JUNE 2007**

Dear Shareholders,

An invitation to all shareholders
to attend the

ANNUAL GENERAL MEETING
of Deutsche EuroShop AG
on 21 June 2007, at 2:00 p.m.
at the Hotel Atlantic Kempinski
An der Alster 72-79, 20099 Hamburg

was published in the electronic Federal Gazette
(elektronischer Bundesanzeiger) on 9 May 2007.

We would like to inform you that the
Annual General Meeting has been convened as above,
and that the agenda has been published.

AGENDA

1. Presentation of (i) the confirmed financial statements as at 31 December 2006; (ii) the consolidated financial statements as at 31 December 2006; (iii) the management report of the Company and the Group management report, together with the Supervisory Board Report for the 2006 financial year; and (iv) the explanatory report submitted by the Executive Board under disclosure requirements pursuant to sections 289 (4) and 315 (4) of the German Commercial Code

The documents referred to above are available for inspection at the offices of Deutsche EuroShop AG, at Oderfelder Strasse 23, 20149 Hamburg, Germany, as well as on the internet, at <http://www.deutsche-euroshop.de>. Upon request, the Company will immediately send a copy of these documents to every shareholder, free of charge.

2. **Appropriation of net retained profit (Bilanzgewinn)**

The Executive Board and the Supervisory Board propose to the Annual General Meeting that a dividend of €2.10 per share be paid; this amount being equivalent to a total payout of €36,093,747.90, from net retained profit (Bilanzgewinn) of €45,092,236.36, and to carry forward the remainder of €8,998,488.46.

3. **Formal approval of the Executive Board**

The Executive and Supervisory Boards propose that formal approval be granted for the members of the Company's Executive Board for the 2006 financial year.

4. **Formal approval of the Supervisory Board**

The Executive and Supervisory Boards propose that formal approval be granted for the members of the Company's Supervisory Board for the 2006 financial year.

5. **Remuneration of the Supervisory Board**

The Executive and Supervisory Boards propose to pay the following remuneration to the members of the Supervisor Board for the 2006 financial year: €30,000 p.a. to the Chairman, €22,500 p.a. to the Deputy Chairman, and €5,000 p.a. to each other member of the Supervisory Board.



6. Passing of a resolution on the increase of the share capital from reserves, and on a redenomination of the share capital (share split), together with resulting amendments to the Memorandum and Articles of Association

The Company's share capital currently amounts to €21,999,998.72, and is divided into 17,187,499 shares each having a notional interest in the share capital of €1.28. The share capital currently issued is the result of the last capital increase from authorised capital, carried out in November 2005, where 1,562,499 notional no-par value share (Stückaktien) were issued, increasing the share capital by €1,999,998.72.

The proposed increase of the share capital from reserves, together with the redenomination of the share capital (share split), serve several purposes, the first being to restore an 'even' amount in euros of the issued share capital. A further objective is to achieve a notional interest of each share of €1.00, bringing it in line with the majority of public limited companies.

The proposed measure would also reduce the exchange price per share: as a result, the fungibility of the shares is expected to improve.

As a first step, it is proposed to increase the share capital by €12,374,999.28 to €34,374,998.00, resulting in a notional interest of each share in the share capital of €2.00. In a second step, it is proposed to redenominate the Company's share capital through a two-for-one share split, where one existing notional no-par value share will be split into two notional no-par value shares, each with a notional interest of €1.00 in the Company's share capital. As a result, the number of shares in circulation will double, but without any fresh capital flowing to the Company.

It is proposed to instruct WestLB AG, Dusseldorf, with the technical settlement of the transaction. Following the registration of the amendments to the Memorandum and Articles of Association in the Commercial Register at the Hamburg local court (Amtsgericht Hamburg) and the admission of the shares to the Official Market at the Frankfurt Stock Exchange, and to the OTC Market segment (Freiverkehr) at the Berlin/Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart Stock Exchanges, the custodian banks will effect the re-booking of securities account positions, in a two-for-one ratio, on the first day of quotation. These changes to their securities accounts, to be carried out by custodian banks, will be free of charge for shareholders.



The Supervisory and Executive Boards therefore propose the following resolutions:

- a) That the Company's share capital be increased from €21,999,998.72 by €12,374,999.28 to €34,374,998.00, by way of conversion of part of the capital reserves in the amount of €12,374,999.28, in accordance with the provisions of the German Public Limited Companies Act (Aktiengesetz – "AktG"; specifically, sections 207 et seq. of the AktG). This capital increase shall be based on the Company's financial statements as at 31 December 2006, which were prepared by the Executive Board and duly approved (and thus confirmed) by the Supervisory Board, and which were examined and certified without qualification by BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, the Company's external auditors. The capital increase shall be carried out without issuing new shares. As a result of this capital increase from reserves, the notional interest of each share in the issued share capital will increase from €1.28 to €2.00.

Subject to approval by the Supervisory Board, the Executive Board shall be authorised to determine the details of this capital increase.

- b) That the company's share capital be redenominated. For this purpose, each registered notional no-par value share be replaced by two registered notional no-par value shares (two-for-one share split). As a result, the number of shares in issue will double to 34,374,998, each having a notional interest in the share capital of €1.00.
- c) That Article 4 (1) of the Memorandum and Articles of Association (Share capital and shares) be amended to read as follows, reflecting the resolutions passed under a) and b) above:

"The Company's share capital amounts to €34,374,998.00 (in words: thirty-four million, three hundred and seventy-four thousand, nine hundred and ninety-eight euros), and is divided into 34,374,998 (thirty-four million, three hundred and seventy-four thousand, nine hundred and ninety-eight) notional no-par value shares."

- d) That Article 6 (1) of the Memorandum and Articles of Association (Conditional capital) be amended to read as follows, reflecting the resolutions passed under a) and b) as well as c) above:

"The Company's share capital is subject to a conditional capital increase of up to "The Company's share capital is subject to a conditional capital increase of up to €7,500,000.00 by means of issuing up to 7,500,000 new registered notional no-par value shares." 7,500,000.00 by means of issuing up to 7,500,000 new registered notional no-par value shares."

7. Passing of a resolution on the cancellation of authorised capital and the creation of a new authorised capital (authorising the Executive Board to increase the share capital, excluding shareholders' pre-emptive rights), together with related amendments to the Memorandum and Articles of Association (amendment of Article 5)

It is proposed to adjust authorised capital to the capital increase from reserves (including a share split) resolved under the preceding agenda item 6, renewing authorised capital to the maximum amount possible.

The existing authorisation to increase the share capital by up to €10,000,000.00 by issuing up to 7,812,500 new notional no-par value shares, as resolved by the Annual General Meeting on 17 Jun 2004, was exercised through the capital increase carried out in November 2005, whereby 1,562,499 notional no-par value shares were issued, increasing the share capital by €1,999,998.72. This capital increase was registered with the Commercial Register (Handelsregister) on 16 November 2005, and became effective on the same date. The Company's share capital thus amounts to €21,999,998.72. The remaining authorised capital amounts to €8,000,001.28. According to the law, the maximum authorised capital must not exceed half of the issued share capital.

To retain the Executive Board's ability in the future to use authorised capital to strengthen the Company's capital base, or to readily exploit opportunities for acquisitions as they arise in the market (having a choice between a capital increase against contributions in cash, or in kind), the Executive and Supervisory Boards propose the following resolution:

That a new authorised capital of €17,187,499.00 be created, simultaneously cancelling the existing authorisation under Article 5 of the Memorandum and Articles of Association, both subject to the conditions precedent that the capital increase from reserves, together with the share split as resolved under agenda item 6 above, have become effective.

That Article 5 of the Memorandum and Articles of Association be amended as follows:

"The Executive Board is authorised to increase, on one or more occasions, the Company's share capital by up to a maximum total amount of €17,187,499.00 by issuance of up to 17,187,499 registered



notional no-par value shares for contribution in cash or in kind, subject to the approval of the Supervisory Board. This authority will expire on 20 June 2012.”

In principle, such new shares shall be offered to shareholders for subscription. The shares may also be subscribed by a bank, subject to the obligation to offer them to the shareholders for subscription. However, subject to the approval of the Supervisory Board in each case, the Executive Board may exclude shareholders’ pre-emptive rights in the following cases:

- (a) to the extent that this is required in order to compensate for fractional amounts;
- (b) for the purpose of acquiring companies, divisions of companies, interests in companies, property or other contributions in kind against transfer of shares (capital increase against contributions in kind), in individual cases where this is deemed appropriate;
- (c) provided that (i) the new shares in respect of which shareholders’ pre-emptive rights are excluded do not exceed ten per cent of the share capital, whereby this ceiling (which also applies to the aggregate of multiple increases) must not be exceeded at the time of this authorisation coming into effect or being exercised; and (ii) the shares are issued at a price that is not significantly lower than the stock exchange price, in accordance with sections 203 (1) and (2) and 186 (3) sentence 4 of the AktG.

The said threshold of ten per cent of the share capital shall also include the notional interest in the share capital attributable to shares which are sold outside the stock exchange, excluding shareholders’ pre-emptive rights, by virtue of an authorisation pursuant to section 186 (3) sentence 4 of the AktG, which is valid at the time of said authorisation coming into effect or replaces said authorisation. Furthermore, said threshold of ten per cent of the share capital shall also include the notional interest in the share capital attributable to shares issued to fulfil obligations arising under the terms of convertible debt securities, provided that such shares were issued excluding shareholders’ pre-emptive rights, by virtue of an authorisation pursuant to sections 221 (4) sentence 2 and 186 (3) sentence 4 of the AktG.

Subject to approval by the Supervisory Board, the Board of Managing Directors may determine the details regarding the issue of new shares, the rights associated with shares so issued and the terms and conditions of such share issues (Authorised Capital 2007).

The Supervisory Board shall be authorised to amend the wording of the present Memorandum and Articles of Association to reflect the scope of the increase in capital from authorised capital.”

The Executive Board is instructed to defer registration of said cancellation of the existing Authorised Capital 2004, and creation of the new Authorised Capital 2007 in the Commercial Register, until the capital increase from reserves and the share split resolved under agenda item 6 above have come into effect.

To ensure that the cancellation of the existing authorised capital will not come into effect without it being replaced by the new authorised capital, the Executive Board is further instructed to defer registration of the above resolution on the cancellation of the existing authorised capital in the Commercial Register until such time at which it can be assured that the resolution on the creation of the new authorised capital (together with the related amendment of the Memorandum and Articles of Association) is registered in the Commercial Register immediately after the cancellation entry.

To this extent, the resolution passed by the Annual General Meeting to cancel the existing authorised capital and approve the new authorised capital represents a uniform resolution, which must be submitted to the Commercial Register for uniform entry.

8. Appointment of the external auditors for the 2007 financial year

The Supervisory Board proposes that auditors BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg, be appointed as the auditors for the financial year 2007.

9. Passing of a resolution to amend the Memorandum and Articles of Association to implement the Act for the Implementation of the Transparency Directive

Pursuant to the Act for the Implementation of the Transparency Directive (Transparenzrichtlinie-Umsetzungsgesetz – “TUG”), which came into effect in January 2007, the electronic transmission of information to shareholders by way of remote data transfer is subject to approval by the General Meeting. To be able to offer our shareholders this practical and environmentally-friendly form of communication in the future, it is proposed to amend the Memorandum and Articles of Association accordingly. The Executive and Supervisory Boards propose the following resolution:



- a) That a new Article 15 be added to the Memorandum and Articles of Association, after the heading “VII. Final Provisions” and before the existing Article 15, to read as follows:

“Information to shareholders may also be transmitted using electronic media.”

- b) Accordingly, the previous Article 15 (Severability) shall become Article 16.

10. Amendment of Article 14 [of the Memorandum and Articles of Association] (Financial statements and appropriation of profits)

The existing wording of Article 14 is very limited, and does not accurately reflect the wording of applicable law. The Executive Board must submit the financial statements to the Supervisory Board. Therefore, the Executive and Supervisory Boards propose to amend Article 14 as follows, to bring it into line with legal provisions (sections 170 et seq. of the AktG):

1. The Executive Board shall prepare the financial statements (comprising the balance sheet, income statement, and notes to the financial statements), together with the management report (and, where required by law, the consolidated financial statements and group management report) for the past financial year, within the first three months of each financial year, submitting said documents to the Supervisory Board without delay after preparation. At the same time, the Executive Board shall submit its proposal for the appropriation of net retained profit to the Supervisory Board.
2. The Supervisory Board shall examine the financial statements and the management report (and, where required by law, the consolidated financial statements and group management report), together with the proposal for the appropriation of net retained profit, and shall submit a written report on the results of this examination to the General Meeting.”

Report of the Executive Board regarding the exclusion of shareholders pre-emptive rights

Re: Item 7 of the agenda (Authorised capital)

Report of the Executive Board to the Annual General Meeting regarding the exclusion of pre-emptive rights in the event of exercise of newly-created authorised capital, in accordance with sections 203 (1) and 203 (2) sentence 2; 186 (4) sentence 2 and 186 (3) sentence 4 of the AktG:

The Executive and Supervisory Boards propose to cancel the unused part of the existing authorised capital, in the amount of €8,000,001.28, and to replace it with new authorised capital of €17,187,499.00. It is proposed to exclude the pre-emptive subscription rights of existing shareholders in certain cases. The Executive Board submits the following report in this respect:

The Annual General Meeting on 17 June 2004 passed a resolution creating authorised capital of up to €10,000,000.00. Following the successful exercise of this authorised capital in November 2005, for a capital increase of €1,999,998.72, the existing authorisation is in an amount of up to €8,000,001.28. The maximum amount of authorised capital under applicable law is equivalent to half the share capital. Using this maximum would enhance the Company's scope for action.

The proposed authorisation to create new authorised capital in the maximum permissible amount of €17,187,499.00 would provide the Executive Board with a flexible instrument to conduct a corporate policy that is in line with ever-changing capital markets. The purpose of the proposed authorised capital is to enable the Executive Board to continue raising the capital required for the Company's further development in the capital markets at short notice, by issuing new shares, and to swiftly exploit attractive opportunities which may arise in the markets to cover the Company's future financing needs.

In addition, the proposed authorisation would enable the Executive Board to acquire companies, divisions of companies, or shareholdings in other companies, as well as property or other contributions in kind from third parties against the issue of shares, without having to tap the capital markets.

The latter option of issuing shares in particular will significantly enhance the Executive Board's scope for manoeuvre in a competitive environment, as the consideration payable within the scope of business combinations or the acquisition of companies or shareholdings is increasingly being provided in the form of the acquirer's shares. Given the constantly increasing size of corporate entities involved in such transactions, it is often impossible to provide the consideration in cash without placing a burden on the Company's liquidity, or increasing its leverage to an extent that is undesirable. Using authorised capital for this purpose requires the option to exclude shareholders' pre-emptive subscription rights. The proposed authorisation is a purely precautionary measure; there are currently no concrete projects in this respect.

Where new shares are to be issued as consideration for the purpose of acquiring companies, divisions of companies, shareholdings, property or other contributions in kind, such issue under

a capital increase requires exclusion of existing shareholders' pre-emptive rights. For this reason, it is proposed to authorise the Executive Board to exclude shareholders' pre-emptive rights in such cases, subject to approval by the Supervisory Board.

Furthermore, it is proposed to authorise the Executive Board to exclude shareholders' pre-emptive rights with regard to any fractional amounts. This authorisation to exclude pre-emptive rights for fractional amounts would enable the Executive Board to determine a simple and practicable subscription ratio for any capital increase. Fractional amounts are incurred as a result of the subscription ratio for an increase of the share capital, and where it is impossible to allocate a non-fractional number of shares to each shareholder; such fractional amounts are immaterial in relation to the overall size of the capital increase.

It is also proposed to exclude pre-emptive rights, pursuant to sections 203 (2) and 186 (3) sentence 4 of the AktG, provided that the aggregate of new shares in respect of which shareholders' pre-emptive rights are excluded do not exceed ten per cent of the share capital, and the shares are issued at a price that is not significantly lower than the stock exchange price. The purpose of this authorisation is to enable the management to take advantage of favourable market opportunities whenever they arise, at short notice, thereby maximising the effect of strengthening the Company's capital. Given the significantly shorter time required to implement a capital increase, the exclusion of pre-emptive rights tends to enhance the inflow of funds raised, compared to a similar rights issue.

In accordance with the proposal, furthermore, said threshold of ten per cent of the share capital also includes the notional interest in the share capital attributable to treasury shares sold by the Company (to the extent that such sale is executed by excluding shareholders' pre-emptive rights), as well as shares issued to fulfil obligations arising under the terms of convertible debt securities,



provided that such shares are issued excluding shareholders' pre-emptive rights, by virtue of an authorisation pursuant to sections 221 (4) sentence 2 and 186 (3) sentence 4 of the AktG. The purpose of these restrictions is to minimise the dilution effect for shareholders whose pre-emptive rights have been excluded.

To ensure that the share capital already amounts to €34,374,998.00 at the time of said authorisation coming into effect, the Executive Board is instructed to defer registration of the resolution on the cancellation of the existing authorised capital in the Commercial Register until such time at which it can be assured that the resolution on the creation of the new authorised capital (together with the related amendment of the Memorandum and Articles of Association) is registered in the Commercial Register immediately after the cancellation entry.

To ensure that the cancellation of the existing authorised capital will not come into effect without it being replaced by the new authorised capital, the Executive Board is instructed to defer registration of the above resolution on the cancellation of the existing authorised capital in the Commercial Register until such time at which it can be assured that the resolution on the creation of the new authorised capital (together with the related amendment of the Memorandum and Articles of Association) is registered in the Commercial Register immediately after the cancellation entry.

To this extent, the resolution passed by the Annual General Meeting to cancel the existing authorised capital and approve the new authorised capital represents a uniform resolution, which must be submitted to the Commercial Register for uniform entry.

Attendance

Registration to attend the Annual General Meeting

Only those shareholders who are registered in the Company's share ledger, and whose registration to attend the General Meeting has been received by the Company on 14 June 2007 at the latest, shall be entitled to attend the General Meeting, and to exercise their voting rights.



Shareholders registered in the Company's share ledger may register to attend by writing to

Deutsche EuroShop AG
c/o PR IM TURM HV-Service AG
Römerstraße 72-74
68259 Mannheim, Germany

For general registration information, please refer to the details provided in the registration documents, which will be sent to you automatically.

As a new service, we are pleased to offer the option of submitting your registration electronically, under the following internet address:

<http://www.hv-des.de>

Likewise, please refer to the registration documents for more details.

Rights of shareholders to attend the General Meeting

Subject to certain requirements stipulated in the AktG, shareholders are entitled to demand an addendum to the agenda. They also have the right to attend the General Meeting, subject to the conditions set out above (Registration to attend the Annual General Meeting), to request information on matters pertaining to the agenda, to submit motions regarding the agenda items and the proceedings, and to cast their votes in the General Meeting, in person or through a proxy.

Exercising voting rights through a proxy

Shareholders may exercise their voting rights in the General Meeting by means of a proxy, such as their custodian bank, a shareholders' association, or another person of their choice.

Exercising voting rights through a proxy appointed by the Company

Furthermore, Deutsche EuroShop AG offers its shareholders the opportunity to authorise a staff member as proxy to their voting rights in the General Meeting, subject to instructions issued by them. In this case, voting proxies and instructions can be forwarded in writing. Detailed information is provided in the documentation dispatched to shareholders.

In addition to electronic registration, we also offer the opportunity to contact the proxy appointed by the Company, under the internet address

<http://www.hv-des.de>

and to duly authorise the proxy and submit instructions in this manner. Please refer to the registration documents sent to you for more details.

Motions and requests by shareholders

Motions by shareholders (including nominations for election pursuant to sections 126 and 127 of the AktG) or any other requests must be sent to the Company, at the following mailing address: Deutsche EuroShop AG, Attn. Patrick Kiss, Oderfelder Strasse 23, 20149 Hamburg, Germany; or by facsimile to +49 40 413579-29.

We will publish any shareholders' motions which must be made public in the internet, at <http://www.deutsche-euroshop.de>, without delay following receipt. In particular, this applies for counter-motions and nominations for elections which are submitted in accordance with regulations, until the end of 7 June 2007. Any management statements will be published on the same website.

Disclosures required pursuant to section 30b (1) no. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG")

The Company's issued share capital comprises 17,187,499 notional no-par value shares holding a total of 17,187,499 voting rights. At the time of convening this General Meeting, the Company does not hold any treasury shares.

Dispatch of documents to shareholders

The Company will dispatch the agenda for the Annual General Meeting on 21 June 2007, together with information on registration and proxy voting, to the shareholders registered in the Company's share ledger.

The invitation to the General Meeting has been published in the electronic Federal Gazette (elektronischer Bundesanzeiger) on 9 May 2007.

Hamburg, May 2007

Deutsche EuroShop AG
The Executive Board



Way description to the Hotel Atlantic Kempinski Hamburg

From the north

You drive on the A7 and take the departure "Stellingen" orientate from this. Please follow the description's to the citycenter and always straight ahead about: Kieler Strasse, Fruchtallee, Schäferkampsallee. An der Verbindungsbahn E.-Siemers-Allee Kennedybrücke. Please drive over the "Kennedybrücke" the Atlantic hotel appears on the right side.

From the east

At the end of the freeway Hamburg-East please drive in the direction of "Jenfeld" (A24) until the end of the freeway (Horner gyroscope). Bending the second possibility there, direction city center (Sievekingsallee). To a bigger intersection the street is then called "Bürgerweide". Please bend after about 1.5 km in the direction of the city center/Wallstrasse. This street leads up to the Außenalster, please turn left (at the Alster). After approx. 700 meters you already see the Atlantic hotel on the left side.

Form the south

You drive on the A7 which then changes into the A1. Follow the A255 and then the B4/B75. You will pass the following streets: Veddeler Brückenstrasse Neue Elbbrücke Billhorner Brückenstrasse Amsinckstrasse Zweite Amsinckbrücke Amsinckstrasse Klosterwall Steintorwall. An der Kunsthalle Ferdinandtor An der Alster E.-Siemers-Allee Kennedybrücke. On the right side you will see the Atlantic hotel.

Distance from the Atlantic Hotel

Main railway station – about 0,5 km, 5 minutes/ feet

Hamburg convention center – about 4 km, 10 minutes/car Airport

Airport Hamburg Fuhlsbüttel – about 12 km, 20 minutes/ car





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