

Recommendation:
BUY Company Update

Risk:
Low (-)

Fair Value:
EUR 29.00 (-)

15 August 2008

1H08 results on course

- Pre-tax profit of Deutsche EuroShop (DES) increased by 54% to €16.3m for 2Q08** compared to the same period last year and up by 16% compared to 2Q07. That is slightly better as we forecasted due to higher forex gains. Our pre-tax profit figures are different to these DES released as DES excludes Minority interests which is somewhat unusual. Revenues rose by 36% to €30.8m for 2Q08. New opened shopping centers contributed mainly to the increase and led to 19% higher administrative costs too. Stadtgalerie Hameln contributed firstly a full quarter to group revenues and costs. Tax ratio came down from 24.5% for 2Q07 to 16% for 2Q08 mainly due to the German corporate tax reform. Net profit after minorities went up by 58% to €11.4m for 2Q08.
- DES released clear forecasts regarding its operating business in 2008 and 2009.** It guided revenues to rise by around 18% between €110m to €113m for 2008e and between €119m to €121m for 2009e. It guided pre-tax profit between €43m to €45m for 2008 and between €49m to €51m for 2009. The forecasts of the company do not include changes of any properties, the revaluation result and exchange rate factors. **Adjusted 1H08 pre-tax profit was fully in line with the target range for FY2008.** DES said it wants continue to grow organically and is expecting a single digit revenues increase p.a. and a double – digit EBIT rise p.a. until 2012.
- DES share price performance suffered of course on the financial market turmoil of the last 12 months. But it was surprisingly stable compared to other German real estate companies. **DES is a pure real estate investor in shopping centers.** It is the only listed German real estate company with that business focus that we know. **The multiples of the European peer group are well above market and DES multiples. We recommend therefore to BUY DES shares.** Our price target is €29 per share.

Key data

Y/E 31.12., EUR m	2006	2007	2008E	2009E	2010E
Total Revenues	181.2	147.7	158.4	169.8	177.6
EBITDA	161.1	129.5	137.0	147.8	154.9
EBIT	160.6	129.5	136.7	147.5	154.6
Net profit	100.3	94.2	66.5	72.9	76.8
EPS	2.92	2.74	1.94	2.12	2.24
DPS	1.05	1.05	1.10	1.10	1.20
EBITDA margin	88.9%	87.7%	86.5%	87.0%	87.2%
EBIT margin	88.6%	87.7%	86.3%	86.9%	87.0%
EV/EBITDA	10.3	12.3	11.7	11.0	10.8
EV/EBIT	10.3	12.3	11.8	11.1	10.8
P/E	8.0	8.5	12.0	11.0	10.4

Source: [fairesearch](#), CBS Research AG, company data

Information sourced from [fairesearch](#), Analyst Dieter Hein

Share price vs MDAX (1 year)



Source: Deutsche Börse, CBS Research AG, [fairesearch](#)

Internet: www.deutsche-euroshop.de
WKN: 74802
Reuters: DEQGN.F

Sector: Real Estate
ISIN: DE0007480204
Bloomberg: DEQ GY

Share data:

Share Price:	EUR 23.25
Shares outstanding (mill.):	34.3
Market capitalisation:	EUR 802m
Enterprise Value (EV):	EUR 1.61bn
Ø daily trading volume:	130,000

Performance data:

High 52 weeks:	28.4
Low 52 weeks:	21.7
Absolute performance: (12 months)	-4.7%
Relative performance (MDax):	
1 month	1.6%
3 months	-0.8%
6 months	-1.6%
12 months	15.1%

Shareholders:

Free-floa:	75.2%
Alexander Ott:	12.5%
Benjamin Ott:	7.0%
Attfun:	5.3%

Financial calendar:

Next event:	3Q08 14 Nov. 2008 www.deutsche-euroshop.de
-------------	---

Close Brothers Seydler Research AG

Phone: +49 (0)69 - 977 84 56 0
E-Mail: research@cbseydlerresearch.ag

Close Brothers Seydler AG

Institutional Sales:

Germany: Uwe Gerhardt
Phone: +49 (0)69 - 920 54 168
France: Bruno de Lencquesaing
Phone: +49 (0)69 - 920 54 116

Close Brothers Seydler Ltd.

Institutional Sales:

United Kingdom: Ernie Ferriday
Phone: +44 2076 55 34 80

www.cbseydlerresearch.ag

**Disclaimer and statement according to § 34b German Securities Trading Act
("Wertpapierhandelsgesetz") in combination with the provisions on financial analysis
("Finanzanalyseverordnung" FinAnV)**

This report has been prepared independently of the company analysed by Close Brothers Seydler Research AG and/ or its cooperation partners and the analyst mentioned on the front page (hereafter all are jointly and/or individually called the 'author'). None of Close Brothers Seydler Research AG, Close Brothers Seydler AG or its cooperation partners, the Company or its shareholders has independently verified any of the information given in this document.

Section 34b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a security analysis to point out possible conflicts of interest with respect to the company that is the subject of the analysis.

Close Brothers Seydler Research AG is a majority owned subsidiary of Close Brothers Seydler AG (hereafter 'CBS'). However, Close Brothers Seydler Research AG provides its research work independent from CBS. CBS is offering a wide range of Services not only including investment banking services and liquidity providing services (designated sponsoring). CBS may possess relations to the covered companies as follows (additional information and disclosures will be made available upon request):

- CBS holds more than 5% interest in the capital stock of the company that is subject of the analysis.
- CBS was a participant in the management of a (co)consortium in a selling agent function for the issuance of financial instruments, which themselves or their issuer is the subject of this financial analysis within the last twelve month.
- CBS has been providing investment banking and/or consulting services during the last 12 months for the company analyzed for which compensation has been or will be paid for.
- CBS acts as designated sponsor for the company's securities on the basis of an existing designated sponsorship contract. The services include the provision of bid and ask offers.
- Due to the designated sponsoring service agreement CBS regularly possess shares of the company and receives a compensation and/ or provision for its services.
- The designated sponsor service agreement includes a contractually agreed provision of research services.
- The company that is subject of the analysis has agreed on a research service agreement with CBS.
- CBS has significant financial interests in relation to the company that is subject of this analysis.

CBS and/or its employees or clients may take positions in, and may make purchases and/ or sales as principal or agent in the securities or related financial instruments discussed in this analysis. CBS may provide investment banking, consulting, and/ or other services to and/ or serve as directors of the companies referred to in this analysis. No part of the authors compensation was, is or will be directly or indirectly related to the recommendations or views expressed.

CBS Research AG and the analysed company may have a contractual agreement to issue and contribute research.

Recommendation System:

Close Brothers Seydler Research AG uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 6 months:

BUY: the expected performance of the share price is above +10%.

NEUTRAL: The expected performance of the share price trend is between +5% and +10%.

SELL: The expected performance of the share price is below 5%.

Recommendation history for the company analysed in this report:

Date	Recommendation	Price at change date	Target Price
2 June 2008	BUY	26.16 EUR (Initiating Coverage)	30.60 EUR
6 August 2008	BUY	24.03 EUR	29.00 EUR
15 August 2008	BUY	23.25 EUR	29.00 EUR

Risk-scaling System:

Close Brothers Seydler Research AG uses a 3-level risk-caling System. The ratings pertain to a time horizon of up to 6 months:

LOW: volatility is expected lower than the volatility of the benchmark
 MEDIUM: volatility is expected equal to the volatility of the benchmark
 HIGH: volatility is expected higher than the volatility of the benchmark

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/revenues, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

The figures taken from the statement of income, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks.

These may change at any time with prior notice

The opinions and forecasts contained in this report are those of author alone. Material sources of information for preparing this report are publications in domestic and foreign media such as information services (including but not limited to Reuters, VWD, Bloomberg, DPA-AFX), business press (including but not limited to Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times), professional publications, published statistics, rating agencies as well as publications of the analysed issuers. Furthermore, discussions were held with the Management for the purpose of preparing the company study. Potentially parts of the analysis have been provided to the issuer prior to going to press; no significant changes were made afterwards, however. Any information in this report is based on data considered to be reliable, but no representations or guarantees are made by author with regard to the accuracy or completeness of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Possible errors or incompleteness of the information do not constitute grounds for liability, neither with regard to indirect nor to direct or consequential damages. The views presented on the covered company accurately reflect the personal views of the author. All Employees of the author's company who are involved with the preparation and/or the offering of financial analyzes are subject to internal compliance regulations.

The report is for information purposes, it is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the securities mentioned in this report. Any reference to past performance should not be taken as indication of future performance. The author does not accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report. The report is confidential and it is submitted to selected recipients only. The report is prepared for professional investors only and it is not intended for private investors. Consequently, it should not be distributed to any such persons. Also, the report may be communicated electronically before physical copies were available. It may not be reproduced (in whole or in part) to any other investment firm or any other individual person without the prior written approval from the author. The author is not registered in the United Kingdom nor with any U.S. regulatory body.

It has not been determined in advance whether and in what intervals this report will be updated. Unless otherwise stated current prices refer to the closing price of the

previous trading day. Any reference to past performance should not be taken as indication of future performance. The author maintains the right to change his opinions without notice, i.e. the opinions given reflect the author's judgement on the date of this report.

This analysis is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor.

By accepting this report the recipient accepts that the above restrictions are binding. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt am Main (Germany).

This report should be made available in the United States solely to investors that are (i) "major US institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also "qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "US Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any such securities may not be offered or sold to US Persons at this time and may be resold to US Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made thereunder or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance companies.

The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident thereof.

Responsible Supervisory Authority:

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)

Graurheindorferstraße 108

53117 Bonn

and

Lurgiallee 12

60439 Frankfurt

 Close Brothers Seydler
Research AG

Hamburger Allee 26 -28

60486 Frankfurt am Main

www.cbseydlerresearch.ag

Tel.: 0049 - (0)69 - 97 78 45 60