April 19, 2005

HVB Equity Research

HVB CORPORATES & MARKETS

German Daily

Companies	Recommendation	Price	Price target
BASF	Neutral	EUR 51.20	EUR 60.00
DaimlerChrysler	Outperform	EUR 30.55	EUR 39.00
Deutsche EuroShop	Outperform	EUR 39.60	EUR 44.70
IWKA	Underperform	EUR 18.70	EUR 18.00
SAP Systems Integration	Sell	EUR 25.91	EUR 20.40
Equity Strategy	Opinion Summary		

BASF

Neutral

EUR 51.20 **Price target: EUR 60.00 (prev. EUR 60.00)** **(prev. Neutral)**

(Reuters: BASF.DE; Bloomberg: BAS GR; WPK: 515100)

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Topic: BASF has completed the EUR 1 bn share buyback program. The company has initiated a new share buyback program of EUR 1.5 bn.

Our View: Since February 2004, BASF bought back 21.3 mn shares at an average share price of EUR 46.95. As this program was fully used, the company has now initiated a new program. The total volume of EUR 1.5 bn is well above our assumptions, which were EUR 0.75 bn to EUR 1 bn. In contrast to the last program, BASF gives a time horizon for the program and says it will buy back the total volume in the calendar year 2005. On the basis of the current share price, this would mean 29 mn share and 5%. The share buyback program will boost the EPS by roughly EUR 0.11 in 2005 and EUR 0.19 in 2006.

Conclusion: After the recent share price weakness, the new share buyback program will stabilize the share price even in the currently difficult stock market environment.

DaimlerChrysler

Outperform

EUR 30.55 **Price target: EUR 39.00** **(prev. Outperform)**
(prev. EUR 39.00)
(Reuters: DCXGn.DE; Bloomberg: DCX GR; WPK: 710000)

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Topic: GM will report Q1 figures this afternoon. The market consensus expects a loss of USD 1.49 according to IBES. The figures could have an impact on DCX which will report on April 28.

Our View: After the profit warning from March 16 and the ongoing pressure on the stock price in the last weeks we think that all of the negative news should be priced in. GM just revised the outlook for 2005 from USD 4 to 5 to only USD 1 to 2 per share. The co. expects a negative operating cash flow of USD 2 bn **ahead** of the Fiat settlement and the impact of the European restructuring. Original target was a positive USD 2 bn operating cash flow. The reason is a ytd reduction of the production volume by 131,726 units (-9.7%) and a more competitive environment in the NA market. This results in a loss at their NA operations and drives EPS to a loss of "approximately USD 1.50" (GM outlook) in Q1 2005 against their original target of being break even or better. IBES estimates came down in the meantime from a loss of USD 0.35 for Q1 05 to a loss of USD 1.49. The key for the stock price reaction will be whether GM would once again revise one of the key figures for 2005 downwards which we do not expect as the majority of the production cut back to reduce the inventory level already took place in Q1. The inventory came down from 102 DS to 79 DS at the beginning of Q2.

Conclusion: As the market has discounted a lot of negative news for the results of GM and Ford (April 20) we can imagine that the results will confirm the negative Q1 situation but should not bring additional new negative news. As DCX has clearly suffered from the Big Two problems it should also benefit from a recovery in the US stock prices.

Deutsche EuroShop

Outperform

EUR 39.60 **Price target: EUR 44.70** **(prev. Outperform)**
(prev. EUR 44.70)
(Reuters: DEQGn.F; Bloomberg: DEQ GR; WPK: 748020)

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Topic: Deutsche EuroShop published 2004 figures ahead of our estimations. The outlook for 2005 is also convincing and our estimations are all at the lower end of the given guidance.

Our View: With sales of EUR 61.4 mn (HVBe 58.5) DES generated a strong Q4. Sales was up 6% y-o-y mainly due to the first contribution from Pecs, Hungary and Phoenix-Center HH. Apart from this, sales of DES-customers in the shopping centers grew by 3% (Germany) and 3.8% (overall). Again, a remarkable better result than the overall weakness in consumer market. This is a further evidence, that the model of investing in shopping centers works very well. The dividend is EUR 1.92 (5% yield) and should be higher next year. With EUR 43.96 the NAV was slightly lower than expected (HVBe: 44.70), however, increased by 1% y-o-y.

Conclusion: All in all a very solid development in 2004 and also in 2005. We will slightly increase our estimations. The NAV and dividend discount model based price target of EUR 44.70 will remain. Together with the dividend of EUR 1.92 in June the we stick to our Outperform rating.

IWKA

Underperform

EUR 18.70 | **Price target: EUR 18.00 (prev. Under review)** | **(prev. Underperform)**

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(Reuters: IWKG.DE; Bloomberg: IWK GR; WPK: 620440)

Topic: Significant drop in operating profit due to order restraint from the automotive industry and strong price pressure. We have reduced our estimates for 2005 and 2006 significantly.

Our View: In recent weeks IWKA has experienced a significant drop in orders from the automotive industry. Therefore Q1 order intake in the segment Automotive Technology is down 33%, in the division Robot Technology it is down 14.2% and for the group it has declined by 19.6%. For Q2-Q4 IWKA expects a stabilization of order intake. Due to an expected lower sales volume in the Robot Technology division, higher R&D costs and strong margin pressure in both the Robotics and the Automotive Technology we expect a decline in operating profit from EUR 101.8 mn to EUR 84 mn. For FY 2006 we forecast a further EBIT decline for Automotive Technology as a result of the low-margin new orders. On the other hand a better profit in Robotics (discontinuation of a specific R&D program, new products) and lower costs as a result of a comprehensive cost cutting program should enable IWKA to improve group EBIT to around EUR 90 mn. Nevertheless, these earnings forecasts are significantly below our previous estimates (EBIT 05e EUR 97.6 mn; EBIT 06e EUR 105.6 mn).

Conclusion: We have reduced our price target for IWKA to EUR 18, which corresponds to a P/E 06e of around 11. As the news flow in the months to come is likely to be negative, we stick to our Underperform rating.

SAP Systems Integration

Sell

EUR 25.91 | **Price target: EUR 20.40 (prev. EUR 20.40)** | **(prev. Sell)**

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(Reuters: SSIG.DE; Bloomberg: SSI GR; WPK: 501111)

Topic: Dividend proposal of EUR 1.25 per share.

Our View: SAP SI yesterday announced that it intends to pay a dividend for FY 2004. Both the executive board and the supervisory board will propose a dividend of EUR 1.25 per share for 2004 at the annual general meeting on June 9. The resulting cash outflow would be roughly EUR 44.8 mn in 2005.

Conclusion: We keep our Sell rating and price target of EUR 20.40. The stock trades at a P/E multiple of roughly 27 based on our 2005 earnings estimates of EUR 0.97 per share. This is well above the sector average of roughly 15. The performance of the stock is solely driven by speculation about SAP's future steps in the course of the integration of SAP SI. SAP holds roughly 91.6% in SAP SI.

Equity Strategy

Opinion Summary

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Index Targets (6 month horizon):

DAX	**4575 points**
Euro STOXX 50	**3200 points**

Sector recommendations (Euro STOXX universe):

Overweight	**Basic Resources, Chemicals, Oil & Gas, Telecom**
Underweight	**Food & Beverage, Media, Personal & Household Goods, Retail**

Country recommendation:

Germany	**neutral**

For further details, please see our weekly Strategy publication "Market Outlook" and the monthly "Local Product Germany" of HVB Equity Research.

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