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Euronext Real Estate

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Deutsche EuroShop

Initial coverage

- Deutsche EuroShop AG is the sole German publicly listed real estate company following an investment strategy focused exclusively on high quality shopping centres. The company currently holds participations in 16 European shopping centres in Germany, France, Poland, Italy, Austria and Hungary;
- Annual investment target is approximately EUR 150 million, of which 75% are expected to take place in Germany and 25% in Austria and the CEE region. Again, also in the CEE countries Deutsche EuroShop will solely focus on inner city centres and not on out-of-town areas.
- Property management has been outsourced to strong partners (ECE, Unibail);
- Despite the sluggish German economy and thus retail sector Deutsche EuroShop's centres are showing ongoing sales growth. In the first nine months of this year rental income rose by 18% from Euro 45.3 million to Euro 53.3 million, 2% on a like-for-like basis. Rental income is expected to pick up further momentum and reach EUR 89 million in 2006 as some new centres have become operational. Annual rental growth is set at a minimum threshold (CPI) and shop revenue;
- Vacancy is low (<1%) and all German contracts have been agreed upon for 10 years. Average remaining term for all contracts is currently more than 8 years;
- Finance policy is also on the safe side: all loans are long-term mortgages of which 65% expires in more than 8 years and even 91% in more than 5 years. Average interest rate is currently 5.6%;
- The 12 month fair value is set at EUR 51.30, which is based upon conservative assumptions and provides upside potential;
- Recommendation: Buy.

Year end	Rental income (m)	Direct result (m)	Cash direct EPS	P/E (*)	Equity/ Assets ratio	NAV per share	Dis-count (*)	Div.	Yield (*)
12/03	*57.9*	*19.0*	*0.84*	*40.2*	*56%*	*44.0*	*23.2%*	*1.92*	*5.7%*
12/04	*61.4*	*27.7*	*1.32*	*29.2*	*50%*	*44.0*	*12.4%*	*1.92*	*5.0%*
12/05e	68.8	20.9	1.15	39.0	52%	44.6	-0.6%	2.00	4.5%
12/06e	89.3	27.7	1.59	28.3	55%	52.0	13.8%	2.00	4.5%
12/07e	102.7	33.7	1.86	24.2	54%	54.2	17.3%	2.00	4.5%

(*) 2001-2004 figures of P/E, Discount and Yield are based on end F.Y. price

Buy

Price:	EUR 44.81 (05/12/05)
Fair value:	51.32
Risk:	Low
Reuters:	DEQGn.DE
Bloomberg:	DEQ GY
Shares number (m):	17.19
Market cap. (m):	770
Net debt 12/05e (m):	483
H/L 1 year:	50.50 - 36.05
1 year price perf.:	23.96%
Diff. with DJ Euro Stoxx :	1.90%
Volume (sh./day):	18,911
Free Float	81%
Otto Family	19%

Company description:
Deutsche EuroShop is the only public company in Germany, that invests solely in shopping centers in prime locations. The company currently has equity interests in 16 European shopping centers in Germany, Austria, France, Hungary, Italy and Poland.

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Company profile

Deutsche EuroShop AG is Germany's sole publicly listed real estate company following an investment strategy focused exclusively on shopping centres. The company, which is listed on the MDAX, currently holds participations in 16 European shopping centres in Germany, France, Poland, Italy, Austria and Hungary. These centres represent a total of 581,000 square meters (of which Deutsche EuroShops owns 351,000 square meters), including one pipeline project in Hameln, which is up for delivery in spring 2008. Most centres are located in dominant inner-city pedestrian areas. Besides the Main-Taunus Zentrum in Frankfurt and Galeria Dominikanska Center in Wroclaw (Poland) - all centres are consolidated on the balance sheet.

The former subsidiary of Deutsche Bank kicked off with EUR 450 million on assets and currently holds more than EUR 1.3 billion (1.4 billion including Hameln). Deutsche EuroShop investment path still gains momentum: in October 2005 their stake in the Main-Taunus-Zentrum (Sulzbach), the Rhein-Neckar-Zentrum (Viernheim) and Etrembieres (Annemasse) has been extended by EUR 22 million. Furthermore the Rathaus-Center in Dessau and Stadtgalerie Hameln have been acquired for EUR 108 million and EUR 82 million respectively. In order to keep up this momentum Deutsche EuroShop increased its share capital against cash contributions by up to 10% (EUR 67.2 million). The new shares have been placed with institutional investors by means of a private placement.

Looking at company profile, presence, investment plans, market capitalization, dividend yield and quality of assets it is hard to find a clear competitor for Deutsche EuroShop; in our opinion Eurocommercial Properties, Klépierre and Rodamco Europe do suit 'best'.

Assets

So, by means of its buy-and-hold strategy Deutsche EuroShop has currently 16 shopping centres in place with a total surface of more than 580,000 m2 and more than 1,460 retail units. Overall net initial yield is 5.5% and rents are expected to exceed the EUR 71 million by the end 2005. Of these 16 centres two are not fully owned investments; 43.1% of the Main-Taunus Zentrum in Frankfurt and 33.3% for Galeria Dominikanska in Poland. Twelve shopping centres are located in Germany, one in Italy, one in France, Hungary and Austria. All centres are located on dominant spots in the old towns except for Main-Taunus, which was the first shopping centre in Europe (1964) and with a rental space of 102,000 m2 fairly large and the Rhein-Neckar-Zentrum. All centres have been built or renovated recently, except for the Italian and French ones. All centers have a FERI rating of A. City Arkaden Wuppertal has a B+ rating. Forum Wetzlar, Phoenix Center Hamburg, City Arkaden Klagenfurt (Austria) are still to be rated.

Rental Income

Despite the sluggish German economy and thus retail sector Deutsche EuroShop's centres are showing ongoing rental growth. In the first nine months of this year rental income rose by 18% from Euro 45.3 million to Euro 53.3 million. Adjusted for the revenue contributions from the newly opened centers and one shopping centre sold in 2004, revenue increased by 2% year-on-year.

To compare this to the latest y.o.y. retail sales growth figures are shown:

Germany:	-0.8%	Hungary:	+5.1%
France:	+0.5%	Italy:	+2.4%
Poland:	+5.4%	Austria:	+2.0% (GDP growth)

Deutsche EuroShop's policy is to close only 10-year lease contracts with no break-up option and has 'hedged' its downside risk for rental income by means of a minimum annual indexation based upon CPI. Furthermore, upside potential applies as rents are also linked to the sales performance of the underlying shop. The highest rate prevails. In 2003 only 1.8% of rental income was sales-linked and grew to 2.6% in 2004. This growth path is restricted to 10 years after which the minimum rents are adjusted to the latest sales figures and the system reviewed. Management has estimated that sales-related rental income could rise up to 7% of total rental income in this 10-year period. Why this fixation on a 10 year period? Deutsche EuroShop believes that after 10 years the rental income curve has proven its record and is 'optimal' to allow for active but sustainable portfolio management. The rent-to-sales ratio is currently between 6.5-8.5% (Eurocommercial Properties: 4.7%-7.5% for Boutiques).

For future rental growth we have used the following assumptions:

Exhibit 1

CPI (YoY%) expectation

	2006	2007	2008	2009
Germany	2.10%	1.40%	1.40%	1.50%
Austria	2.10%	1.80%	1.90%	2.00%
Hungary	2.60%	2.40%	2.30%	2.20%
Poland	1.90%	2.20%	2.30%	2.30%
Czech Republic	2.30%	2%	1.90%	1.90%
Italy	2.20%	1.80%	1.90%	1.80%
France	2.10%	1.50%	1.90%	1.80%

Source: Petercam estimates

Exhibit 2

Retail sales growth expectation

	2006	2007	2008	2009
Germany	0.60%	1.70%	2.00%	1.50%
Austria	1.70%	2.10%	1.90%	1.80%
Hungary	4.40%	4.70%	4.00%	3.60%
Poland	3.00%	3.90%	4.00%	4.10%
Czech Republic	2.90%	3.40%	3.00%	2.90%
Italy	1.10%	1.00%	1.50%	1.40%
France	1.90%	2.40%	2.10%	2.40%

Source: Petercam estimates

It is expected that from now on retail sales growth is taking over from CPI indexation. We expect that gross rents will make a significant jump in 2006 to EUR 89 million due to the fact that City Arkaden in Klagenfurt is going to produce rent (EUR 4.9 million for 2007), Forum Wetzlar is picking up momentum (EUR 7.9 million in 2006), the recent acquisition in Dessau – the Rathaus Center- is coming in (EUR 7.7 million gross) and EUR 150 million of regular expected acquisitions at a average gross yield of 6.5%. For City-Galerie in Wolfsburg it is noticeable that the performance of car-manufacturer Volkswagen is very much determining future earnings. Small figure that helps a lot in this perspective: the less than 1% vacancy rate.

The following exhibit shows the revenue contribution of all current shopping centres, which Deutsche EuroShop has consolidated on their balance sheet:

Exhibit 3

	Country	2003	2004	2005	2006	2007	2008	2009
Rhein-Neckar-Zentrum	**Germany**							
gross rental income offices		14,778	15,745	16,107	17,790	18,341	18,965	19,534
vacancy		0	0	0	0	0	0	0
gross rental income offices after vacancy		14,778	15,745	16,107	17,790	18,341	18,965	19,534
Allee-Center	**Germany**							
gross rental income		8,824	8,894	9,099	9,344	9,634	9,961	10,260
vacancy		0	0	0	0	0	0	0
gross rental income after vacancy		8,824	8,894	9,099	9,344	9,634	9,961	10,260
City-Galerie	**Germany**							
gross rental income		7,731	7,698	7,875	8,088	8,338	8,622	8,881
vacancy		0	0	0	0	0	0	0
gross rental income after vacancy		7,731	7,698	7,875	8,088	8,338	8,622	8,881
City-Arkaden	**Germany**							
gross rental income		7,685	7,381	7,551	7,755	7,995	8,267	8,515
vacancy		0	0	0	0	0	0	0
gross rental income after vacancy		7,685	7,381	7,551	7,755	7,995	8,267	8,515
Altmarkt-Galerie	**Germany**							
gross rental income		5,725	6,103	6,243	6,412	6,611	6,836	7,041
vacancy		0	-61	-62	-64	-66	-68	-70
gross rental income after vacancy		5,725	6,042	6,181	6,348	6,545	6,767	6,970
City Point	**Germany**							
gross rental income		2,889	2,851	2,917	2,995	3,088	3,193	3,289
vacancy		0	0	0	0	0	0	0
gross rental income after vacancy		2,889	2,851	2,917	2,995	3,088	3,193	3,289
Phoenix-Center	**Germany**							
gross rental income		0	1,615	4,900	5,032	5,188	5,365	5,526
vacancy		0	-65	-147	-101	-52	0	0
gross rental income after vacancy		0	1,550	4,753	4,932	5,136	5,365	5,526
Rathaus Center	**Germany**							
gross rental income		0	0	0	7,700	7,831	7,988	8,107
vacancy		0	0	0	-154	-157	-160	-162
gross rental income after vacancy		0	0	0	7,546	7,674	7,828	7,945
Centro Comm Tuscia - Viterbo	**Italy**							
gross rental income		2,554	2,693	3,100	3,202	3,292	3,404	3,513
vacancy		0	0	0	0	0	0	0
gross rental income after vacancy		2,554	2,693	3,100	3,202	3,292	3,404	3,513
Centro Comm Friuli - Udine	**Italy**							
gross rental income		4,443	2,570	-	-	-	-	-
vacancy		0	-103	0	0	0	0	0
gross rental income after vacancy		4,443	2,467	0	0	0	0	0
Shopping Etrembieres - Annemasse	**France**							
gross rental income		3,251	3,473	3,500	3,915	4,067	4,230	4,408
vacancy		0	0	0	0	0	0	0
gross rental income after vacancy		3,251	3,473	3,500	3,915	4,067	4,230	4,408
Arkad - Pécs	**Hungary**							
gross rental income		0	2,656	3,300	3,531	3,782	4,020	4,253
vacancy		0	-27	-33	0	0	0	0
gross rental income after vacancy		0	2,629	3,267	3,531	3,782	4,020	4,253
Forum Wetzlar	**Germany**							
gross rental income		0	0	4,493	5,135	5,294	5,474	5,638
vacancy		0	0	0	0	0	0	0
gross rental income after vacancy		0	0	4,493	5,135	5,294	5,474	5,638
City Arkaden - Klagenfurt	**Austria**							
gross rental income		0	0	-	3,940	4,900	5,086	5,279
vacancy		0	0	0	0	0	0	0
gross rental income after vacancy		0	0	0	3,940	4,900	5,086	5,279

Source: Petercam estimates

Deutsche EuroShop's operational costs are relatively high as they have outsourced their center management to three external parties (e.g. ECE, Unibail); operational costs to gross rental income is approximately 21.50%, compared to 13% (ECP), 15% (Rodamco Europe) and Klépierre (9%). Overhead costs are relatively low and many costs are still taken by its tenants (e.g. fitting out their stores). Deutsche EuroShop is only responsible for repairs on hardware such as roofs and load bearing parts. Furthermore, the interest costs are sky-high compared to the other companies (5.66%, see page 7).

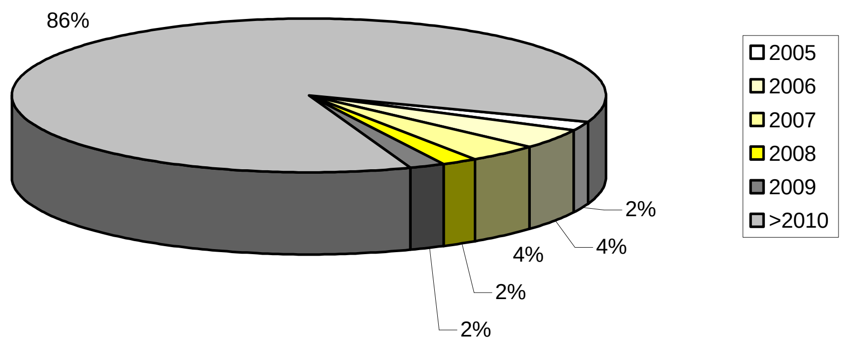
Dividend

As things stand today, the Executive Board and the Supervisory Board will propose an increase in the dividend from Euro 1.92 to Euro 2.00 per share for the financial year 2005 to the Annual General Meeting. Dividend yield based upon the current share price is EUR 4.3%, which is near to Rodamco Europe's (4.72%), slightly less than Eurocommercial Property's (5.49%) but substantially higher than Klépierre's (2.98%).

Contracts

Most German contracts have been agreed upon for 10 years, in France from 6 to 12 years and Spain around 6-7 years. Average remaining term for all contracts is currently more than 8 years.

Exhibit 4



Source: Deutsche EuroShop

Pipeline

The latest investments have been an interest of 94.9% in the Rathaus-Center in Dessau (Saxony-Anhalt) and an interest of 94.9% in the Stadtgalerie Hameln (Lower Saxony).

Rathaus-Center:

This acquisition takes effect from 1 January 2006. The other 5.1 % of the shares (Deutsche EuroShop has 94.9%) remain with the previous owners. The investment volume amounts to Euro 108 million, the initial yield is above 7%, so well above the investment target of 6.5%.

Also for this investment the maturity of rental contracts is very much on the safe side: 25% expires in 2010, 17.5% in 2011 to 2014 and even 43.3% after this period. If the German economy is picking up in the years to come the company could face opportunity losses on long-term leases.

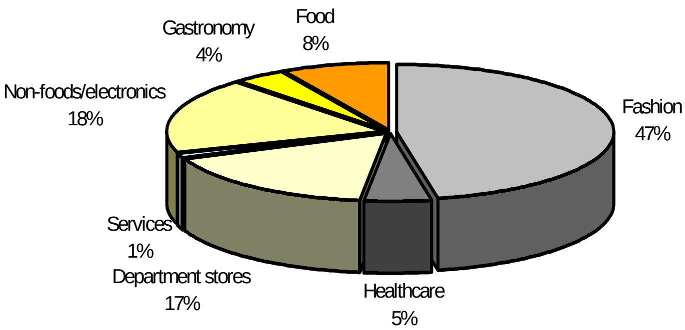
Stadtgalerie Hameln:

The opening of this EUR 82 million inner-city development is scheduled for spring 2008. Initial gross yield is 7.25%, initial net yield is approximately 6.5%. EUR 4.5 million on costs have been allocated for the development, spread equally amongst the years 2005-2007/08. Investment partner is the ECE-Group, which is also responsible for planning, realisation, letting and center management. 50% of the store spaces are already - two and a half years before grand opening - let long term to renowned retailers from the sectors fashion, shoes, drugstore/healthcare and foods.

Annual investment target is approximately EUR 150 million. Their focus is slightly different than other listed funds in Europe; i.e. less focused on expansion to other countries with higher (GDP) growth rates but becoming a rock solid key player in its home country. Their focus on Germany is not triggered by their investment guidelines ("the proportion of German investments in the overall portfolio may not fall below 50% of the total investment volume in the long term"), but more a timing issue; prices in Germany are still relatively attractive and Deutsche EuroShop CEO Claus Matthias Böge might take advantage of the moment: the sluggish German economy and pre-GREIT period. The second tier countries are Poland, Hungary and their neighbour Austria. Overall, 75% of total investments are expected to take place in Germany and 25% in Austria and the CEE region. Again, also in the CEE countries Deutsche EuroShop will solely focus on inner city centres and not on out-of-town areas.

Mr. Böge revealed that he is not a great believer in hypermarkets and cinema's ("You are depended on Hollywood for your rental income on the long run. This doesn't make sense for us") but more in fashion stores like Zara and H&M as the margins are attractive. The current sector diversification is shown in the following exhibit:

Exhibit 5



Source: Deutsche EuroShop

Deutsche EuroShop has defined four different alternatives:

1.The enlargement of their stakes in their current shopping centers. A good example is the recent extension of their interests in the Main-Taunus-Zentrum (Sulzbach), the Rhein-Neckar-Zentrum (Viernheim) and Etrembières (Annemasse) effective end of 2005. The stake in the Main-Taunus-Zentrum increased to 43.1% (37.4%), the stake in the Rhein-Neckar-Zentrum and Etrembières will increase to 99.8% (92.8%). The investment volume for all three transactions amounts to above EUR 20 million. In Germany one has to wait after initial acquisition 5 years before extending its stake and not being faced with certain taxes (e.g. 'Grunderwerbsteuer', tax on acquisition of real estate). Therefore, one has extent stakes step by step. In Hungary it is quite hard for Deutsche EuroShop to achieve a majority in the Árkád Pecs center because a closed-end fund is the co-investor;

2.The extension of current centers. By adding additional square meters one can get around the high prices in the market and achieve more attractive yields. Gross yield target for Deutsche EuroShop is 6.5%, which is quite hard to achieve seen current and future market circumstances;

3.Buy existing shopping centres that are already in operation like the one in Dessau. These centres have proven their profitability and offer a low investment risk;

4.Build new centres: examples are City-Arkaden Klagenfurt and Stadtgalerie Hameln, the last shopping centre currently under construction. Openings are planned for spring 2006 and 2008 respectively.

Deutsche EuroShop has disclosed that both shopping centres in France and Italy will for sure be sold –sooner than later- as in these countries there are clear signs of an overdeveloped retail market. By means of a sale Deutsche EuroShop is able to free up capital to invest more in its home country. We expect a one-off sales result for both centers of at least EUR 9.2 million, as total estimated market value is around EUR 70 million.

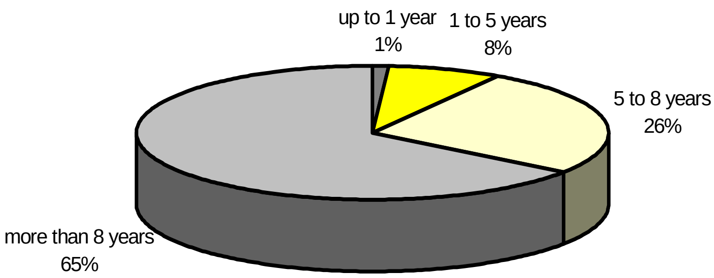
If both centres will be divested Deutsche EuroShop is able to shoot from the hip in the order of EUR 200 million (i.e. firepower). Deutsche EuroShop expects no additional placement before 2007.

Liabilities and risk management

Debt makes up for approximately 50% of total assets at market value. All loans are long-term mortgages of which 65% expires in more than 8 years and even 91% in more than 5 years (see exhibit 5). The average interest rate is currently 5.6%, which is fairly high seen the current interest yields. Most obvious reason is the fact that interest rate risk is non-existent as this has been hedged to the full extent. We know from Mr. Böge that Deutsche EuroShop will maintain their conservative risk appetite but that refinancing will lower the average interest rate in the long term. For future investments the 50/50 approach for debt and equity will be maintained, so future placements will definitely take place.

Currency risks are in place due to its investments in Hungary (translation risk) and can have a serious impact on results. Euro 2.1 million in foreign currency gains was reported in the previous year, which turned into foreign currency losses due to the volatility of the Hungarian Forint in the current financial year.

Exhibit 6



Source: Deutsche EuroShop

Organisation

Currently the group employs 5 people and additionally two board members, Mr. Claus Matthias Böge (CEO since 2001), coming from ECE where he focussed in a broad sense on real estate and Mr. Olaf Borkers (CFO) who has a more financial background (Deutsche Bank) has been a member of TAG Tegernsee until September 2005. As ECE (for all German and CEE centers), Unibail (Annemasse) and Espansione Commerciale (Italy) are managing the centers operationally this should be sufficient for the time being.

ECE Projektmanagement

ECE Projektmanagement G.m.b.H. & Co. KG is owned by the Otto family and has implemented, leased and managed shopping centers since 1965. With 82 city-centre shopping centers and district centers under management, the company is the market leader in Europe for inner-city shopping centers. Besides Germany, the group is active in Czech Republic, Hungary, Poland, Turkey and even Qatar. Currently 13 centers, 10 offices and the central railway station in Leipzig, Cologne and Hannover are under construction. We understand that all contracts with Deutsche EuroShop are at arms' length.

Espansione Commerciale

Espansione Commerciale S.r.l. is responsible for the management of the Centro Commerciale Tuscia in Viterbo, Italy. Founded almost 20 years ago, the company currently manages 34 shopping centers in Italy and Eastern Europe.

Unibail - Espace Expansion

Shopping Etrembières in Annemasse, France is managed by Espace Expansion. Unibail is one of the leading management companies in France in this area: it has been successfully managing shopping centers for 30 years, and currently looks after 26.

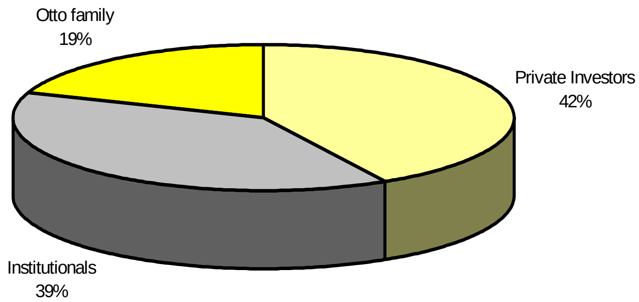
Placement November 2005

On 9 November Deutsche EuroShop placed 1,562,499 new shares in order to increase its share capital by 10% by means of a private placement with institutional investors at EUR 43.00 per share. The Company generated proceeds of EUR 67.2 million. As a result of the capital increase, the number of shares issued by the company has risen from 15,625,000 to 17,187,499. These issue proceeds are to be used to finance shopping centre investments with a total volume of up to Euro 210 million that have already been implemented in 2005.

Shareholders

The current free float –after the latest placement- is 81% (was 79%), 19% is owned by the Otto family (ECE): Alexander Otto (CEO ECE) owns 11.5%, Benjamin Otto 7.5%. It is not expected that the share of the family is going to be reduced substantially in the short/mid-term period.

Exhibit 7



Source: Deutsche EuroShop

Valuation

Our valuation methodology for valuing real estate companies on a cross-border basis, compares a company's total (future) return on capital (ROIC) with its weighted average cost of capital (WACC). A positive difference implies that a company generates a return on capital exceeding its WACC. In that case, the shares should trade at a premium to the NNNAV. Conversely, if the company produces a ROIC below its WACC, the shares should trade at a discount to the NNNAV.

NAV

Deutsche EuroShop's gross and net yield were respectively 6.7% and 5.5% per year-end 2004. Net yield is expected to go up to 5.7% due to rental growth for current assets and new investments, foremost in Germany. Looking at average property yields in Germany and other countries of presence a rate of 5.7% is on the lower end compared to its (non-existent) 'peers' and for instance comparable to Eurocommercial Properties even though they only have assets in mature countries. We don't believe a correction is needed –besides a small one due to first time valuations- but that positive revaluations will continue to take place annually. If the German REIT (GREIT) will commence to exist the rush on German assets might become substantially larger than today. If property yields squeeze further this will have consequences for future revaluations: each 10 basis points reduction in net yield results in a EUR 16 million higher revaluation (EUR 1.00 per share). We refer to page 11 (GREIT) for consequences on overall fair value per share. Any consequences due to an exit tax have not been taken into account.

The Net Asset Value per share as published in the latest annual report (property at market value) was only slightly higher than the one in 2003: EUR 43.96. Would there have been no new placement we would have expected to see a NAV 2005 of around EUR 49.00 but due to dilution our expectation is EUR 44.56, after the dividend payment of EUR 2,00 per share and after the foreseen positive revaluation of EUR 20 million. In this year Deutsche EuroShop should benefit from many first-time valuations gains.

Klépierre, Eurocommercial Properies and Rodamco Europe have been active in more high growth markets and were therefore able to increase their NAV in time. For the nearby future the GREIT will probably get the capital appreciation of the underlying portfolio up and running. REIT countries do show a significant higher premium today than non-REIT countries.

Again, our forecasts are made under the assumption that the GREIT will be implemented with limited consequences for the demand of real estate and that the rise of VAT to 19% (currently 16%) won't have a substantial price effect. Furthermore, a higher VAT rate will probably have a positive impact on rental growth and therefore property value (CPI linked rents).

If we adjust the NAV for running direct investment result (1-10-2005 till today) and dividend we have a starting point for total valuation: the NNNAV of EUR 46.76 per share.

Future ROIC versus WACC

The main issue always remains: what period should one take to capture future added value of the portfolio above NAV, including the pipeline. Most experts say that the analysis of the fair value should be run over the longest possible time period, thus capturing the full worth of the portfolio's cash flows, as well as the gains from any development projects that may be long term in execution. In reality, however, the ability to forecast credibly over a long period of time, especially given the cyclical nature of the property market, is limited. We have adopted a timeframe of 3 years as we regard these cash flows as predicable and are able to base our assumptions on solid predictions. Also, in our view the majority of active development projects are likely to complete over a three-year period and as such their value creation or destruction is included in our valuation. The use of three periods of explicit forecasts implies that beyond this period a company's returns fade to its WACC immediately as we take the net present value of future earnings, both direct and indirect.

Discounting future earnings: WACC

We use the WACC as NPV factor for future ROIC (Return on average Invested Capital for that year) above the WACC. The WACC has been constructed in the following way:

Exhibit 8

WACC analysis		
Benchmark 10yr gvt yield	**3.45%**	
Cost of equity	**5.95%**	
Cost of debt	**5.66%**	
Target capital structure equity %	**50.00%**	
Target capital structure debt %	**50.00%**	
WACC	**5.81%**	
Real estate		
Portfolio quality	0.00%	High quality shopping centres in
Strategy	0.50%	Germany + CEE
Development Exposure	0.50%	Foremost Germany/some CEE
Management		
Company Management	0.00%	Clear focus
Property Management	0.00%	Mostly external
Financing		
Debt level	0.00%	50% gearing
Debt structure	0.00%	Long term debt
Shareholder structure	0.00%	Transparent
Liquidity	0.00%	Average
Corporate Governance		
Confict of interest	0.50%	Otto family
Transparancy	0.00%	Average
Supervisory board	0.00%	
Takeover barriers	0.00%	
Total	**1.50%**	
Base risk	1.00%	
Rf Rate	3.45%	
Costs of Equity	**5.95%**	

Source: Deutsche EuroShop

Fair Value

Ceteris Paribus the forecasted direct and indirect results of our current assets, the estimated pipeline and acquisitions the following scheme shows how proceeds build up to a fair value.

Exhibit 9

	2004	2005	2006	2007	2008	2009	2010
Operating result	80,761	54,969	69,507	80,761	95,089	105,980	116,084
Net indirect property result	0	20,000	25,742	47,625	45,793	49,349	55,308
Total return	80,761	74,969	95,249	128,386	140,882	155,329	171,392
Average Capital employed	1,254,095	1,276,307	1,399,228	1,598,749	1,826,208	2,052,279	2,239,858
ROIC	6.44%	5.87%	6.81%	8.03%	7.71%	7.57%	7.65%
WACC	5.81%	5.81%	5.81%	5.81%	5.81%	5.81%	5.81%
Difference	0.63%	0.07%	1.00%	2.23%	1.91%	1.76%	1.85%
Value contribution	7,961	879	14,024	35,578	34,871	36,194	41,368
average # shares	18,188,166	16,406,250	17,437,666	18,188,166	19,393,970	20,584,764	21,487,032
Value per share	0.84	0.05	0.80	1.96	1.80	1.76	1.93
NPV of values contributions	4.55						
NAV Today	46.76						
Fair Value	51.31						

Invested Capital	2004	2005	2006	2007	2008	2009	2010
Long term intrest bearing debt	597662	628723	657162	724950	821270	889269	949026
Short term intrest bearing debt	6675	3220	20053	53946	102107	136106	165984
Cash	86330	149248	147235	143352	138076	134278	132006
net Debt	518007	482695	529980	635544	785301	891097	983005
Adjustment debt to market							
Provisions	51676	57069	57069	57069	57069	57069	57069
Shareholders' funds	684412	758756	912888	1004948	1112484	1201538	1289939
Capital employed	1254095	1298520	1499937	1697561	1954855	2149704	2330012

Source: Petercam estimates

Peer Group

By means of the most common ratio's we would like to compare Deutsche EuroShop to its peers:

P/E ratio: first a remark on beforehand: the reported EPS cannot be compared in a straightforward way due to for instance differences in gearing. Furthermore, IFRS will have a significant impact on the EPS via the revaluation result. Therefore we have taken the direct results per share. One can see that this ratio for Deutsche EuroShop is relatively high. Nevertheless, direct earnings are expected to rise substantially in the years to come and the P/E ratio will be comparable to its peers as of 2007.

Exhibit 10

Company	Country	Price in EUR	Market capitalization	Retail share	Premium 2005	P/E 2004	P/E 2005	P/E 2006	EV/EBIT 2004	EV/EBIT 2005	EV/EBIT 2006	Dividend yld 2004	Dividend yld 2005	Dividend yld 2006
Rodamco Europe	NL	67.00	6,010.31M	88%	15.8%	18.7	17.2	16.8	22.8	24.4	22.5	5.5%	5.2%	5.3%
Eurocommercial Prop.	NL	28.80	991.83M	90%	18.4%	18.6	21.8	19.6	20.9	26.2	23.2	6.0%	5.1%	4.6%
Klépierre	FR	77.90	3,593.89M	85%	29.8%	16.0	14.0	12.7	21.7	23.5	25.8	3.4%	3.2%	3.6%
Deutsche EuroShop	GR	45.20	778.77M	100%	1.4%	34.0	39.0	28.4	25.4	28.0	24.6	5.0%	4.4%	4.4%

Dividend yield: Deutsche EuroShop's dividend yield is relatively attractive: it is tax-free, operating profits i.e. direct results do show a low volatility and have been secured by means of the inflation protection. Deutsche EuroShop and Eurocommercial Properties pay out 100% of its (direct) earnings, both Rodamco Europe and Klépierre only 85%.

GREIT

Much of future fair value will depend on the yield development in Germany. The flow of funds is already taking a wild swipe at the current real estate market, foremost triggered by the expected GREIT. It is expected that the yields will drop relatively faster from the moment it's known 'it' will definitely be there. We have calculated that for each net yield drop of 10 basis points the fair value for end 2006 will increase with exactly 1 euro per share.

The Conservatives and the Social Democrats, about to form the next government, have agreed that German-style Real Estate Investment Trusts (REITs) should be introduced - but only under certain conditions. In their coalition agreement, the two parties said German REITs could be launched once it is certain "that there is adequate taxation of shareholders and that REITs will have a positive impact on the real estate market." A timeframe for the introduction of REITs was also not specified in the agreement, which was finalised in calendar week 46. Concerns about tax shortfalls among public authorities are the main hindrance to the introduction of REITs in Germany. For example, only half of the normal tax rate would apply to property sales of REIT companies. The authorities also want to ensure that foreign shareholders in REITs face the same tax rate as domestic ones. The demand could conflict with international agreements barring double taxation. To settle these issues, federal, state and local tax officials have formed a special work group. It is, however, unclear how quickly they will reach agreement. The previous SPD-Green government had hoped that REITs could be introduced next year, but industry experts now say that it will not be before 2007.

SWOT analysis:

Strengths

- Location and dominancy of premises
- Strong focus, knowledge of shopping centers
- Strong rental indexation policy with a solid downside hedge (CPI)
- Long term leasing contracts
- Property management has been outsourced to strong partners
- Dividends are tax-free

Weaknesses

- Dividend has just be covered by direct profits
- High financing costs
- Conflict of interest (ECE)

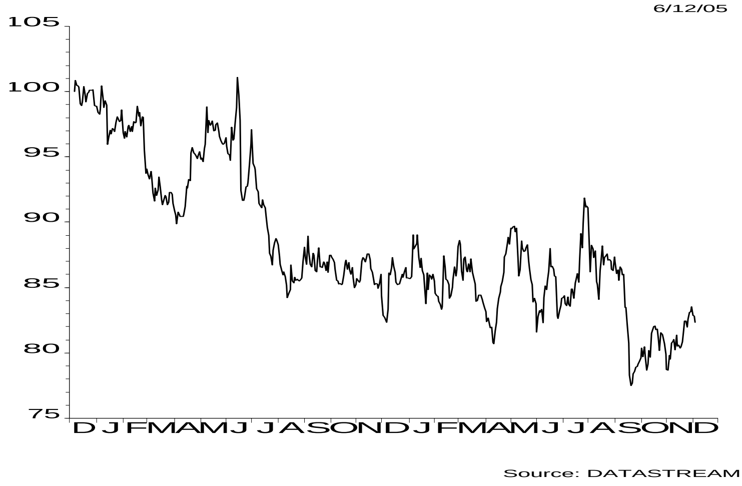
Opportunities

- Benefit from their position as single, largest and first company that invests in shopping centers in Germany
- Benefit from the fact that new old-town-inner-city developments are hard to realise nowadays
- Very conservative financing policy, opportunity to reduce interest costs
- The benefits deriving from the future REIT status: no corporate tax
- Future revaluation (indirect) result due to conservative taxations
- Possibility to extend their stakes in many shopping centers

Threats

- Very much sensitive to German retail market and macro-economical environment
- Deutsche EuroShop is highly depended on ECE

Deutsche EuroShop relative to FTSE EPRA/NAREIT Eurozone (5/12/2005)



Profit & Loss (EUR m)	12/03	12/04	12/05e	12/06e	12/07e
Rental income	57.9	61.4	68.8	89.3	102.7
Operating costs	-17.6	-19.3	-14.8	-18.8	-20.8
Net rental income	**-**	**-**	**-**	**-**	**-**
Sales result	-	-	-	-	-
Other revenues	-	-	-	-	-
Overhead costs	-0.8	-0.8	-0.8	-1.0	-1.2
Other costs	-	-	-	-	-
Depreciation	0.0	0.0	0.0	0.0	0.0
EBIT	**40.5**	**50.7**	**55.0**	**69.5**	**80.8**
Interest charges	-	-	-	-	-
Interest income	-	-	-	-	-
Financial Result	**-12.6**	**-12.5**	**-24.9**	**-25.6**	**-29.8**
Exceptionals	-	-	-	-	-
Minorities	-0.4	1.3	-2.7	-3.3	-3.5
Pre-tax result	**27.5**	**39.5**	**27.3**	**40.5**	**47.5**
Taxes	-8.5	-11.8	-8.5	-12.9	-13.8
Direct result	**19.0**	**27.7**	**20.9**	**27.7**	**33.7**

Balance Sheet (EUR m)	12/03	12/04	12/05e	12/06e	12/07e
Property investments	930.5	918.5	938.5	1,147.2	1,344.8
Property not in operation	64.6	183.1	204.5	204.5	204.5
Other Investments	100.3	101.7	101.7	101.7	101.7
Financial assets	0.0	0.0	0.0	0.0	0.0
Total investments	**1,095.4**	**1,203.3**	**1,244.7**	**1,453.4**	**1,651.0**
Cash position	80.0	86.3	149.2	147.2	143.4
Tradable receivables	65.0	80.6	66.6	60.5	60.5
Other current assets	0.0	0.0	0.0	0.0	0.0
Total Assets	**1,240.7**	**1,370.2**	**1,460.4**	**1,661.2**	**1,854.9**
Total Equity	695.3	684.4	758.8	912.9	1,004.9
Equity	639.0	635.1	708.8	862.9	954.9
Minorities & preferred	56.3	49.3	50.0	50.0	50.0
Provisions & deferred taxes	43.6	51.7	57.1	57.1	57.1
LT bearing interest debt	476.9	597.7	628.7	657.2	724.9
ST bearing interest debt	5.0	6.7	3.2	20.1	53.9
Total debt	**481.9**	**604.3**	**631.9**	**677.2**	**778.9**
Tradable payables	19.9	29.8	12.7	14.0	14.0
Total Liabilities	**1,240.7**	**1,370.2**	**1,460.4**	**1,661.2**	**1,854.9**

Notes -

Per Common Share (EUR)	12/03	12/04	12/05e	12/06e	12/07e
Cash direct result	**0.84**	**1.32**	**1.15**	**1.59**	**1.86**
Y/Y	-	*57%*	*-13%*	*38%*	*17%*
Indirect result	0.38	0.46	1.16	1.46	2.62
Dividend	1.92	1.92	2.00	2.00	2.00
Y/Y	-	*0%*	*4%*	*0%*	*0%*
Book Value	43.68	43.96	44.56	52.01	54.15
Y/Y	-	*1%*	*1%*	*17%*	*4%*
Shares (m)					
End of F.Y.	15.625	15.625	17.187	17.688	18.689
Average number	16.016	16.016	16.406	17.438	18.188
Average number - fully diluted	-	-	-	-	-

EV and CE details (EUR m)	12/03	12/04	12/05e	12/06e	12/07e
Market cap.	**527.3**	**601.7**	**770.2**	**792.6**	**837.4**
+ Net financial debt	401.9	518.0	482.7	530.0	635.5
(of which LT debt)	476.9	597.7	628.7	657.2	724.9
(of which ST debt)	5.0	6.7	3.2	20.1	53.9
(of which Cash position)	80.0	86.3	149.2	147.2	143.4
+ Provisions (pension)	-	-	-	-	-
+ Minorities (MV)	-	-	-	-	-
- Peripheral assets (MV)	-	-	-	-	-
+ Others	-	-	-	-	-
Enterprise Value	**1,222.6**	**1,286.1**	**1,528.9**	**1,705.5**	**1,842.4**
Equity (group share)	**639.0**	**635.1**	**708.8**	**862.9**	**954.9**
+ Net financial debt	401.9	518.0	482.7	530.0	635.5
+ Provisions (pension)	-	-	-	-	-
+ Minorities	56.3	49.3	50.0	50.0	50.0
- Peripheral assets	-	-	-	-	-
+ Others	-	-	-	-	-
Capital employed (for ROCE)	**1,140.8**	**1,254.1**	**1,298.5**	**1,499.9**	**1,697.6**

Ratios	12/03	12/04	12/05e	12/06e	12/07e
Valuation analysis					
P/E	40.2	29.2	39.0	28.3	24.2
P/BV	0.8	0.9	1.0	0.9	0.8
EV/Rental Income	21.1	20.9	22.2	19.1	17.9
EV/EBITDA	30.2	25.4	27.8	24.5	22.8
EV/EBIT	30.2	25.4	27.8	24.5	22.8
EV/CE	1.1	1.0	1.2	1.1	1.1
Discount on NAV	23.2%	12.4%	-0.6%	13.8%	17.3%
Div. Yield	5.7%	5.0%	4.5%	4.5%	4.5%
Payout	100.0%	100.0%	100.0%	100.0%	100.0%
Financial ratios					
Net Debt/Equity	57.8%	75.7%	63.6%	58.1%	63.2%
Equity/Total Assets	56.0%	49.9%	52.0%	55.0%	54.2%
ROCE	-	-	-	-	-
ROCE post-tax	3.6%	4.0%	4.2%	4.6%	4.8%
ROE	3.0%	4.4%	2.9%	3.2%	3.5%
Margin analysis					
EBITDA / Rental income	70.0%	82.5%	79.9%	77.8%	78.6%
EBIT / Rental income	70.0%	82.5%	79.8%	77.8%	78.6%
Direct result / Rental income	32.9%	45.2%	30.4%	31.0%	32.9%
Growth analysis					
Rental Income	-	6.1%	12.1%	29.7%	15.0%
EBITDA	-	25.1%	8.5%	26.4%	16.2%
EBIT	-	25.1%	8.5%	26.4%	16.2%
Direct result	-	45.8%	-24.7%	32.3%	22.0%

Notes -

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Investment rating system : *Petercam's ratings are based on the estimated performance relative to the market. The market is represented by the DJ EURO STOXX index, which is a broad European index representative for the European, Euro region, equity market. The total return required for a given rating depends on the risk profile relative to this market. This risk profile is represented by the Beta, as estimated by the analyst. Low risk stocks have an estimated Beta below or equal to 0.9, Medium risk stocks have a Beta between 0.9 and 1.3 and High risk stocks have a Beta equal to or above 1.3. The required relative performance for a given rating is indicated below. The price targets given and the expected relative performances are always based on a 12 month time horizon.*

	SELL	**REDUCE**	**HOLD**	**ADD**	**BUY**
High Beta > 1.3	RP<-20%	-20%≤RP<-8%	-8%≤RP<+8%	+8%≤RP<+20%	RP≥20%
Medium 0.9 < Beta < 1.3	RP<-15%	-15%≤RP<-5%	-5%≤RP<+5%	+5%≤RP<+15%	RP≥15%
Low Beta < 0.90	RP<-9%	-9%≤RP<-3%	-3%≤RP<+3%	+3%≤RP<+9%	RP≥9%

RP : Relative Performance against DJ EURO STOXX.

Rating distribution and remuneration system :
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