Deutsche EuroShop

Close Brothers Seydler Research AG

Recommendation:	Risk:	Fair Value:
BUY Initiating coverage	Low (-)	EUR 30.60 (-)

2 June 2008

DES seems a "safe harbour"

- **Pre-tax profit of Deutsche EuroShop (DES) increased by 45% to €12.3m for 1Q08** compared to 1Q07. Revenues rose by 19% to €26.9m for 1Q08. New opened shopping centers contributed mainly to the increase which led to higher administrative costs too. EBIT without evaluation gains rose by 20% to €22.5m for 1Q08. Income tax ratio came down from 25.4% for 1Q07 to 17.3% for 1Q08 mainly due to the German corporate tax reform. Net profit after minorities was up by 61% to €10.2m for 1Q08 compared to the same period last year.

- **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 foe 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. **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 calculated an average target price of €30.60 per DES share, which is 17% above the current share price. **We recommend therefore to BUY DES shares.**

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	12.5	11.7	11.4
EV/EBIT	10.3	12.3	12.5	11.7	11.4
P/E	9.0	9.5	13.5	12.3	11.7

Source: fairesearch, CBS Research AG, company dataSource:

Information sourced from fairesearch, Analyst Dieter Hein

Share price vs MDAX (1 year)

Source: CBS Research AG, fairesearch

Internet: www.deutsche-euroshop.de
WKN: 748020
Reuters: DEQGn.F

Sector: Real Estate
ISIN: DE0007480204
Bloomberg: DEQ GY

Share data:	
Share Price:	EUR 26.16
Shares outstanding (mill.):	34.37
Market capitalisation:	EUR 899m
Enterprise Value (EV):	EUR 1.707bn
Ø daily trading volume:	95,200

Performance data:	
High 52 weeks:	28.9
Low 52 weeks:	21.7
Absolute performance: (12 months)	-9.9%
Relative performance (TecDax):	
1 month	-7.5%
3 months	-2.3%
6 months	1.5%
12 months	1.2%

Shareholders:	
Free-float:	75.2%
Alexander Otto:	12.5%
Benjamin Otto:	7.0%
Attfund:	5.3%

Financial calender:

Next event: 2Q08 14 Aug. 2008
www.deutsche-euroshop.de

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Valuation

DES is a pure real estate investor on retail properties specialized on shopping centers. It is the only listed German real estate company with that business focus that we know. To assess the fair value of DES we carried out a valuation based on multiple comparisons, NAV, an earnings discount model and its WACC model. The peer group consists of six international real estate companies that also focus on retail real estate. The business mix and country focus of the specific peer group companies is different, so the peer group comparison is therefore somewhat limited in our view.

The peer group comparison shows that the companies' multiples differ considerably. This could be due to differences in their business mix, strategy, prospects, free float and market confidence in management's skills. We therefore compared DES's figures with the peer group average.

The forecasts for DES are our estimates, while the peer group forecasts are based on consensus and market figures. Our P/E-based multiples valuation suggests that DES is undervalued. The target share price ranges from €36.96 for 2010e to €38.37 for 2009e based on the peer group average. The average target price for the 2008e-2010e period is €37.46 per share. But the P/E ratios of the peers differ considerable.

Multiples comparison of major competitors (2008E – 2010E), 30 May 2008 closing prices

Company	Price in €	Market cap. €m	EPS`08e	EPS`09e	EPS`10e	P/E`08	P/E`09	P/E`10
Corio	55.99	3,765	3.13	3.23	3.46	17.9	17.3	16.2
Hammerson	11.70	3,389	0.52	0.56	0.64	22.5	20.9	18.3
Klepierre	38.04	1,756	2.56	2.77	3.00	14.9	13.7	12.7
Liberty International	11.27	4,079	0.46	0.48	0.53	24.5	23.5	21.3
Unibail-Rodamco	167.10	14,979	8.46	9.14	10.05	19.8	18.3	16.6
Wereldhave	74.45	1,547	4.91	5.10	5.24	15.2	14.6	14.2
average						**19.1**	**18.1**	**16.5**
DES	26.16	899	1.94	2.12	2.24	13.5	12.3	11.76
based on average						**37.05**	**38.37**	**36.96**

Source: fairesearch, Börsenzeitung

In addition, we calculated a per-share net asset value (NAV) for the real estate portfolio of DES. The calculated figure is a NNNAV (ie market value minus deferred taxes on capital gains). The NAV evaluation is a good tool for pure real estate portfolio investors with a buy-and-hold strategy as DES. Based on our 2008 estimates, the potential target price for DES's NAV is €32.69 per share.

We also valued DES using our shareholder profit model, which is an earnings discount model. We decided to opt for this rather than a DCF model because the cash flow of a real estate company is often strongly influenced by inventory investments and disposals. Such cash flows are particularly hard to forecast. In our view, the earnings discount model is a more reliable means of valuing that business. We calculate a fair value of €28.89 per DES share.

One of our valuation tools is our WACC model, which is an EVA (economic value-added) model. This model first checks whether a company generates enough operating income (including gross interest income but before interest on pension provisions) to cover the costs of both pensions and financial debt. The WACC model yields an average target price for 2008e to 2010e of €23.35 per share.

DES looks undervalued according to our peer group multiples comparison, NAV analysis and shareholder profit model but not on our WACC model. The different valuation methods we used yielded fair values that ranged from €21.23 to €38.37 per share for 2008e to 2010e. The average target prices is €30.60 per share, which is above the current share price of DES.

Patrizia price per share by different valuation methods

P/E valuation	37.46
NAV (2008E)	32.69
Shareholder profit model	28.89
WACC model	23.35
Average price per share	**€30.60**

Source: fairesearch

DES shares do not look cheap compared with other German real estate companies which suffer on much lower PE ratios. But DES looks undervalued compared to its international peer group with the same business focus. The real estate sector has underperformed in 2007 and 2008 to date after a strong performance in 2004-2006. The weakness of some real estate markets, such as the US, UK and Spain, seems to be taking its toll on institutional investors' interest in the real estate market as a whole. The global financial turmoil caused by the so-called US subprime crisis has been a disaster for real estate companies in general.

Multiples of the peer group are well above market multiples

But the influence of the subprime crises on shares of European real estate investors which focus on shopping canters has been rather limited. The multiples of the peer group are well above market multiples. This explains the evaluation difference of DES to other German real estate shares. DES seems to be a "safe harbour".

DES shares seem rather cheap compared with its European peer group. We calculated an average target price of €30.60 per DES share, which is 17% above the current share price. **We recommend therefore to BUY DES shares.**

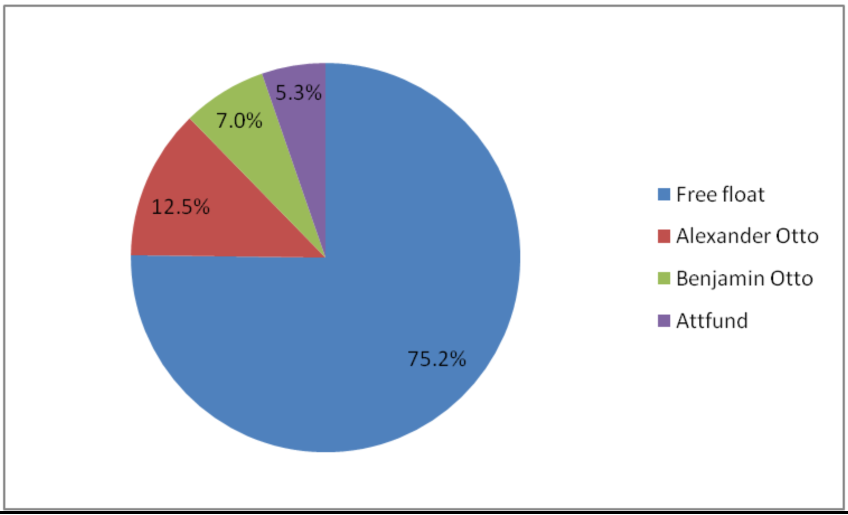
Company Profile

DES has a clear business model. It focuses on investment in shopping centers in city centres and established locations which have the potential for stable, lasting value growth and generate sustainable distributable free cash flows on an ongoing basis.

DES was set up in October 1997. It started its operating business on September 2000 as it bought participations on 8 shopping centers in Germany, France and Italy from Deutsche Grundbesitz Management (a Deutsche Bank subsidiary). The company went public by an IPO beginning of January 2001. DES joined the German MDAX in September 2004.

The biggest shareholder is the Otto family which keeps a stake of at least 19.5% on DES. Alexander Otto holds a stake of 12.44% and Benjamin Otto keeps 7.04% on DES. Alexander Otto is member of the supervisory board of DES and CEO of ECE Projektmanagement which does the center management for the shopping centers of DES. Attfund of South Africa keeps a stake of 5.3%. The free-float of DES shares is at 80.5% regarding Deutsche Börse rules. The shareholder structure is detailed in the chart below.

Shareholder structure of DES



Source: Company data, fairesearch

Corporate strategy: buy & hold

DES has a buy and hold strategy. It is a pure real estate investor on retail properties specialized on shopping centers. The company said its two primary investment objectives are to generate high surplus liquidity from longterm leases that is distributed to shareholders in the form of annual dividends, and to achieve sustained growth in the value of its portfolio. The Company diversifies risk by investing in shopping centers in a number of European regions, with the focus on Germany. The desired high return is achieved through indexed and turnover-based commercial rents coupled with a center management strategy that focuses on long-term performances.

Management said that it will continue to concentrate future investment on properties in premier locations that are expected to generate a high yield and maintain their value in the long term, so as to guarantee a high level of investment security. But it place more value on the quality of the shopping centers than on the rate of growth of its portfolio.

DES said that it aims to expand its portfolio on an annual basis of €150m to €200m on average p.a. and initial a net yield of new investments of at least 5.5%. This was not possible last year as great investors interest led to initial net yield below 5.0%. The company did not make any new investment last year. But it wants to monitor the market continuously regarding arising opportunities.

Portfolio of DES

	Germany	Abroad	Total
Leasable space in sqm	491,100	152,300	643,400
Number of shops	1,110	550	1,660
Qccupancy rate	>99%	100%	>99%
Inhabitants in catchment area in mio	9.8	3.3	13.1
Number of centers	12	4	16

Source: Company data, fairesearch

The main investment focus of DES lies with 84% in Germany. The portfolio consists of 12 shopping centers in Germany, two in Poland and one in Austria and Hungary each with leasable space totalling 643,000sqm, 1,660 shops and an occupancy rate of over 99%. Stadtgalerie in Hameln (Germany) opened in March 2008. 15 out of 16 shopping centers are therefore now in operation. The 16th shopping center, Stadt-Galerie in Passau (Germany), will open in September 2008. DES sold the shopping centers Centro Commerciale Tuscia in Italy and Shopping Etrembieres in France in 2006.

Revenues of DES shopping centers

in € mio	2007	2006	2005
Rhein-Neckar-Zentrum, Viernheim	16.31	16.01	15.98
Main-Taunus-Zentrum, Sulzbach*	10.00	9.78	0.00
Allee-Center, Hamm	9.40	9.21	8.94
Forum, Wetzlar	8.14	7.98	7.22
Rathaus-Center, Dessau	8.21	7.41	0.00
City-Arkaden, Wuppertal	8.23	7.93	7.89
City-Galerie, Wolfsburg	8.33	7.70	8.16
Altmarkt-Galerie, Dresden*	6.39	6.21	6.04
Phoenix-Center, Hamburg*	5.34	5.27	5.05
City-Point, Kassel*	3.03	2.98	2.87
Total Germany	**83.57**	**81.02**	**62.16**
City Arkaden, Klagenfurt*	5.16	4.02	0.00
Arkad, Pecs*	3.59	3.53	3.42
Galeria Baltycka, Danzig	3.44	0.00	0.00
Centro Commerciale Tuscia, Viterbo	0.00	2.85	3.11
Shopping Etrembieres, Annemasse	0.00	1.02	3.44
Total abroad	**12.19**	**11.42**	**9.97**
Total	**95.76**	**92.85**	**72.12**

Source: company data, fairesearch * proportionately consolidated

Dividend of DES is tax-free for investors in Germany

Dividends paid to shareholders domiciled in Germany are generally subject to income or corporation tax. Exceptions may be made under certain circumstances for dividend payments that are regarded as equity repayments for tax purposes (distributions from EK04 – equity class 04 – or, since 2001, from the tax-recognised contribution account). Deutsche EuroShop’s dividend fulfils this requirement. The dividend payment constitutes untaxable (i.e. tax-free) income for shareholders in accordance with section 20 (1) clause 1 sentence 3 of the Einkommensteuergesetz (German Income Tax Act).

The industry

General trends in the German commercial real estate market

Investment volume reached new peak in 2007

The German commercial real estate market has been booming for several years. Investment volume in German commercial real estate reached a record high in 2006, doubling from the previous year's level to €49.4bn. Investment volume increased by another 20% to €59.4bn in 2007, according to Atisreal. The investment volume in German residential real estate increased as well, by around 18% to €15.2bn in 2007. The general interest in German real estate continued to be fairly strong last year, despite the subprime crisis in mid-2007.

More than half of total turnover (52%) in German commercial real estate was invested in office space last year. It improved its status due to the positive development of the biggest German office space locations. The share of retail properties decreased from 40% in 2006, which included the sale of the Karstadt real estate portfolio of €4.5bn, to around 22% for 2007. Logistics properties accounted for 5% in 2007 with a transaction volume of around €2.8bn (€2.9bn in 2006).

German real estate investments (2005-2007)

€bn	2005	2006	%	2007	%
Commercial real estate	23.7	49.4	108%	59.4	20%
Residential real estate	15.8	12.9	-18%	15.2	18%
Total real estate	39.5	62.3	58%	74.6	20%

Source: Atisreal, fairesearch

Around 61% of the turnover or €36.1bn was made up of portfolio deals in 2007 compared with 62% in 2006. Investments in individual properties accounted for €23.3bn or 39%. Around 76% of the investments in German commercial real estate were made by foreign investors in 2006, falling to around 69% in 2007, and we expect their share to fall further in 2008-2009.

The relationship between interest rates and rental yields in German commercial real estate market still looks attractive relative to international levels. However, rental yields in Germany reached their bottom in 1H07 and have been increased by the subprime crisis since then. Scheduled transactions were delayed or completely cancelled as a result of the distinctly more reluctant stance of banks to lend money in 2H07. In addition, funding costs have increased. After a huge wave of investors driven by the lure of cheap borrowed capital, the buyers now need their own funds to a greater extent.

Strong demand in top six cities

First-rate commercial real estate and properties on long-term leases should remain in demand. The total investments in the top six locations in Germany (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg and Munich) increased by 44% yoy to €30.7bn for 2007. The best location last year was Frankfurt, where turnover jumped by 82% to €7.9bn. Next was Berlin, with an increase of 65% to €6.9bn. Munich was up by 37% to €6.7bn, Hamburg 29% to €5.1bn and Cologne by 25% to €1.8bn for 2007. Only Düsseldorf saw a decline in turnover, by 7% to €2.3bn.

Investments in top German commercial real estate cities (2005-2007)

€bn	2005	2006	%	2007	%
Berlin	1.75	4.2	140%	6.9	64%
Düsseldorf	0.9	2.45	172%	2.3	-6%
Frankfurt	3.2	4.3	34%	7.9	84%
Hamburg	1.7	3.9	129%	5.1	31%
Cologne	0.7	1.45	107%	1.8	24%
Munich	1.5	4.9	227%	6.7	37%

Source: Atisreal, fairesearch

In 2008 the changed environment due to the subprime turmoil is likely to result in real estate turnover falling short of the records reached in 2007. But turnover could still be at a good level, as Germany enjoys a relatively favourable pricing level. Rental yields could remain at the current level, with adjustments in different market segments. Take-up volume fell last year in some European urban areas, like London and Paris, compared with 2006; but rose by 14.5% in the nine biggest German office property locations in the same period. The average vacancy rate decreased by 3.5pp in 2007 for this group. The average prime rent was up by 4.7% in 2007 for the top nine German cities.

Munich

Take-up volume jumped by 24% yoy to 834,000 sqm in Munich for 2007, the highest growth rate of Germany's nine biggest cities in terms of office properties, according to Atisreal. The vacancy rate increased from 8.8% to 9.6% for 2007. The prime rent was up by 5% to €31 per sqm for 2007.

Frankfurt

Take-up volume was up by 1% yoy to 629,000 sqm in Frankfurt for 2007. The vacancy rate came down from 14.5% for 2006 to 13.3% for 2007. The prime rent increased by 7% to €37.5 per sqm for 2007.

Berlin

Take-up volume declined by 15% to 500,000 sqm in Berlin for 2007 compared with the year before. That was the weakest figure of the nine biggest cities in Germany in 2007. The vacancy rate was flat at around 8.2% for 2007. The prime rent was up by 7% to €22 per sqm for 2007.

Hamburg

Hamburg reached a new take-up record in 2007 with 564,000 sqm, up by 23% and the second-best growth rate of the nine top cities in 2007. The vacancy rate decreased slightly to 6.3% in 2007 and was again the lowest figure of the German peer group. The prime rent was up by 6% to €25 per sqm for 2007.

Retail market

Around 22% of total turnover in German commercial real estate was invested in retail space last year, down from around 40% for 2006. Investment in retail real estate fell 33% to €13.1bn in 2007, according to Atisreal. But the figures for retail properties were distorted in 2006, which included the sale of the Karstadt real estate portfolio for €4.5bn. Retail investments decreased by only 14% in 2007 when adjusted for the Karstadt deal, and were far ahead of the 2005 figures.

German retail real estate investments (2005-2007)

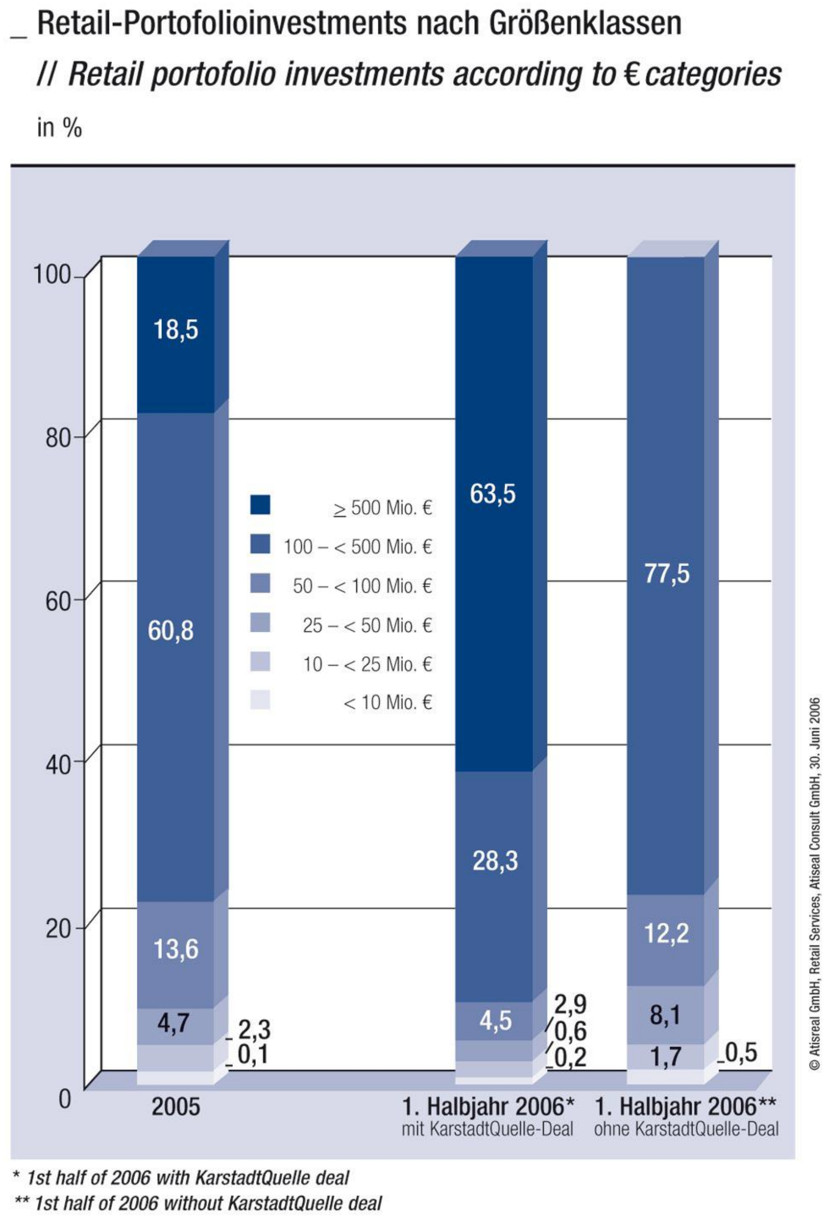
€bn	2005	2006	%	2007	%
Commercial real estate	23.7	49.4	108%	59.4	20%
- of which retail real estate	5.3	19.7	272%	13.1	-33%

Source: Atisreal, fairesearch

The retail market showed steady growth in shopping malls and retail parks until German reunification 1989; after reunification the retail market boomed in the 1990s. Since the late 1990s new retail construction has concentrated in western Germany again, which is also the main area for the planned new retail projects. In 2006 12 new shopping malls opened in Germany and, according to Eurohypo, there will be 64 more over 2007-2010.

There were 384 shopping malls in Germany at the beginning of 2007, with total floor space of around 12m sqm (Eurohypo). The average floor space of the shopping malls was around 24,000 sqm, with a smaller average of around 18,500 sqm in city-centre shopping malls, according to Jones Lang LaSalle.

Retail portfolio investments according to € categories



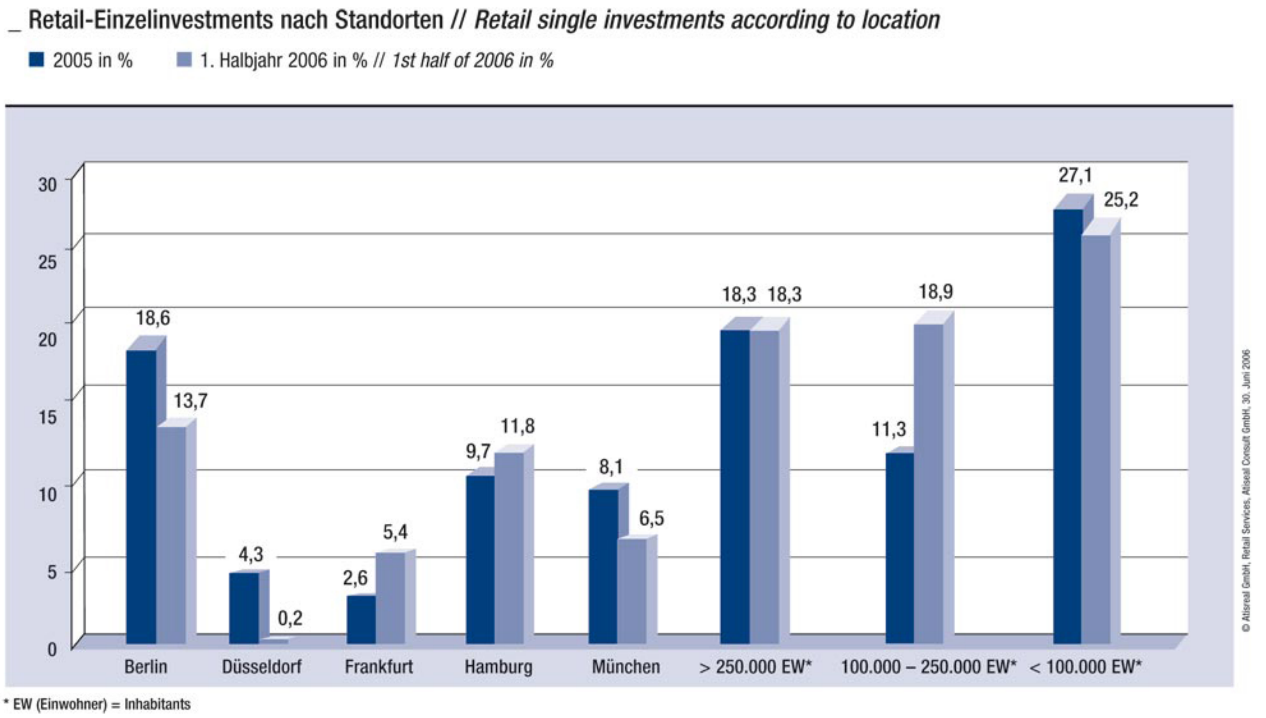
Source: Atisreal, fairesearch

Not surprisingly, the trend for retail properties in Germany follows the housing trend. After decades of German people leaving city-centre flats to live in the suburbs, the trend has turned back in favour of city-centre living since the turn of the century. There are several reasons for this trend: an estimated two-thirds of new jobs created in Germany are in metropolitan areas and there has been a rise in the amount of childless couples, who are less likely to require houses with gardens than families with children are.

For retail properties there is a strong trend from suburbs back to city centres as well. The share of new shopping malls opening in suburbs declined from 25% in 1995 to 4% in 2005, while openings in city-centre locations rose from 35% in 1995 to 61% in 2005.

The revenues of retail stores have developed rather weakly in Germany over the last years, closely linked to the weak GDP growth rates in Germany and the stagnating wage level of employees in Germany. Two kinds of retail stores could therefore grow successfully: cheap discounters and luxury retailers. These are the target groups for DES's retail concepts. Shopping malls have a low overall vacancy rate of 4% in Germany. New retail construction projects are mostly fully rented before opening. The vacancy rate was below 1% for the shopping centres of DES in 2007.

Single retail investments according location (2005-1H06)



Source: Atisreal, fairesearch

Fundamentals

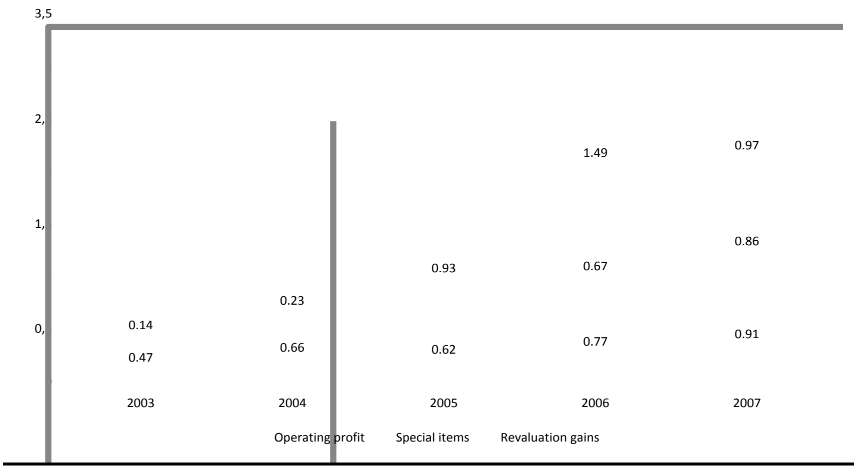
2007

Revenues increased by 3.1% to €95.8m for 2007 compared to 2006. The sale of shopping centers in Italy and France in 2006 was compensated in 2007 by revenues of Galeria Baltycka in Gdansk which opened in October last year and revenues of City Arkaden in Klagefurt which contributed firstly a full financial year. Rental income grew by 3% to €92.1m for 2007. The vacancy rate was unchanged below 1%. The needed write downs for rent losses were around €0.2m or 0.2% of revenues for 2007.

Other operating income declined from €16m for 2006 to €1.1m for 2007 due to disposal gains by the sale of two shopping centers in Italy and France in 2006. Revaluation gains decreased by 30% to €50.8m for 2007. Revaluation of existing properties contributed by €42.3m. Another €4.5m resulted by the new opened center in Gdansk.

EBIT without revaluation gains declined by 11% to 77.2m for 2007 due to the disposal gains in 2006. Pre-tax profit (including evaluation gains) was down by 34% to €77.8m. The German corporate tax reform led to a one-off tax credit of €29.7m by reduction of deferred tax provisions. The overall tax income was therefore €16.3m for 2007 compared to tax expenses of €17.4m for 2006. You can see the break down of EPS in the table below.

Earnings per share break down



Source: Company data, fairesearch

DES exceeded all its given targets for 2007.

Good start in 1Q08

Revenues increased by 19% to €26.9m for 1Q08 compared to the same period last year. The new opened shopping centers in Baltycka and Hameln contributed mainly to the increase. Revenues from existing properties increased by 2.2%. The opening led to higher administrative costs on the other hand. EBIT without evaluation gains rose by 20% to €22.5m for 1Q08. Evaluation result increased from a loss of €0.1m for 1Q07 to gains of €1.8m for 1Q08 exclusively by unrealised exchange rate gains from the Polish and Hungarian real estate companies. Pre-tax profit (including evaluation gains) increased therefore by 45% to €12.3m for 1Q08. Income tax ratio came down from 25.4% for 1Q07 to 17.3% for 1Q08 mainly due to the German corporate tax reform. Net profit was up by 61% to €10.2m for 1Q08.

Income statement (1Q08)

€m	1Q08	1Q07	YoY
Sales revenues	26.9	22.6	19%
Revaluation result	1.8	-0.1	
Total turnover	28.9	22.8	27%
Total expenses	4.6	4.2	10%
EBIT	24.3	18.6	31%
Financial result	-10.3	-9.3	11%
Pre-tax profit (loss)	**14.0**	**9.3**	**51%**
Net profit after minorities	10.2	6.3	62%

Source: fairesearch based on company data,

Targets and forecasts

DES released clear forecasts regarding its business development in 2008 and 2009. It guided revenues to rise by around 18% between €110m to €113m for 2008 by the openings off Hameln, Passau and Gdansk. The shopping centers in Hameln and Passau will fully in 2009. DES expects therefore revenues between €119m to €121m in that year.

The company forecasts EBIT between €90m to €92m for 2008 and between €100m to €102m for 2009 once all properties still under construction have opened. It guided pre-tax profit between €43m to €45m for 2008 and between €49m to €51m for 2009. Revenue and earnings forecasts of the company for 2008 and 2009 does not include the purchase or sale of any properties. The revaluation result and exchange rate factors are as well not included in the planning as they are not foreseeable. 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 said that it aims to expand its portfolio on an annual basis of €150m to €200m on average p.a. and initial a net yield of new investments of at least 5.5%. This was not possible last year as great investors interest led to initial net yield below 5.0%. The company did not make any new investment last year.

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. We guess main reason is that multiples of the European peer group are well above market and DES multiples. Additionally, DES exceeded its 2007 forecasts despite the markets turmoil and the business model and investment policy of DES seems very transparent and reasonable. **We recommend therefore to BUY DES shares.**

Profit and loss account 2006 – 2010e

Profit and loss account (2006 – 2010e)

in € mio	2006	2007	yoy	2008e	yoy	2009e	yoy	2010e	yoy
- Minimum rental income	89.1	92.1	3%	107	16%	115	7%	121	5%
- Turnover rental income	2.1	2.3	10%	2.6	13%	2.8	8%	3.0	7%
- Other revenues	1.7	1.4	-18%	1.8	29%	2.0	11%	2.1	5%
Revenues	92.9	95.8	3%	111.4	16%	119.8	8%	126.1	5%
Revaluation result	72.3	50.8	-30%	45.0	-11%	47,0	4%	48.0	2%
Other operating income	16.0	1.1	-93%	2.0	82%	3.0	50%	3.5	17%
Total revenues	**181.2**	**147.7**	**-18%**	**158.4**	**7%**	**169.8**	**7%**	**177.6**	**5%**
Property operating costs	10.4	9.4	-10%	10.8	15%	11.0	2%	11.4	4%
Properts management costs	5.7	6.1	7%	7.0	15%	7.2	3%	7.4	3%
Staff costs	1.0	1.2	20%	1.4	17%	1.5	7%	1.6	7%
Amortization and depreciation	0.5	0.0	-100%	0.3		0.3	0%	0.3	0%
Other operating expenses	4.9	3.0	-39%	3.5	17%	3.7	6%	3.8	3%
Total expenses	22.5	19.7	-12%	23.0	17%	23.7	3%	24.5	3%
Income from investments	1.9	1.5	-21%	1.3	-13%	1.4	8%	1.5	7%
EBITDA	161.1	129.5		137.0		147.8		154.9	
EBIT	**160.6**	**129.5**	**-19%**	**136.7**	**6%**	**147.5**	**8%**	**154.6**	**5%**
- Finance expenses	38.9	40.2	3%	46.0	14%	48.0	4%	50.0	4%
- Finance income	2.4	2.7	13%	2.3	-15%	2.7	17%	2.8	4%
Finance result	-36.5	-37.5	3%	-43.7	17%	-45.3	4%	-47.2	4%
Profit before income taxes	**124.1**	**92.0**	**-26%**	**93.0**	**1%**	**102.2**	**10%**	**107.4**	**5%**
Income tax	-17.4	16.3	-194%	-15.5	-195%	-17.0	10%	-17.7	4%
Tax ratio	14.0%	-17.7%		16.7%		16.6%		16.5%	
Net profit	106.7	108.3	1%	77.5	-28%	85.2	10%	89.7	5%
Minority interests	-6.4	-14.1	120%	-11.0	-22%	-12.3	12%	-12.9	5%
Net income	**100.3**	**94.2**	**-6%**	**66.5**	**-29%**	**72.9**	**10%**	**76.8**	**5%**
Average number of shares in mio	34.35	34.35		34.35		34.35		34.35	
EPS	**2.92**	**2.74**	**-6%**	**1.94**	**-29%**	**2.12**	**10%**	**2.24**	**5%**

Source: Company data, fairesearch

Balance sheet 2006 – 2010e

Balance sheet (2006 – 2010e)

Assets in €m	2006	2007	yoy%	2008e	yoy%	2009e	yoy%	2010e	yoy%
Intangible assets	0	0		0		0		0	
Investment properties, plant equipment	155	144	-7%	160	11%	175	9%	190	9%
Investment properties	1,452	1,658	14%	1,700	3%	1,770	4%	1,850	5%
Financial assets	29	33	13%	33	1%	34	3%	35	3%
Other assets	17	4	-77%	4	-8%	4	3%	4	6%
Long-term assets	1,653	1,839	11%	,1897	3%	1,983	5%	2,079	5%
Trade receivables	2	3	39%	3	-6%	3	3%	3	3%
Receivables from other investees and investors	2	0	-100%	0		0		0	
Other current assets	42	21	-49%	20	-6%	21	5%	22	5%
Other financial assets	3	4	37%	5	35%	4	-20%	5	13%
Cash and cash equivalents	94	109	16%	80	-27%	90	13%	100	11%
Current assets	143	137	-4%	108	-21%	118	9%	130	10%
Total	**1,796**	**1,976**	**10%**	**2,005**	**1%**	**2,101**	**5%**	**2,209**	**5%**

Equity and Liabilities in €m	2006	2007	yoy%	2008e	yoy%	2009e	yoy%	2010e	yoy%
Shareholders equity	796	861	8%	889	3%	924	4%	960	4%
Minority interests/Right to redeem of limited partners	102	113	11%	124	10%	136	10%	149	10%
Liabilities to banks	752	849	13%	860	1%	891	4%	930	4%
Deferred tax liabilities	81	64	-21%	70	9%	80	14%	90	13%
Other long-term liabilities	0	1	25%	1	0%	1	0%	1	0%
Long-term liabilities	834	914	10%	931	2%	972	4%	1,021	5%
Liabilities to banks	29	47	64%	28	-40%	32	14%	40	25%
Current trade receivables	7	9	34%	6	-31%	5	-17%	7	46%
Tax provisions	1	1	-62%	1	0%	1	0%	1	0%
Other provisions	19	25	36%	18	-28%	23	26%	24	6%
Other non-current liabilities	10	7	-27%	9	18%	9	6%	7	-20%
Current liabilities	65	88	37%	61	-31%	69	13%	79	14%
Total	**1,796**	**1,976**	**10%**	**2,005**	**1%**	**2,101**	**5%**	**2,209**	**5%**

Source: Company data, fairesearch

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Recommendation history for the company analysed in this report:

Date	Recommendation	Price at change date	Target Price

2nd June 2008	Buy	26.16 (Initiating Coverage)	30.60 EUR

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