

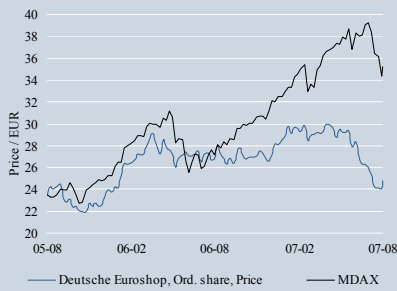
Deutsche Euroshop

Real Estate

2007-08-14

Applied disclosures can be found in the appendix

Price and rel. Performance



Market Data

Reuters	DEQn.DE
Bloomberg	DEQ GR
Market cap €bn	0.9
Free float %	81.0

Key Data

Yr.end 12/31	2006	2007e	2008e
Revenues m	181.2	140.5	205.4
Net Profit m	28.0	8.1	14.8
Adj. EPS	2.92	1.47	2.92
PER	9.3	16.8	8.5
EV/EBIT	10.2	14.6	10.8
EBIT mgn. %	15.5%	5.8%	7.2%
EPS CAGR (06-07)	-41.6%	2600,"0")," %")	

Next Events

Quarterly results	2007-08-14
Quarterly results	2007-11-09

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Strong buy

Fair Value EUR30.00

Price EUR24.76 (Closing price as of 2007-08-13)

H1 FIGURES UNSPECTACULAR

INVESTMENT CASE AND PERFORMANCE TRIGGER

Deutsche Euroshop this morning reported relatively unspectacular H1 2007 figures broadly in line with our and consensus expectations. Clearly positive is the 3.2% increase in rental income from existing properties. Due to the increasing interest level and the strong private consumption, management increases its net initial yield expectations from 5% to 5.5% for further acquisitions. Concerning new investment projects, management provided a more cautious view. The highest likelihood of a new investment is the 13,000 sqm enlargement of the Main Taunus Center in the area of Frankfurt. All in all we keep our positive view for Deutsche Euroshop and reiterate our **strong buy** rating with a fair value of €30.

FACTS

€m	H1 06	H1 07	%	Cons	SOP
Revenues	45.9	45.6	-0.7%	45.7	45.6
EBIT	39.1	37.8	-3.2%	37.3	37.6
Revaluation	8.2	0.2	-97.6%		0.1
EBT	29.6	18.2	-38.5%	17.7	17.9
Net	23.9	13.5	-43.5%	13.3	13.4
EPS	1.39	0.79	-43.2%		0.78

H1 2007 top line sales came in at €45.6m compared to the previous year's reported €45.9m (-0.7%); bottom line EBIT decreased to some €37.8m compared to 2006 reported €39.1m (-3.2%). Revaluation gains of €0.2m in H1 led to EBT decrease of some €8m, in line with expectations.

Management confirmed its 2007 guidance of €92m-€94m top line sales, €71m-€73m bottom line EBIT (we estimate upper end) and a pre tax EBT figure between €30m and €32m. High likelihood of Main Taunus Center enlargement by some 13,000 sqm is given. For other new investments management is more cautious.

ASSESSMENT & VALUATION

No surprises - negative or positive - were seen in today's figures. Despite the upcoming opening of three new shopping centers in 2007 and 2008, the outlook for larger new investments is still cautious, which would lead on a long term perspective to a bottleneck in company growth. Deutsche Euroshop is currently trading with -5.8% and -8.4% below its 2006 and 2007 NAV, which is not justified in our opinion. The comparable international peer is at +6.1% and -6.7% for the respective time. With 4.35% 2007 dividend yield share is still attractive. We see Deutsche Euroshop as the most attractive stock to raise an exposure in German retail real estate business. We reiterate our strong buy rating, fair value €30.

Deutsche Euroshop - P&L

EURm (Yr. end: 12/31)	2005	2006	2007e	2008e	2009e
Rental income	72.1	92.4	94.3	114.1	117.1
Revaluation of investment properties	49.9	72.3	42.5	85.6	45.5
Other income	2.3	16.4	3.7	5.7	5.7
Total income	124.3	181.2	140.5	205.4	168.3
Real estate operating expenses	12.3	16.2	19.1	24.5	25.1
Other operating expenses	4.6	6.3	6.7	7.0	7.3
Total operating expenses	16.9	22.5	25.8	31.5	32.5
EBITDA	107.4	158.6	114.8	173.9	135.8
EBITDA (excl. revaluation)	57.5	86.3	72.3	88.3	90.3
EBIT	107.4	158.6	114.8	173.9	135.8
Interest income	2.2	2.3	2.4	2.4	2.5
Interest expenses	33.6	38.9	42.8	49.2	50.7
Other financial income	-7.9	-4.4	-4.6	-4.8	-5.1
EBT	68.1	117.7	69.8	122.3	82.6
Taxes	19.4	17.4	19.1	22.0	23.1
Adjusted net profit	48.7	100.3	50.6	100.4	59.5
Net profit	-1.2	28.0	8.1	14.8	14.0
Net profit after minorities	48.7	100.3	50.6	100.4	59.5
Total operating income	74.4	108.9	98.0	119.8	122.8
Operating costs	16.9	22.5	25.8	31.5	32.5

Key ratios and figures

EURm (Yr. end: 12/31)	2005	2006	2007e	2008e	2009e
Number of total shares	34.4	34.4	34.4	34.4	34.4
EPS (reported)	2.83	5.84	2.95	5.84	3.46
adj. EPS	1.42	2.92	1.47	2.92	1.73
Dividend	2.00	2.10	2.10	2.16	2.16
Net asset value per share	23.11	25.53	26.34	27.44	28.94
Growth rates %					
Revenues change	57.8	45.7	-22.4	46.2	-18.1
EBITDA	86.0	47.6	-27.7	51.6	-21.9
EBIT	86.0	47.6	-27.7	51.6	-21.9
EBT change	82.9	72.7	-40.7	75.4	-32.5
Net profit	84.3	105.9	-49.5	98.2	-40.7
adj. EPS	59.6	106.0	-49.5	98.2	-40.7
Margins %					
ROE incl. Revaluation effect	-0.2	3.7	1.0	1.8	1.6
ROE excl. Revaluation effect	7.2	13.2	6.3	12.0	6.8
Expense ratios %					
Other ratios					
Interest cover	3.2	4.1	2.7	3.5	2.7
Equity ratio %	46.9	44.3	41.7	37.3	35.8
Gearing %	88.8	113.5	129.2	158.9	171.4
Net financial debt / EBITDA	5.7	4.7	7.6	6.2	9.3
Net yield investment properties	nm	nm	nm	nm	nm

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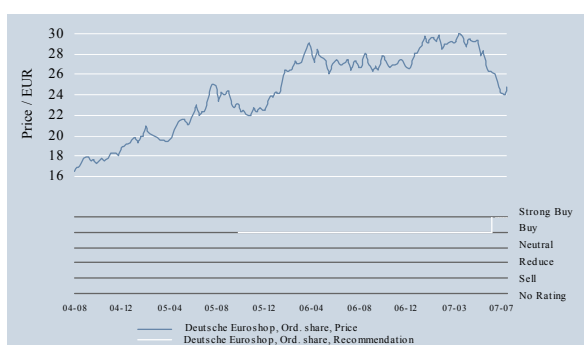
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Buy	159	43.8	35	59.3
Neutral	120	33.1	14	23.7
Reduce	39	10.7	2	3.4
Sell	4	1.1	0	0.0
No rating	24	6.6	4	6.8

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