M. M. WARBURG & CO
1798

EQUITY RESEARCH
GERMANY

Deutsche EuroShop

Buy Price target: € 27.00

Real Estate

Update

Bloomberg Code: DEQ
ISIN: DE0007480204

Price on 1 September 2010: € 23.80
High/Low 12 month: € 24.72/21.26

Capital	
Market capitalization	€ 1,092.1 m
Number of shares	45.9 m
Subscribed capital	€ 45.9 m

Ownership structure		
widely spread	ord	82.0%
Otto family	ord	18.0%

Upcoming events	
11 Nov 2010 :	Q3-report

- **Back on the growth path**
- **A strong refinancing base enables further portfolio expansion**
- **Good risk/reward profile in challenging capital markets**

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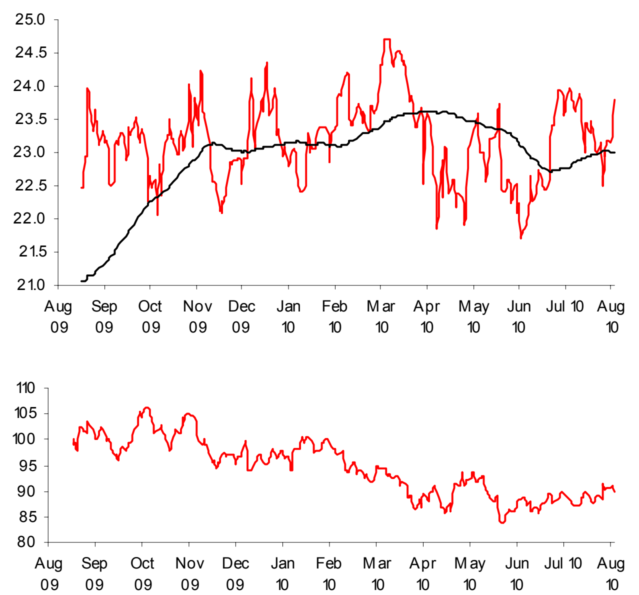
Price / Relative strength to MDAX



Source : FactSet M.M.Warburg Investment Research

in €	12/2009	12/2010e	12/2011e	12/2012e
EPS (current)	**0.93**	**1.20**	**1.33**	**1.45**
EPS (previous)	0.93	1.26	1.32	---
CFPS	1.49	1.43	1.58	1.73
Dividend	1.05	1.10	1.10	1.10

in € m	12/2009	12/2010e	12/2011e	12/2012e
Sales	127.6	144.9	152.8	159.5
EBITDA	110.7	123.3	130.5	138.5
EBIT	110.7	123.3	130.5	138.5
Net income	34.4	54.0	60.8	66.6
Cash flow	55.0	64.3	72.4	79.3
ROCE (EBIT/CE)	5.5%	5.1%	5.1%	5.2%

	12/2009	12/2010e	12/2011e	12/2012e
PER	23.2	19.8	18.0	16.4
PCFR	14.4	16.6	15.1	13.8
Div. Yield	4.9%	4.6%	4.6%	4.6%
EV/Sales	15.64	17.24	17.16	16.87
EV/EBITDA	18.0	20.2	20.1	19.4

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INVESTMENT RESEARCH

SWOT-Profile

Strength:

- Deutsche EuroShop (DES) is a specialist for investments in shopping centres with an opportunistic and quality oriented investment policy (prime locations).
- Substantial long-term liquidity surpluses due to strong funds from operations (FFO) enable an attractive dividend policy and additional portfolio growth.
- No constraints regarding refinancing as DES currently has a credit line of € 150m and cash of € 40m to invest in the further expansion of its shopping centre portfolio. Loan structure is solid with an average yield of 5.3%.
- Lease contracts are favourable in our view as DES' weighted maturity of its leases is at approx. 6.7 years. Furthermore, the average vacancy rate of all shopping centres is below 1%.
- Streamlined administrative structure enables high flexibility with low costs. The Management of the shopping centres is outsourced to ECE which has an excellent track record in shopping centre management.

Weakness:

- Strong dependence on consumer spending in the German economy which might be negative in the case of a significant detoriation of the German economy.
- The operating cash flow is paid out to shareholders so retained earnings are not sufficient to support the intended portfolio growth of 10% p.a. Therefore, a refinancing mixture of debt and new equity from a capital increase is necessary to achieve this growth target.

Opportunities:

- Moderate sales growth of DES' tenants is well backed by the positive economic development in Germany as rents are generally linked to turnover.
- Replacement of expiring loans should decrease the average interest rate of loans by up 20-40bp.
- Minimum rents (already at a high level) are linked to CPI. So the risk opportunity profile is positive for the company in an inflation scenario.
- As DES and its shopping manager ECE are well placed in the German market for shopping centres we feel strongly that additional investment opportunities are likely in the coming months. Difficult funding possibilities and the missing expertise of shopping centre owners could lead to additional sales of shopping centres.
- 50% of property management costs could be distributed to tenants. So existing contracts will be adjusted gradually. Share of management costs should shrink by at least another 1%-point.

Threats:

- Negative effects from changing shopping habits cannot be ruled out (more online sales) but this is not foreseeable for the time being in our view.
- DES AG's staff at the moment only consists of the two directors and five employees. This leads to a strong dependence on individuals. Nevertheless this risk should be limited as the operating side of the business is carried out by the associated companies.
- Additional new shopping centres in the catchment area of DES' centres could lead to lower rental income due to an increase of vacancy rates and reduced rents.

Deutsche EuroShop as a specialist for investments in shopping centres has shown a sound performance with an operating earnings growth of 15% p.a. since 2006 (w/o valuation effects). As the company has no constraints regarding refinancing we expect a further dynamic revenue and FFO growth in the following years (CAGR 2009-2012e: 8% and 13% respectively) after the first steps of expansion have already been undertaken in 2010. Moderate sales growth on a like-for-like basis, possible lower average interest cost and further allocation of centre management costs enables higher funds from operations which is positive for the dividend payout.

The company's property portfolio is currently only valued at 14.4 times the rent, which equates to a rental yield (NOI) of 6.1%. We think that DES' asset quality is good due to the company's cautious portfolio expansion in recent years. Furthermore, current market yields driven by stronger demand (e.g. insurance companies) for sustainable cash-flows allow for a higher valuation. We think a multiple of at least 16 would be adequate (Rental yield: 5.5%). For this reason we confirm our buy recommendation with an unchanged PT of € 27).

Opportunistic approach for the portfolio growth

We like the discipline of Deutsche EuroShop in terms of its portfolio expansion. In the years 2007 till 2009 Deutsche EuroShop did not acquire any shopping centres and only expand slightly its holdings in existing participations. In those days pricing and quality of shopping centres did not offer any substantial upside potential and the net initial yield was below the target of Deutsche EuroShop (>=6.0%).

At the end of the financial crisis several investment opportunities appeared and DES started to grow in 2010 by acquisitions and by increasing stakes in its participations in several shopping centres. The following transactions should lead to a substantial boost of rental income in the next years. Due to attractive net initial yields of its acquired objects DES will improve its earnings disproportionately.

a) Purchase of **A 10** shopping centre Wildau in the south of Berlin took place in February 2010. The former owner of this shopping centre was in trouble due to its high leverage of its refinancing. The total investment volume sums up to € 265m. The expected net initial yield (NOI) including the new development (Triangle) is 6.5%.
The centre is located near the A12 highway and the new airport Schönefeld, so the infrastructure around the centre seems to be good. In our view it is likely that the number of 1.2m inhabitants in the catchment area should rise in the course of the next years with positive impact on the turnover in this shopping centre.

The refurbishment and the expansion will be concluded in spring 2011. In 2011 we expect additional revenues of up to € 5m (Total centre: ~€ 18.1m) compared with 2010. In the following year rents should sum up to more than € 19.4m due to higher rents.

b) Deutsche EuroShop **increased** its **shareholdings** in three shopping centres. With effect from July 1st, 2010 DES increased its stake in the **Altmarkt-Galerie** in **Dresden** (from 50% to 67%), the **City Arkaden in Wuppertal** (from 72% to 100%) and the **City-Point Kassel** (from 90% to 100%). The main part of these transactions was a non-cash

Fig. 1:: **Shopping Centre Portfolio**

Domestic	Country	Share in %	Investment-vol. in € m	Year of purchase	Date of opening	Sales (€ m) 2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e
Rathaus Center, Dessau	GER	94,9	100	2006	2006	0,0	0,0	0,0	7,7	8,2	8,1	8,2	8,3	8,4	8,6
Rhein-Neckar-Zentrum, Viernheim	GER	99,9	274	2000	1972/2003	14,8	15,7	16,1	17,5	16,3	16,7	17,0	17,2	17,5	17,8
Stadtgalerie, Hameln	GER	94,9	82	2006	Spring 2008	0,0	0,0	0,0	0,0	0,0	5,5	6,5	6,6	6,7	6,8
Allee-Center, Hamm	GER	88,9	96	2002	1992/2003	8,8	8,9	9,1	9,3	9,4	9,6	9,0	9,1	9,3	9,4
City-Galerie, Wolfsburg	GER	89,0	108	2000	2001	7,7	7,7	7,9	8,1	8,3	8,3	8,5	8,6	8,8	8,9
City-Arkaden, Wuppertal	GER	100,0	96	2000	2001/2004	7,7	7,4	7,5	7,6	8,2	8,6	8,7	8,8	8,9	9,1
Forum, Wetzlar	GER	65,0	72	2003	2005	0,0	0,0	4,5	5,0	8,1	8,3	8,5	8,6	8,8	8,9
Altmarkt-Galerie, Dresden	GER	67,0	178,5	2000	2002	5,7	6,1	6,2	6,4	6,4	6,5	6,7	6,8	10,4	11,7
Phoenix-Center, Hamburg	GER	50,0	80	2003	2004	0,0	1,6	4,9	5,0	5,5	5,6	5,8	5,8	5,9	6,0
City-Point, Kassel	GER	100,0	48	2000	2002	2,9	2,9	2,9	3,0	3,0	3,1	7,3	7,4	7,5	7,6
City Galerie, Passau	GER	75,0	95	2006	2008						2,9	8,6	8,7	8,8	9,0
Main-Taunus-Zentrum, Sulzbach	GER	43,1	140	2000	1964/2004	18,0	19,0	20,0	20,5	10,0	10,4	10,3	10,4	10,6	10,8
A10 Center, Berlin	GER	100,0	265	2010	1996								13,0	18,1	19,4
Total domestic			**1.635**			**65,6**	**69,3**	**79,1**	**90,1**	**83,6**	**93,6**	**105,0**	**119,6**	**129,8**	**133,9**
Foreign															
Arkad, Pecs	HUN	50	36	2002	2004	0,0	2,6	3,3	3,5	3,6	3,7	3,7	3,8	3,8	3,9
City Arkaden, Klagenfurt	AUT	50	72	2004	2006	0,0	0,0	0,0	3,8	5,2	5,3	5,3	5,4	5,5	5,6
Galeria Baltycka, Danzig	POL	74	123	2006	2007					3,4	12,8	13,2	13,3	13,5	13,8
Galeria Dominikanska, Breslau	POL	33,3	24	2003	2001	0,0	0,0	3,3	3,5						
Total foreign			**132**			**0,0**	**2,6**	**6,6**	**10,8**	**12,2**	**21,7**	**22,2**	**22,5**	**22,9**	**23,2**
Total			**1.767**			**65,6**	**71,9**	**85,7**	**100,9**	**95,8**	**115,3**	**127,2**	**142,1**	**152,7**	**157,2**
Total excl.Breslau (at income from participations)						**65,6**	**71,9**	**82,4**	**97,4**	**95,8**	**115,3**	**127,2**	**142,1**	**152,7**	**157,2**

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capital increase (1.78m new shares at € 22.88) for the 25% share of the shopping centre in Wuppertal and the rise of shareholdings in Dresden.
These transactions have a value of ~ € 40.7m. In 2010 the company expects additional revenues of € 1.1m and an EBT of € 1m in H2 due to the mentioned higher shareholdings.

c) Besides acquisitions and higher shareholdings Deutsche EuroShop extends the lettable area in several shopping centres. In **Dresden** the rentable area will be increased significantly by 74% or 32,000 sqm. The new capacity includes 2,900 sqm of office space and 5,300 sqm for a hotel.
The prospects for a successful opening in spring 2011 are good as the pre-letting status is already at approx. 75%. The expected net initial yield is 5.6% (investment volume of € 82.5m). The extension in Dresden should lead to additional revenue of up to € 6m per year.

The second extension takes place at the **Main-Taunus-Zentrum.** The letting capacity should rise by 15% to more than 91,000 sqm. The opening is planned for autumn 2011. The pre-letting status of already around 60% makes us confident that the occupancy rate will be near 100%. The expected net initial yield is highly attractive with 8.9% (investment of € 31m for DES). In our view additional rental income of € 2.5m p.a. should be achievable

Additional external growth expected

DES is currently in negotiations with the sellers of two shopping centres. In one of these bidding processes DES is in exclusive talks. The refinancing of one transaction should not be problem as the company has € 40m cash available and an additional undrawn credit line of € 150m. The conditions for liabilities are also favourable in our view. We assume a margin of 125 to 150 bp. The current 3M Euribor stands at 0.88%.

Although the company intends to build up its portfolio substantially management do not loose sight of its equity ratio target of a least 45% and an adequate net initial yield (>=6%). For this reason DES' long-term investment approach was very successful in the past as it avoids buying centres at a non reasonable price.

If DES acquires an additional shopping centre we think that the optimisation of rents and the improvement of the centre management enable additional revenue growth and further improvement of funds from operations per share. The company has an excellent track record since 2005 despite several capital increases.

Interest rate environment positive for extensions of existing loans

Deutsche EuroShop's loan structure is favourable in our view with an average maturity of 6.7 years. The average paid interest currently stands at 5.27%. In the next two quarters DES is able to exit three existing loans with a total volume of € 220m. The current conditions of an interest rate of 3.2% to 3.4% are very attractive (10-year-swap + margin of 90bp). Furthermore no covenants are currently necessary. In our view it is possible to reduce interest expenses by up to 20 to 40 bp which would sum up to savings of at least € 2m.

Fig. 2: **Loan structure**

Interest Lockin	Duration	Principle amounts (€ ths)	Share of total loan	avg. interest rate
Up to 1 year	1,0	13.399	1,4%	5,27%
1 to 5 years	4,3	424.071	45,7%	5,48%
5 to 10 years	7,8	382.151	41,1%	5,10%
Over 10 years	16,8	109.400	11,8%	5,06%
Total 2009	**7,1**	**929.022**	**100,0%**	**5,27%**
Total 2008	7,0	894.945		5,33%

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Moderate organic revenue growth

Deutsche EuroShop's revenue base is very stable in our view. As experienced centre manager ECE is able to secure an occupancy rate near 100% we do not expect meaningful rent defaults from the existing tenant base. A tenant fluctuation rate of only 3% to 5% supports our positive view about DES' strong revenue base.

The drivers for revenue growth are firstly a) the sales-linked rent contracts on an individual basis and secondly b) the minimum rent which is CPI-linked. As the turnover linked rent only sums up to 2% of total rents the expected like-for-like growth should be between 1% and 2%.

Fig. 3: **Retail turnover**

Retail sector	change in 2009	rent-to-sales ratio in %	% of sales	% of space
Department stores	-7,7%	5,4	6,1	13,7
Food	-2,4%	6,2	10,7	7,3
Fashion textiles	-3,4%	11,6	28,6	36,5
Shoes & Leahter Goods	-0,1%	13,2	4,9	6,4
Sports	0,0%	8,6	4,3	5,5
Health&Beauty	-1,4%	7,1	11,1	6,2
General Retail	-3,3%	9,9	10,7	10,9
Electronics	-1,2%	2,4	16	8,4
Services	4,1%	4,9	3,6	1,3
Food Catering	-3,7%	13,1	4,1	3,9
Total	-2,5%	8,3	100,1	100,1

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Fig. 4: **Tenants structure**

Top 10 tenants	
Metro-Group	4,6%
Douglas-Group	4,6%
Peek & Cloppenburg	2,5%
H & M	2,5%
New Yorker	2,2%
Inditex	2,0%
Deichmann	2,0%
C & A	1,8%
dm-Drogeriemarkt	1,4%
Esprit	1,3%
Total	24,9%

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Cash Flow/FFO

The annual contractual rental income from the shopping centre portfolio should already increase in 2010 to approx. € 145m driven by the A10 acquisition and higher shareholdings in existing participations. The downside risk for rents is very limited in our view as the **vacancy rate is below 1%** and the high customer frequency in the managed ECE-centres requires the presence of main retailers. Additionally the **rent to sales ratio** stands at only 8.5. So we think that rent expenses are manageable for DES' tenants even in a case of a weaker sentiment of German consumers. The risk of significant rent defaults in the shopping centres abroad (~17% of total rentable area) is also not meaningful for the time being. Currency problems may be compensated by a strong turnover development. Sales per square metre at the foreign centres are only 10% below the domestic figure (€ 3,000 p. sqm).

Fig. 5: **H1 result**

in € m	**Q2 2010**	**Q2 2010e**	**Q2 2009**	Δ in %	**H1 2010e**	**H1 2009**	Δ in %
Group P&L							
Revenue	35,8	36,7	31,2	***15%***	63,0	63,0	*-0%*
EBIT	30,7	31,6	26,8	***15%***	60,8	53,8	*13%*
Net Finance Costs	-14,9	-15,5	-13,5		-29,6	-27,7	*7%*
Valuation result	0,0	0,0	-6,0	***n.a.***	0,0	10,8	*n.a.*
EBT	15,8	16,1	7,3	***116%***	31,2	36,9	*-16%*
Consolidated profit	13,2	13,5	6,1	***116%***	26,0	30,5	*-15%*
FFO per share	0,35	0,36	0,39	***n.a.***	0,72	0,76	*n.a.*
Earnings per share	0,29	0,31	0,16	***81%***	0,60	0,89	*n.a.*

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Fig. 6: **Guidance**

Deutsche EuroShop	**2010**	**MMWe**	**Consensus**	**2011**	**MMWe**	**Consensus**
Guidance						
Revenue	139-142	144,9	140,6	149-152	152,8	147,2
EBIT	118-121	123,3	125,0	127-130	130,5	131,8
EBT	58-60	64,3	73,0	64-66	72,4	83,5
FFO per share	1,33-1,38	1,43	1,38	1,45-1,50	1,58	1,52

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Property operating costs should be stable between 5-6% of the rental income. The property management costs should decline further as 50% of these costs (~8% of rents) are distributable to tenants. We expect a further reduction to 5% of the total rental income which should lead to a positive EBT contribution of nearly € 1.5m. For those mentioned reasons and the possible improvement of refinancing costs the FFO per share 2011 (MMWe: € 1.58) should be at least slightly above the 2009 level (€ 1.49) despite capital increases.

Valuation

Deutsche EuroShop's revenue base is very stable in our view. The company's property portfolio is currently valued at 14,4 times the rent, which equates to a rental yield of 6.1%. We think that DES' asset quality is good due to the company's cautious portfolio expansion in recent years. Furthermore, current market yields driven by stronger demand (e.g. insurance companies) for sustainable cash flows allow for a higher valuation. In our view a fair value for the property of at least 16 times the annual rent (5.5% yield on NOI) is far from aggressive. For this reason we confirm our buy recommendation with a unchanged PT of € 27).

Andreas Pläsier

Fig. 5: **Valuation**

Share price (€)	**23,20**
No of shares (m)	45,9
Equity (market value) € m	1.065
Financial debt (€ m)	1.059
short term assets (€ m)	-50
= net debt (€ m)	1.009
Enterprise value (€ m)	**2.074**
Contractual rent (2010e) € m	144
NOI (€ m)	127

Mulitpliers	
based on gross rent	14,4 x
based on NOI	16,3 x
Yield (%)	
based on gross rent	6,9%
based on NOI	6,1%

Sensitivity analysis							
Gross rent multiplier	**14,0 x**	**15,0 x**	**16,0 x**	**17,0 x**	**18,0 x**	**19,0 x**	**20,0 x**
MV Property (€m)	2.016	2.160	2.304	2.448	2.592	2.736	2.880
Debt (€m)	1.059	1.059	1.059	1.059	1.059	1.059	1.059
Equity (€m)	957	1.101	1.245	1.389	1.533	1.677	1.821
Fair value per share (€)	**20,85**	**23,99**	**27,12**	**30,26**	**33,40**	**36,54**	**39,67**

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		12/2007	12/2008	12/2009	12/2010e	12/2011e	12/2012e
Income statement (in € m)							
Sales		95.8	115.3	127.6	144.9	152.8	159.5
Cost of goods		-9.4	-6.0	-5.8	-8.2	-9.1	-9.4
Gross profit		86.4	109.4	121.7	136.7	143.6	150.1
SG&A expenses		-6.1	-7.2	-7.2	-8.5	-9.1	-8.0
R&D expenses		---	---	---	---	---	---
Other oper. income/expenses		-3.2	-4.1	-3.8	-4.8	-4.0	-3.6
EBITDA		77.2	98.1	110.7	123.3	130.5	138.5
Goodwill amortisation		0.0	0.0	0.0	0.0	0.0	0.0
Depreciation		0.0	0.0	0.0	0.0	0.0	0.0
EBIT		77.2	98.1	110.7	123.3	130.5	138.5
Operating profit (company definition)		27.1	50.0	51.6	51.6	51.7	---
Financial income		-50.1	-48.2	-55.9	-59.0	-58.1	-59.2
Pre-tax profit		77.8	87.0	40.1	64.3	72.4	79.3
Income taxes		16.3	-18.1	-5.7	-10.4	-11.6	-12.7
(Tax rate in %)		-21.0	20.8	14.3	16.1	16.0	16.0
Net income		94.2	68.9	34.4	54.0	60.8	66.6
Net income after minorities		94.2	68.9	34.4	54.0	60.8	66.6
EPS ord.		2.74	1.96	0.93	1.20	1.33	1.45
Growth (in %)	**CAGR (07/12)**						
Sales	10.7 %	3.1	20.4	10.6	13.6	5.4	4.4
EBITDA	12.4 %	-10.6	27.1	12.8	11.4	5.8	6.2
EBIT	12.4 %	-10.6	27.1	12.8	11.4	5.8	6.2
Net income	--- %	-6.1	-26.9	-50.1	57.0	12.8	9.5
Cost ratios (in % of sales)							
Cost of goods / sales		9.8	5.2	4.6	5.7	6.0	5.9
SG&A / sales		6.4	6.2	5.6	5.9	6.0	5.0
R&D / sales		---	---	---	---	---	---
Cash flow (in € m)							
Gross cash flow		27.1	49.9	55.0	64.3	72.4	79.3
Operating cash flow		27.1	49.9	55.0	64.3	72.4	79.3
Cash flow from investing activities		-70.5	-100.0	-75.0	-75.0	-75.0	-75.0
Free cash flow		-43.4	-50.1	-20.0	-10.7	-2.6	4.3
Cash earnings		27.1	49.9	55.0	64.3	72.4	79.3
Productivity (in € ts.)							
Sales / employee		19,152.4	23,068.6	25,512.6	28,978.8	30,551.9	31,903.8
Personnel expense / employee		---	---	---	---	---	---
EBIT / employee		15,434.2	19,621.0	22,141.4	24,667.7	26,095.2	27,707.1
Returns (in %)							
EBITDA / sales		80.6	85.1	86.8	85.1	85.4	86.8
EBIT / sales		80.6	85.1	86.8	85.1	85.4	86.8
Pre-tax profit / sales		81.3	75.4	31.4	44.4	47.4	49.7
Net income / sales		98.3	59.7	26.9	37.2	39.8	41.8
Return on equity		10.9	8.0	3.7	5.1	5.7	6.3
Return on total capital		4.8	3.4	1.6	2.2	2.3	2.5
ROCE		4.2	5.0	5.5	5.1	5.1	5.2
Balance sheet (in € m)							
Property, plant and equipment		1,658.2	1,897.8	1,991.0	2,356.0	2,498.2	2,573.2
Goodwill		0.0	0.0	0.0	0.0	0.0	0.0
Working capital		19.5	8.2	9.0	14.9	15.3	15.8
Current assets		137.2	52.9	92.0	85.9	37.1	34.5
Capital employed (CE)		1,855.0	1,960.4	2,027.6	2,395.6	2,563.9	2,639.9
Equity		860.8	860.5	921.3	1,050.0	1,060.3	1,060.3
Equity ratio in %		43.6	42.9	43.6	42.5	40.9	39.8
Net financial debt (+), liquidity (-)		871.0	891.3	926.7	1,145.2	1,248.7	1,318.3
Total net debt (+), liquidity (-)		871.0	891.3	926.7	1,145.2	1,248.7	1,318.3
Gearing in %		101.2	103.6	100.6	109.1	117.8	124.3

Price ord. on 1 September 2010: € 23.80

Valuation	12/2007	12/2008	12/2009	12/2010e	12/2011e	12/2012e
EPS ord. (€)	2.74	1.96	0.93	1.20	1.33	1.45
CFPS (€)	0.79	1.42	1.49	1.43	1.58	1.73
Number of shares ord., (m)	34.4	35.1	36.8	45.0	45.9	45.9
P/E ord.	9.6	11.8	23.2	19.8	18.0	16.4
P/CF	33.5	16.2	14.4	16.6	15.1	13.8
EV / Sales	21.38	17.06	15.64	17.24	17.16	16.87
EV / EBITDA	26.5	20.1	18.0	20.2	20.1	19.4
EV / EBIT	26.5	20.1	18.0	20.2	20.1	19.4

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B **Buy**: The price of the analysed equity security is expected to rise over the next 12 months.
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S **Sell**: The price of the analysed equity security is expected to fall over the next 12 months.
"-" **Rating suspended**: The available information does not currently permit an evaluation of the company.

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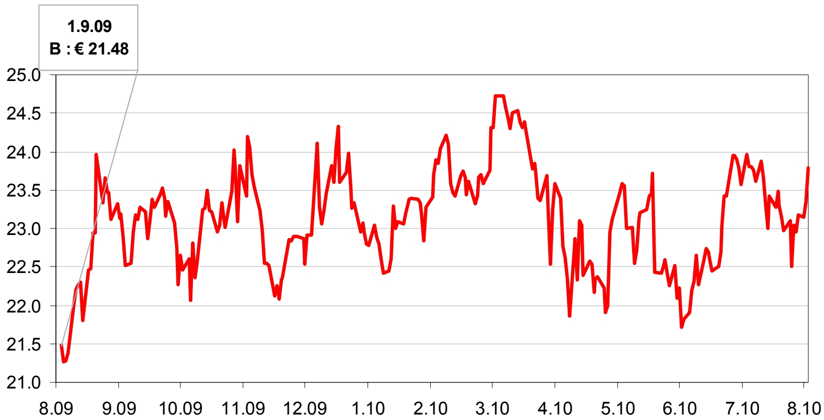
Rating	Number of stocks	% of universe
Buy	125	61%
Hold	61	30%
Sell	7	3%
Rating suspended	12	6%
Total	**205**	

M.M.Warburg & CO KGaA and SES Research GmbH research universe by rating, looking only at companies for which a disclosure according to section 34b German Securities Trading Act has to be made:

Rating	Number of stocks	% of universe
Buy	92	68%
Hold	35	26%
Sell	4	3%
Rating suspended	5	4%
Total	**136**	

Price and Rating History

Deutsche EuroShop (DEQGn.DE) as of 1.9.10



Sources: Factset (prices) / M.M.Warburg (ratings)

The boxes on the price and rating history chart indicate the date and rating of the Equity Alert issued by M.M.Warburg & CO KGaA. Each box represents the closing price (Xetra) of the date on which an analyst publish a change to a rating, except for the first box, which may represent the rating in place at the beginning of the period or the first Alert written on the issue in the past 12 months.

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