

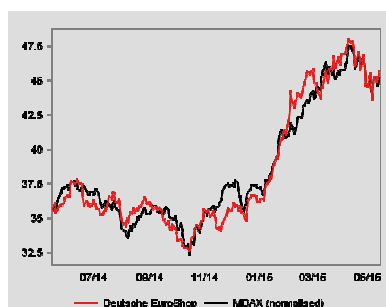
Hold EUR 46.10 Price EUR 45.73 Upside 0.8 %	Value Indicators: EUR NAV (WRe) 16e: 39.49 Dividend discount 16e: 51.75 Rent multiples 16e: 43.72	Share data: Bloomberg: DEQ GR Reuters: DEQn ISIN: DE0007480204	Description: Deutsche EuroShop is a portfolio holder in shopping centre real estate
	Market Snapshot: EUR m Market cap: 2,466.7 No. of shares (m): 53.9 Freefloat MC: 2,096.7 Ø Trad. Vol. (30d; EUR): 6.72 m	Shareholders: Freefloat: 85.0 % Otto Family: 15.0 % Black Rock: 3.0 % Hertie Foundation: 3.0 %	Risk Profile (WRe): 2015e LTV (net): 42.9 % Equity Ratio: 51.9 %

Modest organic growth in Q1 as expected

Stated Figures Q1/2015:	Comment on Figures: <ul style="list-style-type: none"> Deutsche EuroShop's Q1 core figures released on May 12 were totally in line with our expectations. Rental income grew modestly by 1.2% to EUR 50.6m. This growth trend will continue in the following quarters. Property operating and management costs increased slightly as a percentage of rental income (Q1 2015: 8.8%, Q1 2014 8.7%). The figure was below our estimate. For FY 2015 we estimate a ratio of 9.6% (2014: 9.4%). Net finance cost decreased to EUR 12.9m as anticipated due to a successful loan prolongation in 2014. 			
	Q1/2015	Q1/15e	Q1/14	yoy
Group				
Rental Income	50.6	51.0	50.0	1.2%
EBIT	44.6	45.0	44.2	1.0%
Net Finance Costs	-12.9	-12.9	-13.8	-7.0%
Valuation result	-0.5	-0.5	-1.1	-
EBT	31.3	31.6	29.3	6.9%
Consolidated profit	25.3	25.3	22.6	12.1%
FFO per share	0.57	0.57	0.54	4.6%

- The demand in the investment market for shopping centres in Germany remains strong which enables **less opportunities** for DEQ to grow its own property portfolio **via attractive external growth**. For this reason, the new CEO will again have a look at possible growth opportunities abroad e.g. in Czech Republic or Austria. DEQ continued its growth with the extension of shopping centres. The planned extension of the Phoenix-Center's retail space and food court should be finalised at the end of 2015 and in spring 2016 respectively (Extension of Phoenix-Center: +10% of current retail area). We are expecting additional rental income of ~ EUR 1m p.a. A further target for an extension is the centre in Gdansk.
- The **guidance for 2015 was confirmed**. Taking the solid Q1 start into account we regard these targets as clearly achievable. Nevertheless, the recent significant interest rate increase could lead to a lower momentum in the decrease of interest expenses. In 2015 and 2016 a loan volume of ~ EUR 110m will mature with an average interest rate of 3.8%. We are still expecting an improvement but the positive impact could be lower due to recent development.

Changes in Estimates:	Comment on Changes: <ul style="list-style-type: none"> We slightly adjust our estimates due to a lower run-rate of financial expenses. 					
FY End: 31.12. in EUR m	2015e (old)	+ / -	2016e (old)	+ / -	2017e (old)	+ / -
Rental income	203.8	0.0 %	209.4	0.0 %	215.0	0.0 %
EBIT adj.	177.9	0.0 %	182.9	0.0 %	188.1	0.0 %
EBT	219.7	1.3 %	212.4	1.5 %	218.5	1.4 %
FFOPS	2.28	0.0 %	2.37	0.0 %	2.56	0.0 %

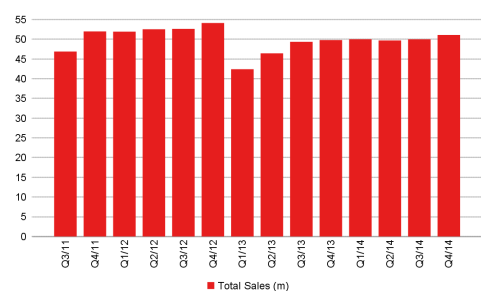


Rel. Performance vs MDAX:	
1 month:	0.3 %
6 months:	6.8 %
Year to date:	4.8 %
Trailing 12 months:	1.2 %

Company events:	
18.06.15	AGM
13.08.15	Q2
02.10.15	RS EDI
12.11.15	Q3

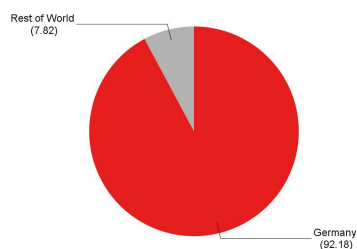
FY End: 31.12. in EUR m	CAGR (14-17e)	2011	2012	2013	2014	2015e	2016e	2017e
Total Sales	2.3 %	190.0	211.2	188.0	200.8	203.8	209.4	215.0
Rental income		190.0	211.2	188.0	200.8	203.8	209.4	215.0
Change yoy		31.8 %	11.2 %	-11.0 %	6.8 %	1.5 %	2.7 %	2.7 %
EBIT adj.	1.9 %	165.7	181.0	165.8	177.5	178.0	182.9	188.0
FFO I	5.6 %	83.1	86.4	112.0	120.5	124.0	130.8	142.0
FFO-margin		43.7 %	40.9 %	59.6 %	60.0 %	60.8 %	62.5 %	66.1 %
Valuation result	-5.7 %	50.1	8.5	56.0	77.0	86.2	64.6	64.6
EBT	1.1 %	136.7	103.5	187.6	214.7	222.5	215.5	221.6
Net income	1.0 %	99.0	122.5	171.0	177.4	183.1	177.7	182.9
EPS	0.8 %	1.92	2.36	3.17	3.29	3.39	3.29	3.37
FFOPS	5.4 %	1.61	1.66	2.08	2.23	2.30	2.43	2.62
DPS	3.7 %	1.10	1.20	1.25	1.30	1.35	1.40	1.45
Dividend Yield		4.1 %	4.2 %	3.9 %	3.8 %	3.0 %	3.1 %	3.2 %
Book Value / Share		23.11	25.45	26.49	28.26	30.30	32.20	33.91
EPRA NAV / Share		27.64	28.53	30.59	33.17	36.11	38.24	38.19
P / E		13.9 x	12.1 x	10.0 x	10.5 x	13.5 x	13.9 x	13.6 x
Price / Book		0.9 x	0.9 x	1.0 x	1.1 x	1.3 x	1.3 x	1.3 x
P / NAV		1.0 x	1.0 x	1.0 x	1.0 x	1.3 x	1.2 x	1.2 x
FFO-Yield		6.0 %	5.8 %	6.5 %	6.5 %	5.0 %	5.3 %	5.7 %
ROE		6.8 %	8.0 %	10.5 %	10.5 %	10.1 %	9.3 %	9.1 %
LTV		47.0 %	49.2 %	44.5 %	41.8 %	40.2 %	39.0 %	37.8 %
Equity Ratio		45.7 %	45.3 %	48.4 %	50.1 %	51.9 %	53.3 %	54.7 %
Guidance:		2015 in EUR m Sales 201-204, EBIT 177-180, EBT 126-129, FFOPS EUR 2.24-2.28						

Total Sales development
in EUR m



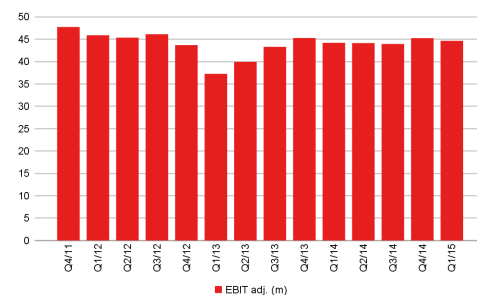
Source: Warburg Research

Sales by regions
2013; in %



Source: Warburg Research

EBIT adj. development
in EUR m



Source: Warburg Research

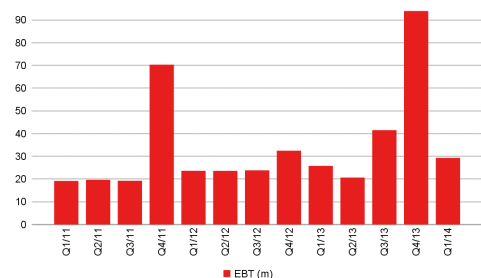
Company Background

- Deutsche EuroShop's core strategy is to achieve sustainable long-term growth with solid value-accretion of the portfolio and the payment of an attractive dividend.
- In its shopping centre portfolio, Deutsche EuroShop has stakes in 19 different shopping centres. As well as the core market Germany (16 centres), DES has investments in Poland, Hungary and Austria.
- Over the past three years, the portfolio volume has increased significantly by 66%, through acquisitions, the extension of existing centres and increasing stakeholdings in shopping centres.
- DES shopping centres are managed by the experienced shopping centre operator ECE. The vacancy ratio is low at 1%.

Competitive Quality

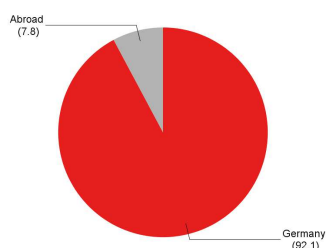
- The company finances its centres very conservatively with at least 50% equity capital and normally a 10-year loan contract.
- Portfolio expansion occurs when opportunities arise and with a targeted return of at least 5.5%, which avoids large downward valuation corrections on the property.
- Future cash flows are well secured with the average outstanding duration of the rental contracts at more than six years. The top 10 tenants account for only 25% of the total rental income.

EBT development
in EUR m



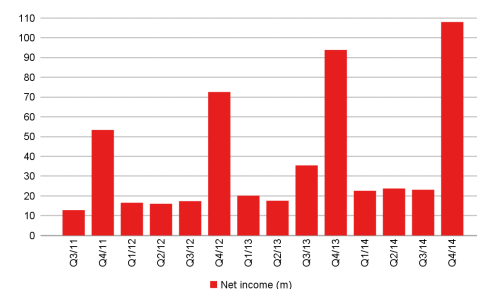
Source: Warburg Research

EBIT by regions
2013 in %



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

Valuation	2011	2012	2013	2014	2015e	2016e	2017e
P / E	13.9 x	12.1 x	10.0 x	10.5 x	13.5 x	13.9 x	13.6 x
P / NAV	1.0 x	1.0 x	1.0 x	1.0 x	1.3 x	1.2 x	1.2 x
Price / Book	0.9 x	0.9 x	1.0 x	1.1 x	1.3 x	1.3 x	1.3 x
P / FFOPS	16.6 x	17.2 x	15.3 x	15.5 x	19.9 x	18.9 x	17.5 x
FFO-Yield	6.0 %	5.8 %	6.5 %	6.5 %	5.0 %	5.3 %	5.7 %
ROE	6.8 %	8.0 %	10.5 %	10.5 %	10.1 %	9.3 %	9.1 %
Equity Ratio	46 %	45 %	48 %	50 %	52 %	53 %	55 %

Consolidated profit and loss

In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
Total Sales	190.0	211.2	188.0	200.8	203.8	209.4	215.0
Rental income	190.0	211.2	188.0	200.8	203.8	209.4	215.0
Change yoy	31.8 %	11.2 %	-11.0 %	6.8 %	1.5 %	2.7 %	2.7 %
Property operating costs	8.5	11.3	8.5	9.1	9.2	10.0	10.3
Property management costs	9.8	10.5	9.3	9.9	10.5	10.7	11.0
Rental profit	171.6	189.4	170.2	181.8	184.1	188.6	193.7
Income from property sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross profit	171.6	189.4	170.2	181.8	184.1	188.6	193.7
Other operating income/expenses	-6.0	-8.4	-4.4	-4.3	-6.2	-5.7	-5.7
EBITDA	165.7	181.0	165.8	177.5	178.0	182.9	188.0
Valuation result	50.1	8.5	56.0	77.0	86.2	64.6	64.6
EBITA	215.8	189.5	221.7	254.5	264.1	247.6	252.7
Amortisation of intangible assets/Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	215.8	189.5	221.7	254.5	264.1	247.6	252.7
Interest income	0.9	0.5	0.4	0.3	0.2	0.6	0.6
Interest expenses	65.8	72.1	57.8	58.6	56.1	55.1	55.1
Other financial income (loss)	-14.5	-13.9	0.7	-16.1	-16.4	-16.6	-16.8
Financial result	-79.1	-86.0	-34.1	-39.8	-41.6	-32.1	-31.0
EBT	136.7	103.5	187.6	214.7	222.5	215.5	221.6
<i>Margin</i>	<i>72.0 %</i>	<i>49.0 %</i>	<i>99.8 %</i>	<i>106.9 %</i>	<i>109.2 %</i>	<i>102.9 %</i>	<i>103.1 %</i>
Total taxes	37.7	-19.0	16.6	37.2	39.5	37.7	38.8
thereof cash taxes	3.4	8.6	2.4	5.4	5.4	7.0	7.0
Net income	99.0	122.5	171.0	177.4	183.1	177.7	182.9
FFO	83.1	86.4	112.0	120.5	124.0	130.8	142.0
<i>FFO-margin</i>	<i>43.7 %</i>	<i>40.9 %</i>	<i>59.6 %</i>	<i>60.0 %</i>	<i>60.8 %</i>	<i>62.5 %</i>	<i>66.1 %</i>
Number of shares, average	51.6	51.9	53.9	53.9	53.9	53.9	54.3
FFOPS	1.61	1.66	2.08	2.23	2.30	2.43	2.62
EPS	1.92	2.36	3.17	3.29	3.39	3.29	3.37
EPS adj.	1.92	2.36	3.17	3.29	3.39	3.29	3.21

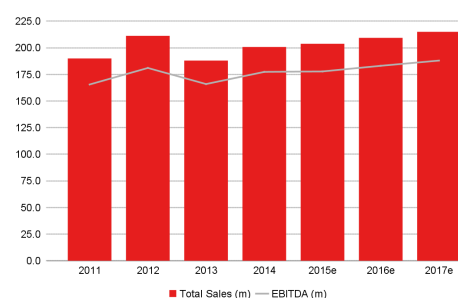
*Adjustments made for:

Guidance: 2015 in EUR m Sales 201-204, EBIT 177-180, EBT 126-129, FFOPS EUR 2.24-2.28

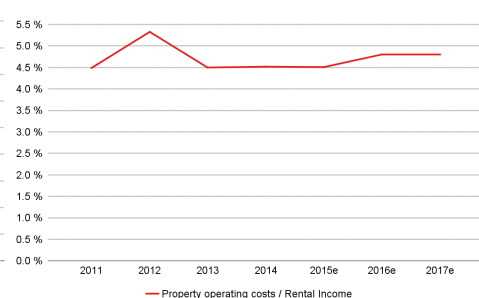
Financial Ratios

	2011	2012	2013	2014	2015e	2016e	2017e
Property operating costs / Rental Income	4.5 %	5.3 %	4.5 %	4.5 %	4.5 %	4.8 %	4.8 %
Operating Leverage (Real Estate)	4.3 x	9.3 x	-11.8 x	15.8 x	68.6 x	38.6 x	40.1 x
Rental profit / interest expenses	2.6 x	2.6 x	2.9 x	3.1 x	3.3 x	3.4 x	3.5 x

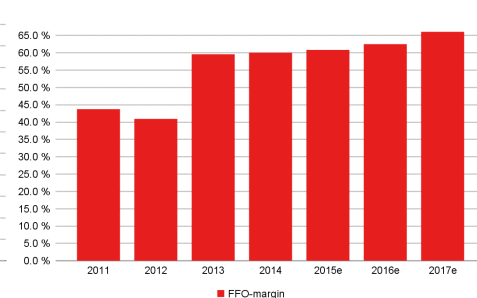
Total Sales, EBITDA
in EUR m



Rental expense ratio
in %



FFO margin



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

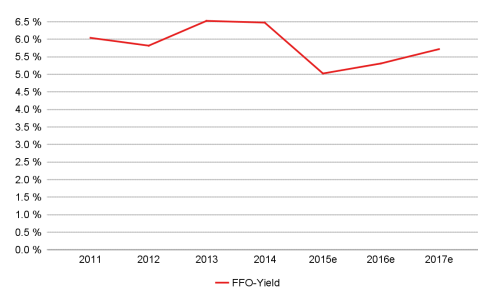
Consolidated balance sheet

In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
Assets							
Goodwill and other intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
thereof other intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
thereof Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	0.1	0.1	0.4	0.4	0.4	0.4	0.4
Investment properties	3,106.8	3,330.3	2,962.2	3,060.2	3,146.3	3,211.0	3,275.6
Financial assets	27.8	30.3	34.5	0.3	0.3	0.3	0.3
Other long-term assets	5.0	4.4	342.1	359.4	366.5	373.9	381.4
Fixed assets	3,139.8	3,365.1	3,339.2	3,420.2	3,513.6	3,585.6	3,657.7
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	5.6	4.7	5.6	4.5	4.7	5.0	5.2
Liquid assets	64.4	167.5	40.8	58.3	64.7	88.7	115.0
Other short-term assets	15.3	11.5	9.3	9.2	4.3	4.5	4.8
Current assets	85.3	183.7	55.7	71.9	73.7	98.2	125.0
Total Assets	3,225.1	3,549.0	3,395.0	3,492.0	3,587.0	3,684.0	3,783.0
Liabilities and shareholders' equity							
Subscribed capital	51.6	53.9	53.9	53.9	53.9	53.9	53.9
Capital reserve	890.5	962.0	962.0	962.0	962.0	962.0	962.0
Retained earnings	250.9	306.0	413.0	508.4	618.7	720.9	825.0
Other equity components	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder's equity	1,193.0	1,321.9	1,428.9	1,524.3	1,634.6	1,736.8	1,840.9
Minority interest	280.1	284.2	213.4	226.8	226.8	226.8	226.8
Provisions	14.8	37.3	8.2	10.7	10.9	11.1	11.4
thereof provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities (total)	1,472.1	1,657.2	1,486.8	1,430.1	1,413.6	1,397.3	1,381.4
thereof short-term financial liabilities	136.2	194.1	97.2	55.3	52.5	49.9	47.4
Accounts payable	2.8	2.3	3.4	1.1	1.1	1.2	1.2
Other liabilities	262.2	246.0	254.4	299.0	300.0	310.7	321.3
Liabilities	1,752.0	1,942.9	1,752.6	1,740.8	1,725.6	1,720.3	1,715.2
Total liabilities and shareholders' equity	3,225.1	3,549.0	3,395.0	3,492.0	3,587.0	3,684.0	3,783.0

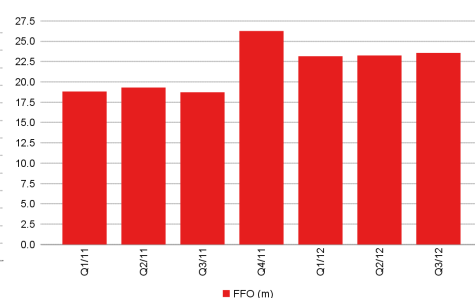
Financial Ratios

	2011	2012	2013	2014	2015e	2016e	2017e
Return on Capital							
ROA	3.2 %	3.6 %	5.1 %	5.2 %	5.2 %	5.0 %	5.0 %
ROE	6.8 %	8.0 %	10.5 %	10.5 %	10.1 %	9.3 %	9.1 %
FFO / Equity	17.7 x	18.6 x	14.7 x	14.5 x	15.0 x	15.0 x	14.6 x
Solvency							
Net Debt	1,407.7	1,489.7	1,445.9	1,371.8	1,348.9	1,308.6	1,266.4
Net Financial Debt	1,407.7	1,489.7	1,445.9	1,371.8	1,348.9	1,308.6	1,266.4
Net Fin. Debt / EBITDA	8.5 x	8.2 x	8.7 x	7.7 x	7.6 x	7.2 x	6.7 x
LTV	47.0 %	49.2 %	44.5 %	41.8 %	40.2 %	39.0 %	37.8 %
Equity Ratio	45.7 %	45.3 %	48.4 %	50.1 %	51.9 %	53.3 %	54.7 %

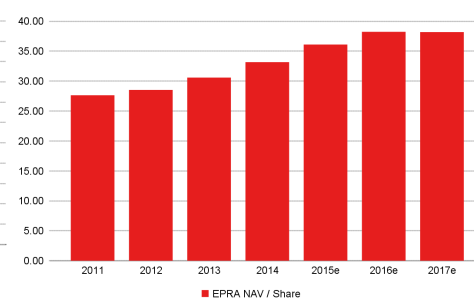
FFO yield



FFO development in EUR m



NAV per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
Net income	93.4	122.5	171.0	177.4	183.1	177.7	182.9
Valuation changes properties	-54.3	-31.1	-60.5	-88.3	-86.2	-64.6	-64.6
Depreciation of fixed assets	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Deferred taxes	31.6	-27.5	14.2	31.8	34.1	30.7	31.8
Other non-cash income and expenses	178.7	57.5	-25.4	11.8	16.2	20.2	23.2
Net cash provided by operating activities	249.4	121.4	99.4	132.8	147.2	164.1	173.3
Payments for acquisitions	-77.2	-12.6	-18.5	-9.8	-9.8	-9.8	-9.8
Investments in property, plant and equipment	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Investments in intangible assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Investments in properties	-266.3	-176.3	-59.4	0.0	0.0	0.0	0.0
Financial investments	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Investments in other assets (net)	-8.7	-9.4	-0.7	34.2	0.0	0.0	0.0
Net cash provided by investing activities	-352.2	-198.3	-78.6	24.5	-9.8	-9.8	-9.8
Change in financial liabilities	184.0	191.7	-59.7	-58.4	-38.4	-38.1	-37.9
Dividends paid	-56.8	-56.8	-64.7	-67.4	-72.8	-75.5	-82.7
Capital measures	0.0	66.2	0.0	0.0	0.0	0.0	0.0
Other	-25.3	-21.2	-12.3	-14.0	-16.4	-16.6	-16.8
Net cash provided by financing activities	101.9	180.0	-136.8	-139.8	-127.7	-130.3	-137.3
Change in liquid funds	-0.9	103.1	-116.0	17.5	9.8	24.1	26.2
Effects of exchange-rate changes on cash	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	64.4	167.5	40.8	58.3	68.1	92.1	118.4

Financial Ratios

	2011	2012	2013	2014	2015e	2016e	2017e
Cash Flow							
FFO	83.1	86.4	112.0	120.5	124.0	130.8	142.0
FFOPS	1.61	1.66	2.08	2.23	2.30	2.43	2.62
FFOPS diluted	1.61	1.65	1.97	2.11	2.17	2.30	2.49
FFO-Yield	6.0 %	5.8 %	6.5 %	6.5 %	5.0 %	5.3 %	5.7 %
FFO-margin	43.7 %	40.9 %	59.6 %	60.0 %	60.8 %	62.5 %	66.1 %
Interest Paid / Avg. Debt	4.8 %	4.6 %	3.7 %	4.0 %	3.9 %	3.9 %	4.0 %
Management of Funds							
Maint. Capex / Net rental income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Capex/Investment Properties	-8.6 %	-5.3 %	-2.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Avg. Working Capital / Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend Payout Ratio	57.3 %	50.9 %	39.4 %	39.5 %	39.8 %	42.5 %	43.0 %

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Deutsche EuroShop	6	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0007480204.htm

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-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
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-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
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Rating	Number of stocks	% of Universe
Buy	99	54
Hold	73	40
Sell	8	4
Rating suspended	4	2
Total	184	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

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Rating	Number of stocks	% of Universe
Buy	80	58
Hold	50	36
Sell	4	3
Rating suspended	3	2
Total	137	100

PRICE AND RATING HISTORY DEUTSCHE EUROSHOP AS OF 15.05.2015



The chart has markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

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