

Buy EUR 37.50 Price EUR 31.29 Upside 19.8 %	Value Indicators: EUR Dividend discount 14e: 36.44 Rent multiples 14e: 38.71	Share data: Bloomberg: DEQ GR Reuters: DEQGn ISIN: DE0007480204	Description: Deutsche EuroShop is a portfolio holder in shopping centre real estate
	Market Snapshot: EUR m Market cap: 1,688.0 No. of shares (m): 53.9 Freefloat MC: 1,434.8 Ø Trad. Vol. (30d; EUR): 3.71 m	Shareholders: Freefloat: 85.0 % Otto Family: 15.0 % Black Rock: 3.0 % Hertie Foundation: 3.0 %	Risk Profile (WRe): 2013e LTV: 46.2 % Equity Ratio: 46.8 %

Strong FFO development in 2013; 2014 guidance better than anticipated

Stated Figures Q1/2014:		Comment on Figures:					
	Q4/2013	Q4/13e	2013	2013e	2012	yoy	Consensus Bloomberg
Group							
Rental Income	49.8	51.7	188.0	189.9	178.2	6%	189.3
EBIT	45.4	44.3	165.9	164.8	151.6	9%	165.0
Net Finance Costs	-14.1	-12.8	-34.1	-32.9	-62.1	-45%	n.a.
Valuation result	63.1	10.0	56.3	3.2	13.9	-	n.a.
EBT	87.1	41.5	187.6	135.2	103.4	81%	133.0
Consolidated profit	95.8	32.8	173.0	110.0	122.5	41%	117.0
FFO per share	0.53	0.54	2.10	2.11	1.66	27%	2.05

* 2012 figures restated

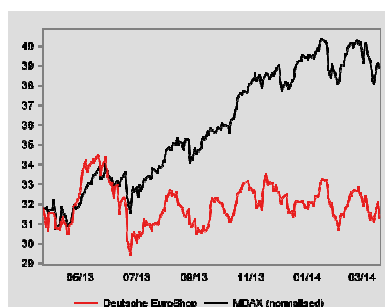
Comment on Figures:

- Deutsche EuroShop exceeded consensus for FY 2013 with an EBIT of EUR 165.9m and a strong FFO per share of 2.10 (2.06). We were already more positive for the FFO development driven by lower admin expenses and lower cash taxes.
- The significant positive valuation result of EUR 56.3m in 2013 reflects the sound quality of the portfolio. Discount rate and net initial yield of the valuation were nearly unchanged at 6.65% (2012: 6.67%) and 5.97% respectively. The revaluation of the total portfolio sums up to 2.1%. The reassessment of each center was between 0% and +5%. For this reason the NAV developed more positively than anticipated and improved to EUR 30.59 per share (WRe: EUR 30.18).

- The like-for-like rental growth of 1.4% reflects the nearly unchanged tenant structure for the top 10 tenants. The weighted of lease contracts is still excellent with 6.6 years and should guarantee high visibility for the cash flow. In 2014 only 3% of lease contracts will mature.
- The guidance for 2014 is clearly a positive surprise in our view as targets for EBIT, EBT and FFO per share are above consensus and our estimates with an expected growth rate of 6% for revenues and EBIT. Especially the FFO per share reflects the sound property management and the optimisation of the financing costs and taxes.
- We see further growth potential with further extensions in some locations (Gdansk, Phoenix-Centre (Hamburg)) and a possible increase in the current shareholdings in the shopping centres (Wetzlar, Phoenix-Centre, Alle-Center, Stadtgalerie Passau) in the mid term (2015-2017).
- THE AIFM-directive with possible higher costs for portfolio management, risk management and depositary is no longer a threat for DEQ as not all listed real-estate companies in Germany are affected by this rule. A positive decision in each case should be expected in the next months.

Guidance 2014	WRe	Consensus Bloomberg
Revenue (EUR 198m-201m)	199.8	200.0
EBIT (EUR 174m-177m)	173.0	175.0
EBT (before valuation effects)* (EUR 120m-123m)	120.2	128.0
FFO per share (2.14-2.18)	2.12	2.06

* consensus incl. valuation effects

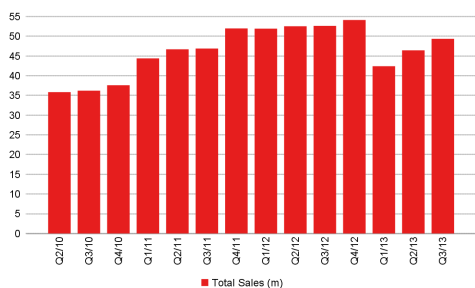


Rel. Performance vs MDAX:	
1 month:	-1.6 %
6 months:	-12.0 %
Year to date:	-0.4 %
Trailing 12 months:	-21.9 %

Company events:	
25.04.14	FY 2013
14.05.14	Q1
20.05.14	RS LON
18.06.14	AGM

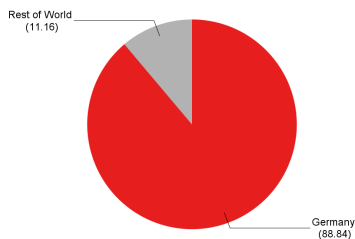
FY End: 31.12. in EUR m	CAGR (12-15e)	2009	2010	2011	2012	2013e	2014e	2015e
Total Sales	-1.4 %	127.6	144.2	190.0	211.2	189.9	199.8	202.8
Rental income		127.6	144.2	190.0	211.2	189.9	199.8	202.8
Change yoy		10.6 %	13.0 %	31.8 %	11.2 %	-10.1 %	5.2 %	1.5 %
EBIT adj.	-1.0 %	110.7	124.0	165.7	181.0	164.8	173.0	175.6
FFO I	10.3 %	54.8	61.5	83.1	86.4	114.1	114.2	116.0
FFO-margin		43.0 %	42.7 %	43.7 %	40.9 %	60.1 %	57.2 %	57.2 %
Valuation result	5.6 %	-14.8	33.1	50.1	8.5	3.2	10.0	10.0
EBT	8.7 %	40.1	97.0	136.7	103.5	135.2	130.2	133.0
Net income	-4.6 %	34.4	-7.8	99.0	122.5	110.0	104.1	106.4
EPS	-5.8 %	0.88	-0.17	1.92	2.36	2.04	1.93	1.97
FFOPS	8.9 %	1.40	1.35	1.61	1.66	2.11	2.12	2.15
DPS	4.0 %	1.05	1.10	1.10	1.20	1.25	1.30	1.35
Dividend Yield		5.0 %	4.6 %	4.1 %	4.2 %	4.0 %	4.2 %	4.3 %
Book Value / Share		23.58	25.55	23.11	25.45	25.32	25.95	26.54
EPRA NAV / Share		26.63	26.36	27.64	28.53	30.18	30.88	31.54
P / E		24.0 x	n.a.	13.9 x	12.1 x	15.3 x	16.2 x	15.9 x
Price / Book		0.8 x	0.8 x	0.9 x	0.9 x	1.1 x	1.1 x	1.0 x
P / NAV		0.8 x	0.9 x	1.0 x	1.0 x	1.0 x	1.0 x	1.0 x
FFO-Yield		6.6 %	5.6 %	6.0 %	5.8 %	6.8 %	6.8 %	6.9 %
ROE		3.4 %	-0.6 %	6.8 %	8.0 %	6.9 %	6.5 %	6.6 %
LTV		46.0 %	45.0 %	47.0 %	49.2 %	46.2 %	45.3 %	44.5 %
Equity Ratio		49.4 %	48.6 %	45.7 %	45.3 %	46.8 %	47.5 %	48.2 %
Guidance:		2013 in EUR m Sales 186-189, EBIT 162-165, EBT 130-132, FFO p. share EUR 2.06-2.09						

Total Sales development
in EUR m



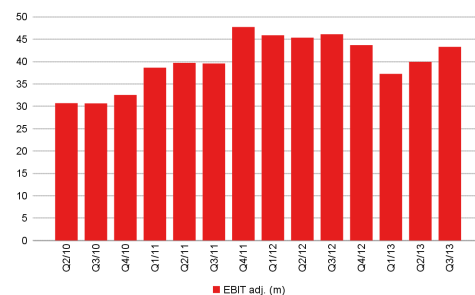
Source: Warburg Research

Sales by regions
2012; in %



Source: Warburg Research

EBIT adj. development
in EUR m



Source: Warburg Research

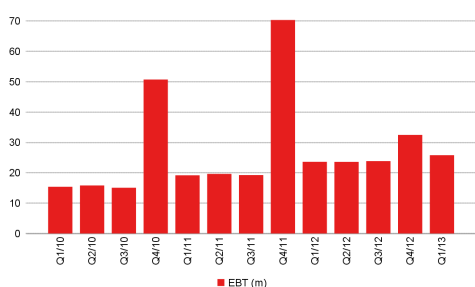
Company Background

- 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 67%, 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

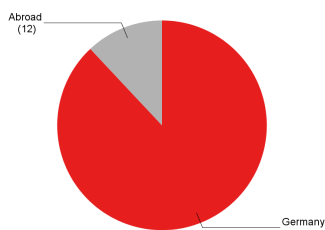
- The company finances its centres very conservatively with at least 50% equity capital and normally a 10-year loan contract.
- Portfolio expansion occurs when opportunities arise and with a targeted return of at least 5.5%, which avoids large downward valuation corrections on the property.
- Future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

EBT development
in EUR m



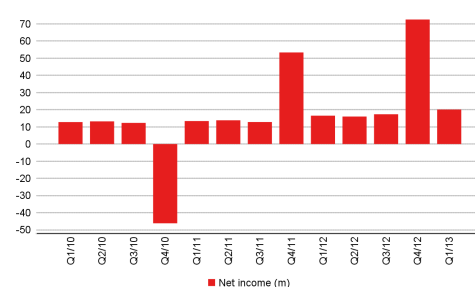
Source: Warburg Research

EBIT by regions
2012 in %



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

Valuation	2009	2010	2011	2012	2013e	2014e	2015e
P / E	24.0 x	n.a.	13.9 x	12.1 x	15.3 x	16.2 x	15.9 x
P / NAV	0.8 x	0.9 x	1.0 x	1.0 x	1.0 x	1.0 x	1.0 x
Price / Book	0.8 x	0.8 x	0.9 x	0.9 x	1.1 x	1.1 x	1.0 x
P / FFOPS	15.1 x	17.7 x	16.6 x	17.2 x	14.8 x	14.8 x	14.5 x
FFO-Yield	6.6 %	5.6 %	6.0 %	5.8 %	6.8 %	6.8 %	6.9 %
ROE	3.4 %	-0.6 %	6.8 %	8.0 %	6.9 %	6.5 %	6.6 %
Equity Ratio	49 %	49 %	46 %	45 %	47 %	47 %	48 %

Consolidated profit and loss

In EUR m	2009	2010	2011	2012	2013e	2014e	2015e
Total Sales	127.6	144.2	190.0	211.2	189.9	199.8	202.8
Rental income	127.6	144.2	190.0	211.2	189.9	199.8	202.8
Change yoy	10.6 %	13.0 %	31.8 %	11.2 %	-10.1 %	5.2 %	1.5 %
Property operating costs	5.8	7.3	8.5	11.3	9.6	10.4	10.3
Property management costs	7.2	7.9	9.8	10.5	9.9	10.4	10.3
Rental profit	114.5	129.0	171.6	189.4	170.3	179.0	182.1
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	114.5	129.0	171.6	189.4	170.3	179.0	182.1
Other operating income/expenses	-3.8	-4.9	-6.0	-8.4	-5.5	-6.0	-6.5
EBITDA	110.7	124.0	165.7	181.0	164.8	173.0	175.6
Valuation result	-14.8	33.1	50.1	8.5	3.2	10.0	10.0
EBITA	95.9	157.2	215.8	189.5	168.0	183.0	185.6
Amortisation of intangible assets/Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	95.9	157.2	215.8	189.5	168.0	183.0	185.6
Interest income	0.7	1.0	0.9	0.5	0.4	0.6	0.6
Interest expenses	49.7	54.1	65.8	72.1	57.8	60.8	60.8
Other financial income (loss)	0.0	0.0	-14.5	-13.9	1.9	-14.0	-14.2
Financial result	-55.9	-60.2	-79.1	-86.0	-32.9	-52.8	-52.6
EBT	40.1	97.0	136.7	103.5	135.2	130.2	133.0
<i>Margin</i>	<i>31.4 %</i>	<i>67.3 %</i>	<i>72.0 %</i>	<i>49.0 %</i>	<i>71.2 %</i>	<i>65.2 %</i>	<i>65.6 %</i>
Total taxes	5.7	104.8	37.7	-19.0	25.2	26.0	26.6
thereof cash taxes	0.0	2.5	3.4	8.6	3.6	6.0	7.0
Net income	34.4	-7.8	99.0	122.5	110.0	104.1	106.4
FFO	54.8	61.5	83.1	86.4	114.1	114.2	116.0
<i>FFO-margin</i>	<i>43.0 %</i>	<i>42.7 %</i>	<i>43.7 %</i>	<i>40.9 %</i>	<i>60.1 %</i>	<i>57.2 %</i>	<i>57.2 %</i>
Number of shares, average	39.1	45.5	51.6	51.9	53.9	53.9	53.9
FFOPS	1.40	1.35	1.61	1.66	2.11	2.12	2.15
EPS	0.88	-0.17	1.92	2.36	2.04	1.93	1.97
EPS adj.	0.88	-0.17	1.92	2.36	2.04	1.93	1.97

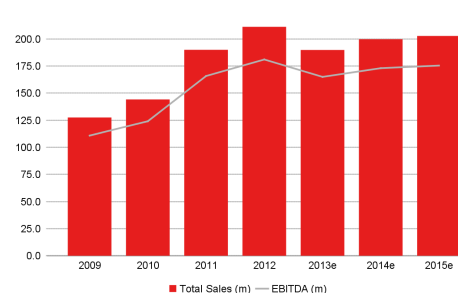
*Adjustments made for:

Guidance: 2013 in EUR m Sales 186-189,EBIT 162-165, EBT 130-132,FFO p. share EUR 2.06-2.09

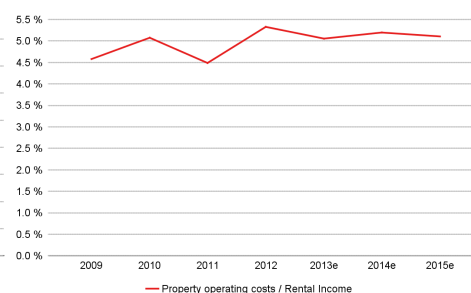
Financial Ratios

	2009	2010	2011	2012	2013e	2014e	2015e
Property operating costs / Rental Income	4.6 %	5.1 %	4.5 %	5.3 %	5.1 %	5.2 %	5.1 %
Operating Leverage (Real Estate)	10.7 x	8.6 x	4.3 x	9.3 x	-13.0 x	19.2 x	67.3 x
Rental profit / interest expenses	2.3 x	2.4 x	2.6 x	2.6 x	2.9 x	2.9 x	3.0 x

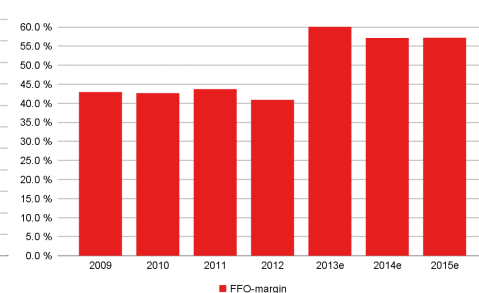
Total Sales, EBITDA
in EUR m



Rental expense ratio
in %



FFO margin



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

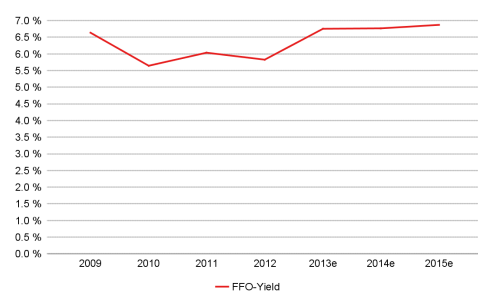
Consolidated balance sheet

In EUR m	2009	2010	2011	2012	2013e	2014e	2015e
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	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Investment properties	1,991.0	2,700.7	3,106.8	3,330.3	2,892.2	2,902.2	2,912.2
Financial assets	24.8	23.9	27.8	30.3	34.5	36.2	38.4
Other long-term assets	4.4	4.7	5.0	4.4	340.8	347.6	354.3
Fixed assets	2,020.2	2,729.3	3,139.8	3,365.1	3,267.6	3,286.2	3,305.0
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	2.6	3.5	5.6	4.7	5.0	5.2	5.5
Liquid assets	81.9	65.8	64.4	167.5	79.3	91.1	87.3
Other short-term assets	7.5	165.0	15.3	11.5	7.3	2.4	2.6
Current assets	91.9	234.2	85.3	183.7	91.5	98.7	95.4
Total Assets	2,112.1	2,963.6	3,225.1	3,549.0	3,359.0	3,385.0	3,400.0
Liabilities and shareholders' equity							
Subscribed capital	37.8	51.6	51.6	53.9	53.9	53.9	53.9
Capital reserve	609.4	890.6	890.5	962.0	962.0	962.0	962.0
Retained earnings	274.1	221.5	250.9	306.0	349.9	384.0	415.5
Other equity components	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder's equity	921.3	1,163.7	1,193.0	1,321.9	1,365.9	1,399.9	1,431.5
Minority interest	123.0	277.8	280.1	284.2	207.3	207.3	207.3
Provisions	21.7	9.9	14.8	37.3	26.2	26.8	26.9
thereof provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities (total)	934.2	1,288.2	1,472.1	1,657.2	1,509.0	1,489.4	1,470.1
thereof short-term financial liabilities	13.0	61.1	136.2	194.1	114.0	108.3	102.9
Accounts payable	1.1	6.1	2.8	2.3	2.4	2.4	2.5
Other liabilities	110.9	217.8	262.2	246.0	248.2	259.2	261.7
Liabilities	1,067.8	1,522.1	1,752.0	1,942.9	1,785.8	1,777.8	1,761.2
Total liabilities and shareholders' equity	2,112.1	2,963.6	3,225.1	3,549.0	3,359.0	3,385.0	3,400.0

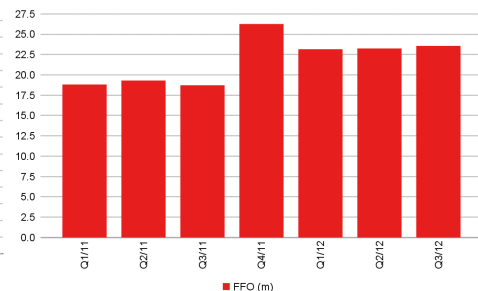
Financial Ratios

	2009	2010	2011	2012	2013e	2014e	2015e
Return on Capital							
ROA	1.7 %	-0.3 %	3.2 %	3.6 %	3.4 %	3.2 %	3.2 %
ROE	3.4 %	-0.6 %	6.8 %	8.0 %	6.9 %	6.5 %	6.6 %
FFO / Equity	19.1 x	23.4 x	17.7 x	18.6 x	13.8 x	14.1 x	14.1 x
Solvency							
Net Debt	852.3	1,222.4	1,407.7	1,489.7	1,429.7	1,398.3	1,382.8
Net Financial Debt	852.3	1,222.4	1,407.7	1,489.7	1,429.7	1,398.3	1,382.8
Net Fin. Debt / EBITDA	7.7 x	9.9 x	8.5 x	8.2 x	8.7 x	8.1 x	7.9 x
LTV	46.0 %	45.0 %	47.0 %	49.2 %	46.2 %	45.3 %	44.5 %
Equity Ratio	49.4 %	48.6 %	45.7 %	45.3 %	46.8 %	47.5 %	48.2 %

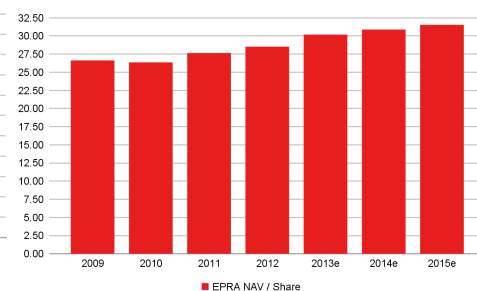
FFO yield



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	2009	2010	2011	2012	2013e	2014e	2015e
Net income	34.4	-7.8	93.4	122.5	110.0	104.1	106.4
Valuation changes properties	20.5	-31.4	-54.3	-31.1	-3.2	-10.0	-10.0
Depreciation of fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	5.7	102.4	31.6	-27.5	21.6	20.0	19.6
Other non-cash income and expenses	0.0	-157.3	178.7	57.5	-28.5	40.8	37.7
Net cash provided by operating activities	60.5	-94.2	249.4	121.4	99.9	155.0	153.8
Payments for acquisitions	-20.5	-78.0	-77.2	-12.6	-71.2	-17.0	-24.6
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	-15.4	-201.4	-266.3	-176.3	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)	0.0	-8.5	-8.7	-9.4	0.4	0.0	0.0
Net cash provided by investing activities	-35.9	-287.8	-352.2	-198.3	-70.8	-17.0	-24.6
Change in financial liabilities	-7.2	166.2	184.0	191.7	-36.9	-40.7	-41.1
Dividends paid	-36.1	-46.3	-56.8	-56.8	-64.7	-70.1	-72.8
Capital measures	66.5	253.7	0.0	66.2	0.0	0.0	0.0
Other	-7.7	-9.7	-25.3	-21.2	-15.8	-15.4	-15.6
Net cash provided by financing activities	15.5	363.9	101.9	180.0	-117.4	-126.2	-129.6
Change in liquid funds	40.2	-18.1	-0.9	103.1	-88.2	11.8	-0.4
Effects of exchange-rate changes on cash	0.1	0.3	-0.5	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	81.9	65.8	64.4	167.5	79.3	91.1	90.7

Financial Ratios

	2009	2010	2011	2012	2013e	2014e	2015e
Cash Flow							
FFO	54.8	61.5	83.1	86.4	114.1	114.2	116.0
FFOPS	1.40	1.35	1.61	1.66	2.11	2.12	2.15
FFOPS diluted	1.40	1.35	1.61	1.65	2.01	2.01	2.04
FFO-Yield	6.6 %	5.6 %	6.0 %	5.8 %	6.8 %	6.8 %	6.9 %
FFO-margin	43.0 %	42.7 %	43.7 %	40.9 %	60.1 %	57.2 %	57.2 %
Interest Paid / Avg. Debt	5.4 %	4.9 %	4.8 %	4.6 %	3.7 %	4.1 %	4.1 %
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	-0.8 %	-7.5 %	-8.6 %	-5.3 %	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	119.4 %	-641.2 %	57.3 %	50.9 %	61.3 %	67.3 %	68.4 %

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Deutsche EuroShop	6	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0007480204.htm

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

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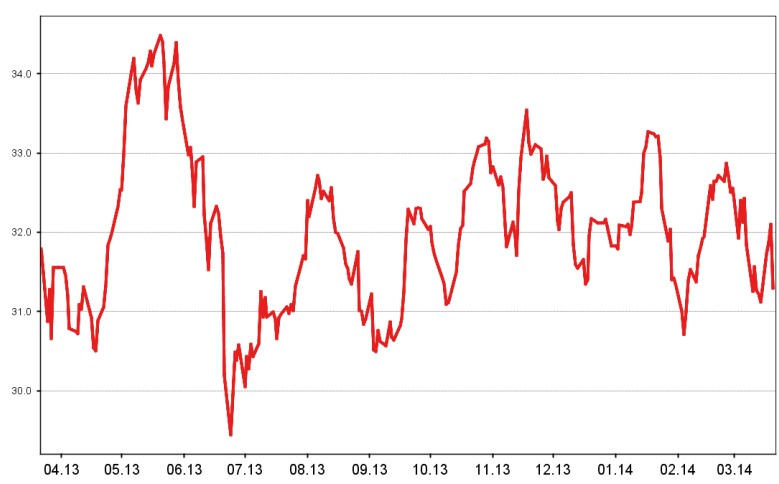
Rating	Number of stocks	% of Universe
Buy	92	46
Hold	87	44
Sell	16	8
Rating suspended	3	2
Total	198	100

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Rating	Number of stocks	% of Universe
Buy	76	53
Hold	58	41
Sell	7	5
Rating suspended	2	1
Total	143	100

PRICE AND RATING HISTORY DEUTSCHE EUROSHOP AS OF 21.03.2014



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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