

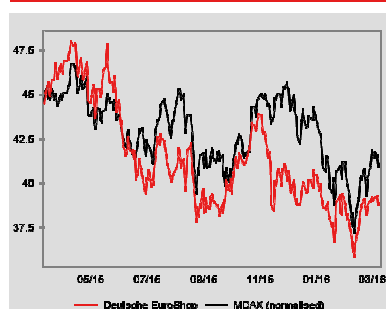
<b>Hold</b> <b>EUR 42.20</b>  Price <b>EUR 38.88</b> Upside <b>8.5 %</b>	<b>Value Indicators:</b> EUR NAV (WRe) 17e: 39.00 Dividend discount 17e: 45.60 Rent multiples 17e: 43.69	<b>Share data:</b> Bloomberg: DEQ GR Reuters: DEQ Gn ISIN: DE0007480204	<b>Description:</b> Deutsche EuroShop is a portfolio holder in shopping centre real estate
	<b>Market Snapshot:</b> EUR m Market cap: 2,097.4 No. of shares (m): 53.9 Freefloat MC: 1,782.8 Ø Trad. Vol. (30d): 5.14 m	<b>Shareholders:</b> Freefloat: 85.0 % Otto Family: 15.0 % Black Rock: 3.0 % Hertie Foundation: 3.0 %	<b>Risk Profile (WRe):</b> 2015e LTV: 38.4 % Equity Ratio: 53.1 %

## Preview: Solid Q4 expected; Outlook more focused on improving financing costs

Preliminary figures expected in mid March

in EUR m	Q4/15e	Q4/14	yoy	2015e	2014	yoy	<b>Comment on Figures:</b> <ul style="list-style-type: none"> <li>Rental income should be stable in Q4 in light of a lack of acquisition effects or extensions.</li> <li>The anticipated boost of valuation result is driven by already announced positive valuation uplift by new evaluator JLL. EUR 215m will be booked for fully consolidated centers directly in this P&amp;L line. Additional EUR 45m for the remaining centers is included in the financial result.</li> <li>All targets of the guidance for 2015 are expected to be fulfilled.</li> <li>DEQ's NAVPS is expected to increase significantly from EUR 33 to EUR 38 based on the mentioned positive valuation result.</li> </ul>
<b>Rental income</b>	50.8	51.1	-7%	2018	200.8	0%	
<b>EBIT</b>	44.5	45.2	-2%	175.5	177.5	-7%	
Valuation Result	28.0	8.14		26.2	77.0		
<b>EBT</b>	287.4	128.5	124%	378.4	214.7	76%	
Net Profit	235.7	108.0	118%	309.3	177.4	74%	
FFO per share in EUR	0.57	0.60	-5%	2.24	2.23	0%	

- As Deutsche EuroShop is anticipating lower inflation rate in the future (Statista: 2015e 0.3%, 2016e 1%), the likelihood of positive surprises for the top-line seems to be limited in 2016 in our view.
- In terms of possible acquisition targets, the news flow should be limited at the next company release. We assume that the company will more focus on possible benefits from lower refinancing costs in the future. The environment for the refinancing of several loans has improved steadily in recent weeks and DEQ will thus avail of the opportunity to prolong its loans expiring in 2016 and 2018. A volume of EUR 152m in fully consolidated loans is expiring or will have reached the end of the fixed interest periods. The average interest rate for these loans stands at 4.79%, according to our calculations. Furthermore, DEQ should be able to improve conditions for a loan volume of nearly EUR 145m which is not fully consolidated (City Arkaden Klagenfurt ~EUR 91.8m at 4.3%, Phoenix centre EUR 53.1m at 6.06%). Assuming a new interest rate of ~1.8% for the prolonged volume, the interest rate expenses could decrease by EUR 5.8m p.a. at the end of 2018.
- A phase-in of the adoption of more realistic parameters seems possible, which could lead to further meaningful valuation uplift in 2016.



Rel. Performance vs MDAX:	
1 month:	-1.2 %
6 months:	0.6 %
Year to date:	2.6 %
Trailing 12 months:	-5.3 %

Company events:	
18.04.16	FY 2015
12.05.16	Q1
15.06.16	AGM
15.08.16	Q2

FY End: 31.12. in EUR m	CAGR (14-17e)	2011	2012	2013	2014	2015e	2016e	2017e
<b>Total Sales</b>	1.3 %	190.0	211.2	188.0	200.8	201.8	202.9	208.5
<b>Rental income</b>		190.0	211.2	188.0	200.8	201.8	202.9	208.5
Change yoy		31.8 %	11.2 %	-11.0 %	6.8 %	0.5 %	0.6 %	2.7 %
<b>EBIT adj.</b>	0.8 %	165.7	181.0	165.8	177.5	175.5	176.9	181.9
<b>FFO I</b>	3.5 %	83.1	86.4	112.0	120.5	120.9	125.0	133.5
<b>FFO I-margin</b>		43.7 %	40.9 %	59.6 %	60.0 %	59.9 %	61.6 %	64.0 %
<b>Valuation result</b>	-5.7 %	50.1	8.5	56.0	77.0	215.2	64.6	64.6
<b>EBT</b>	-1.5 %	136.7	103.5	187.6	214.7	378.4	196.6	205.1
<b>Net income</b>	-1.6 %	99.0	122.5	171.0	177.4	309.3	162.2	169.2
<b>EPS</b>	-1.8 %	1.92	2.36	3.17	3.29	5.73	3.01	3.12
<b>FFOPS I</b>	3.2 %	1.61	1.66	2.08	2.23	2.24	2.32	2.46
<b>DPS</b>	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 %	3.5 %	3.6 %	3.7 %
<b>Book Value / Share</b>		23.11	25.45	26.49	28.26	32.64	34.25	35.70
<b>EPRA NAV / Share</b>		27.64	28.53	30.59	33.17	38.35	40.15	39.49
<b>P / E</b>		13.9 x	12.1 x	10.0 x	10.5 x	6.8 x	12.9 x	12.5 x
<b>Price / Book</b>		1.2 x	1.1 x	1.2 x	1.2 x	1.2 x	1.1 x	1.2 x
<b>P / NAV</b>		1.0 x	1.0 x	1.0 x	1.0 x	1.0 x	1.0 x	1.0 x
<b>FFO I-Yield</b>		6.0 %	5.8 %	6.5 %	6.5 %	5.8 %	6.0 %	6.3 %
<b>ROE</b>		8.4 %	9.7 %	12.4 %	12.0 %	18.8 %	9.0 %	8.9 %
<b>LTV</b>		47.0 %	49.2 %	44.5 %	41.8 %	38.4 %	37.2 %	36.1 %
<b>Equity Ratio</b>		45.7 %	45.3 %	48.4 %	50.1 %	53.1 %	54.3 %	55.4 %
<b>Guidance:</b>		2015 in EUR m Sales 201-204, EBIT 175-178, EBT 126-129, FFOPS EUR 2.24-2.28						

**LEGAL DISCLAIMER**

This research report was prepared by the Warburg Research GmbH, a fully owned subsidiary of the M.M.Warburg & CO (AG & Co.) KGaA and is passed on by the M.M.Warburg & CO (AG & Co.) KGaA. It contains selected information and does not purport to be complete. The report is based on publicly available information and data ("the information") believed to be accurate and complete. Warburg Research GmbH neither does examine the information to be accurate and complete, nor guarantees its accuracy and completeness. Possible errors or incompleteness of the information do not constitute grounds for liability of M.M.Warburg & CO (AG & Co.) KGaA or Warburg Research GmbH for damages of any kind whatsoever, and M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are not liable for indirect and/or direct and/or consequential damages. In particular, neither M.M.Warburg & CO (AG & Co.) KGaA nor Warburg Research GmbH are liable for the statements, plans or other details contained in these analyses concerning the examined companies, their affiliated companies, strategies, economic situations, market and competitive situations, regulatory environment, etc. Although due care has been taken in compiling this research report, it cannot be excluded that it is incomplete or contains errors. M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH, their shareholders and employees are not liable for the accuracy and completeness of the statements, estimations and the conclusions derived from the information contained in this document. Provided a research report is being transmitted in connection with an existing contractual relationship, i.e. financial advisory or similar services, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH shall be restricted to gross negligence and wilful misconduct. In case of failure in essential tasks, M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are liable for normal negligence. In any case, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH is limited to typical, expectable damages. This research report does not constitute an offer or a solicitation of an offer for the purchase or sale of any security. Partners, directors or employees of M.M.Warburg & CO (AG & Co.) KGaA, Warburg Research GmbH or affiliated companies may serve in a position of responsibility, i.e. on the board of directors of companies mentioned in the report. Opinions expressed in this report are subject to change without notice. All rights reserved.

**COPYRIGHT NOTICE**

This work including all its parts is protected by copyright. Any use beyond the limits provided by copyright law without permission is prohibited and punishable. This applies, in particular, to reproductions, translations, microfilming, and storage and processing on electronic media of the entire content or parts thereof.

**DISCLOSURE ACCORDING TO §34B (1) OF THE GERMAN SECURITIES TRADING ACT (WHPG) AND THE ORDINANCE ON THE ANALYSIS OF FINANCIAL INSTRUMENTS (FINANV)**

The valuation underlying the investment recommendation for the company analysed here is based on generally accepted and widely used methods of fundamental analysis, such as e.g. DCF Model, Free Cash Flow Potential, Peer Group Comparison or Sum of the Parts Model. The result of this fundamental valuation is modified to take into consideration the analyst's assessment as regards the expected development of investor sentiment and its impact on the share price.

Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

This commentary reflects the opinion of the relevant author at the point in time of its compilation. A change in the fundamental factors underlying the valuation can mean that the valuation is subsequently no longer accurate. Whether, or in what time frame, an update of this commentary follows is not determined in advance.

In accordance with § 5 (4) of the Ordinance on the Analysis of Financial Instruments (FinAnV) Warburg Research GmbH has implemented additional internal and organisational arrangements to prevent or to deal with conflicts of interest. Among these are the spatial separation of Warburg Research GmbH from M.M.Warburg & CO (AG & Co.) KGaA and the creation of areas of confidentiality. This prevents the exchange of information, which could form the basis of conflicts of interest for Warburg Research in terms of the analysed issuers or their financial instruments.

The analysts of Warburg Research GmbH do not receive a gratuity – directly or indirectly – from the investment banking activities of M.M.Warburg & CO (AG & Co.) KGaA or of any company within the Warburg Group.

All prices of financial instruments given in this financial analysis are the closing prices on the last stock-market trading day before the publication date stated, unless another point in time is explicitly stated.

M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are subject to the supervision of the Federal Financial Supervisory Authority, BaFin.

**SOURCES**

All data and consensus estimates have been obtained from FactSet except where stated otherwise.

**Additional information for clients in the United States**

1. This research report (the "Report") is a product of Warburg Research GmbH, Germany, a fully owned subsidiary of M.M.Warburg & CO (AG & Co.) KGaA, Germany (in the following collectively "Warburg"). Warburg is the employer of the research analyst(s), who have prepared the Report. The research analyst(s) reside outside the United States and are not associated persons of any U.S. regulated broker-dealer and therefore are not subject to the supervision of any U.S. regulated broker-dealer.
2. The Report is provided in the United States for distribution solely to "major U.S. institutional investors" under Rule 15a-6 of the U.S. Securities Exchange Act of 1934.
3. Any recipient of the Report should effect transactions in the securities discussed in the Report only through J.P.P. Euro-Securities, Inc., Delaware.
4. J.P.P. Euro-Securities, Inc. does not accept or receive any compensation of any kind for the dissemination of the research reports from Warburg.

**Reference in accordance with section 34b of the German Securities Trading Act (WpHG) and the Ordinance on the Analysis of Financial Instruments (FinAnV) regarding possible conflicts of interest with the analysed company:**

- 1- Warburg Research, or an affiliated company, or an employee of one of these companies responsible for the compilation of the research, hold a **share of more than 5%** of the equity capital of the analysed company.
- 2- Warburg Research, or an affiliated company, within the last twelve months participated in the **management of a consortium** for an issue in the course of a public offering of such financial instruments, which are, or the issuer of which is, the subject of the financial analysis.
- 3- Companies affiliated with Warburg Research **manage financial instruments**, which are, or the issuers of which are, subject of the financial analysis, in a market based on the provision of buy or sell contracts
- 4- Warburg Research, or an affiliated company, were in the last twelve months bound by a service agreement with the issuers, who are themselves or their financial instruments are, subject of the financial analysis, in connection with **investment banking business** for which a service or a promise of a service emanated.
- 5- The company compiling the analysis or an affiliated company had reached an **agreement on the compilation of the financial analysis** with the analysed company.
- 6- Companies affiliated with Warburg Research **regularly trade** financial instruments of the analysed company or derivatives of these.
- 7- The company preparing the analysis as well as its affiliated companies and employees have **other important interests** in relation to the analysed company, such as, for example, the exercising of mandates at analysed companies.

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

**INVESTMENT RECOMMENDATION**

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

**WARBURG RESEARCH GMBH – RESEARCH UNIVERSE BY RATING**

Rating	Number of stocks	% of Universe
Buy	126	66
Hold	57	30
Sell	4	2
Rating suspended	4	2
<b>Total</b>	<b>191</b>	<b>100</b>

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

... taking into account only those companies which were provided with major investment banking services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	26	81
Hold	4	13
Sell	1	3
Rating suspended	1	3
<b>Total</b>	<b>32</b>	<b>100</b>

**PRICE AND RATING HISTORY DEUTSCHE EUROSHOP AS OF 10.03.2016**


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.

**EQUITIES**

**Roland Rapelius** +49 40 3282-2673  
Head of Equities rrapelius@mmwarburg.com

**RESEARCH**

**Michael Heider** +49 40 309537-280  
Head of Research mheider@warburg-research.com

**Henner Rüschemier** +49 40 309537-270  
Head of Research hrueschmeier@warburg-research.com

**Lucas Boventer** +49 40 309537-290  
Renewables, Internet, Media lboventer@warburg-research.com

**Christian Cohrs** +49 40 309537-175  
Engineering, Logistics ccohrs@warburg-research.com

**Felix Ellmann** +49 40 309537-120  
Software, IT fellmann@warburg-research.com

**Jörg Philipp Frey** +49 40 309537-258  
Retail, Consumer Goods jfrey@warburg-research.com

**Harald Hof** +49 40 309537-125  
Medtech hhof@warburg-research.com

**Ulrich Huwald** +49 40 309537-255  
Health Care, Pharma uhuwald@warburg-research.com

**Thilo Kleibauer** +49 40 309537-257  
Retail, Consumer Goods tkleibauer@warburg-research.com

**Eggert Kuls** +49 40 309537-256  
Engineering ekuls@warburg-research.com

**Andreas Pläsier** +49 40 309537-246  
Banks, Financial Services aplaesier@warburg-research.com

**Malte Rätther** +49 40 309537-185  
Telco, Internet, Media mraether@warburg-research.com

**Jochen Reichert** +49 40 309537-130  
Telco, Internet, Media jreichert@warburg-research.com

**J. Moritz Rieser** +49 40 309537-260  
Real Estate mrieser@warburg-research.com

**Arash Roshan Zamir** +49 40 309537-155  
Cap. Goods, Renewables aroshanzamir@warburg-research.com

**Malte Schaumann** +49 40 309537-170  
Technology mschaumann@warburg-research.com

**Oliver Schwarz** +49 40 309537-250  
Chemicals, Agriculture oschwarz@warburg-research.com

**Marc-René Tonn** +49 40 309537-259  
Automobiles, Car Suppliers mtonn@warburg-research.com

**Björn Voss** +49 40 309537-254  
Steel, Car Suppliers bvoss@warburg-research.com

**Andreas Wolf** +49 40 309537-140  
Software, IT awolf@warburg-research.com

**INSTITUTIONAL EQUITY SALES**

**Holger Nass** +49 40 3282-2669  
Head of Equity Sales, USA hnass@mmwarburg.com

**Klaus Schilling** +49 40 3282-2664  
Dep. Head of Equity Sales, GER kschilling@mmwarburg.com

**Tim Beckmann** +49 40 3282-2665  
United Kingdom tbeckmann@mmwarburg.com

**Lyubka Bogdanova** +49 69 5050-7411  
United Kingdom, Australia lbogdanova@mmwarburg.com

**Jens Buchmüller** +49 69 5050-7415  
Scandinavia, Austria jbuchmueller@mmwarburg.com

**Paul Dontenwill** +49 40 3282-2666  
USA pdontenwill@mmwarburg.com

**Matthias Fritsch** +49 40 3282-2696  
United Kingdom mfritsch@mmwarburg.com

**Marie-Therese Grübner** +49 40 3282-2630  
France, Switzerland mgruebner@mmwarburg.com

**Michael Kriszun** +49 40 3282-2695  
United Kingdom mkriszun@mmwarburg.com

**Marc Niemann** +49 40 3282-2660  
Germany mniemann@mmwarburg.com

**Fabian Roggemann** +49 40 3282-2667  
USA froggemann@mmwarburg.com

**Sanjay Oberoi** +49 69 5050-7410  
United Kingdom soberoi@mmwarburg.com

**Juliane Willenbruch** +49 40 3282-2694  
Roadshow/Marketing jwillenbruch@mmwarburg.com

**SALES TRADING**

**Oliver Merkel** +49 40 3282-2634  
Head of Sales Trading omerckel@mmwarburg.com

**Michael Ilgenstein** +49 40 3282-2700  
Sales Trading milgenstein@mmwarburg.com

**Bastian Quast** +49 40 3282-2701  
Sales Trading bquast@mmwarburg.com

**Jörg Treptow** +49 40 3262-2658  
Sales Trading jtreptow@mmwarburg.com

**Jan Walter** +49 40 3262-2662  
Sales Trading jwalter@mmwarburg.com

**MACRO RESEARCH**

**Carsten Klude** +49 40 3282-2572  
Macro Research cklude@mmwarburg.com

**Matthias Thiel** +49 40 3282-2401  
Macro Research mthiel@mmwarburg.com

**Dr. Christian Jasperneite** +49 40 3282-2439  
Investment Strategy cjasperneite@mmwarburg.com

**Our research can be found under:**

Warburg Research research.mmwarburg.com/en/index.html  
Bloomberg MMWA GO  
FactSet www.factset.com

Thomson www.thomson.com  
Reuters www.knowledge.reuters.com  
Capital IQ www.capitaliq.com

**For access please contact:**

**Andrea Schaper** +49 40 3282-2632  
Sales Assistance aschaper@mmwarburg.com

**Kerstin Muthig** +49 40 3282-2703  
Sales Assistance kmuthig@mmwarburg.com