

# COMPANY PRESENTATION

04.2014

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## COMPANY

## Equity Story

- Deutsche EuroShop is Germany's only public company that invests solely in shopping centers.
- Shopping centers are attractive investments because of
  - continuously positive development of rents
  - stable long term growth
  - prime locations
  - high quality standards
- Deutsche EuroShop does not seek short-term success, but rather long-term growth and the resulting stable increase in the value of the portfolio.



## COMPANY

## At a Glance

- 19 shopping centers on high street and in established locations – 16 in Germany and one each in Austria, Hungary and Poland.

Lettable space	approx. 928,000 sqm
Retail shops	approx. 2,350
Market value	approx. €3.7 billion
Rents per year	€240 million <sup>1)</sup>
Occupancy rate	99%

avg. lettable space  
per DES-center:  
inner city  
39,200 sqm  
est. Locations  
102,000 sqm

- 2013 portfolio valuation: 5.97% net initial yield (EPRA)
- Professional center management by ECE, the European market leader in this industry



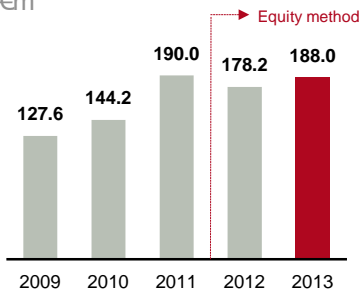
<sup>1)</sup> 100%-view

## COMPANY

Key Figures<sup>4)</sup>

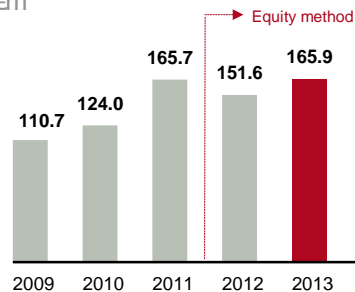
## REVENUE

€m



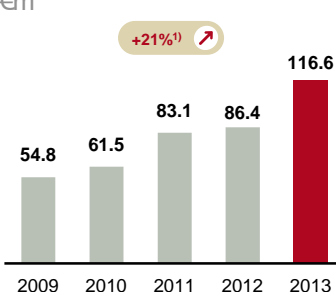
## EBIT

€m



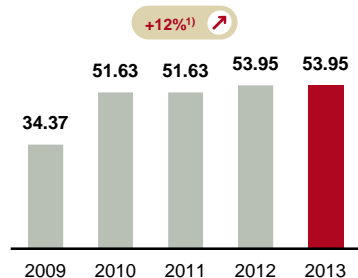
## FFO

€m



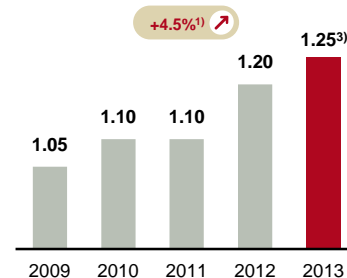
## NUMBER OF SHARES

mn

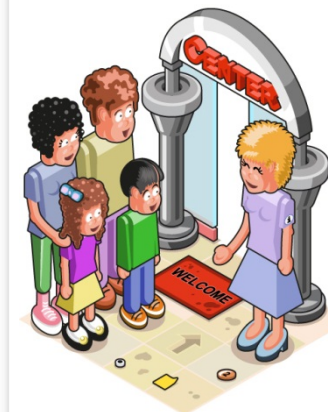
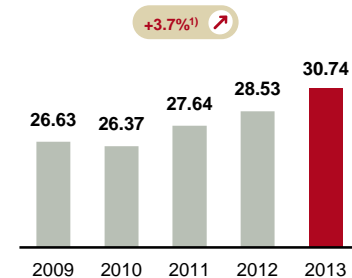


## DIVIDEND PER SHARE

€

NAV PER SHARE<sup>2)</sup>

€



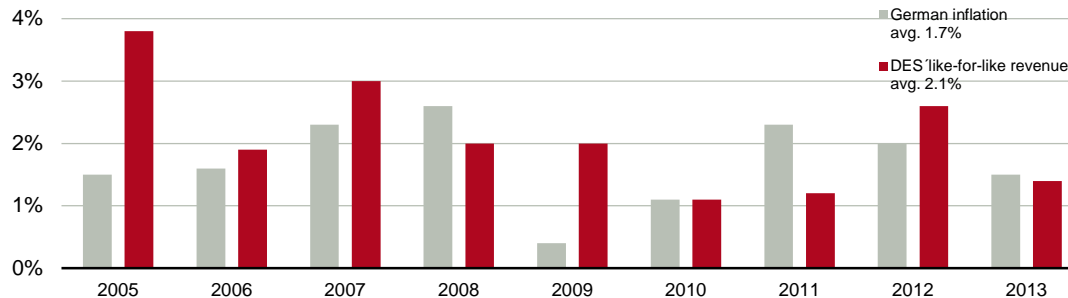
- 1) 2009-2013, Compound Annual Growth Rate (CAGR)
- 2) since 2010: EPRA NAV
- 3) probable proposal
- 4) preliminary results

## COMPANY

## Lease System

- 10 years lease only
- no break-up option
- turnover-linked rents
- minimum rents are CPI-linked
- avg. rent per sqm and year: €250
- avg. turnover per sqm and year in DES shopping centers: €4,700<sup>1)</sup>  
(avg. German retail: €3,470, avg. German shopping centers: €4,090)
- Rent-to-sales-ratio: 7-11%
- weighted maturity of rental contracts: 6.6 years<sup>1)</sup>

## LIKE-FOR-LIKE REVENUE



<sup>1)</sup> Status: 31 Dec. 2013

## COMPANY

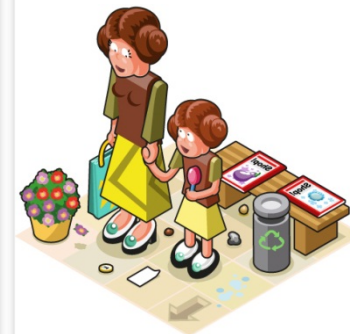
## Targets

- Long term net asset value enhancement
- Main focus on NAV and dividend
- “buy & hold”-strategy, Continuous growth
- Stable and attractive dividends  
Dividend yield: currently 3.7%
- Investment-focus:  
At least 75% Germany and up to 25% Europe
- Portfolio extension by 10% per year
  - by acquisition of new shopping centers
  - by increasing existing amounts of holdings
  - by expansion of portfolio centers



SHOPPING CENTERS

Overview

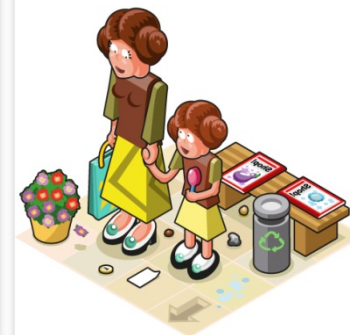


## SHOPPING CENTERS

## Germany

**A10 Center****Main-Taunus-Zentrum****Altmarkt-Galerie**

Location	Wildau/Berlin	Sulzbach/Frankfurt	Dresden
Investment	100%	52.0%	100%
Lettable space sqm	118,500	117,900	77,000
Parking	4,000	4,500	500
Number of shops	approx. 200	approx. 170	approx. 200
Occupancy rate	100%	100%	93%
Catchment area	approx. 1.2 m. inhabitants	approx. 2.2 m. inhabitants	approx. 1.0 m. inhabitants
Opening/refurbishm.	1996 / 2011	1964 / 2004 / 2011	2002 / 2011



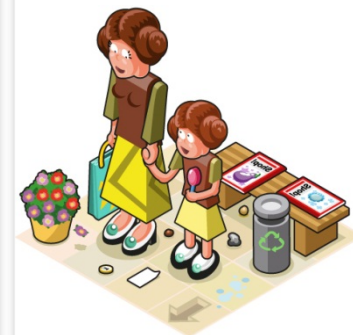


## SHOPPING CENTERS

## Germany

**Rhein-Neckar-Zentrum****Herold-Center****Allee-Center**

Location	Viernheim	Norderstedt	Magdeburg
Investment	100%	100%	50.0%
Lettable space sqm	64,400	55,500	51,300
Parking	3,800	850	1,300
Number of shops	approx. 110	approx. 130	approx. 150
Occupancy rate	100%	96%	98%
Catchment area	approx. 1.2 m. inhabitants	approx. 0.5 m. inhabitants	approx. 0.7 m. inhabitants
Opening/refurbishm.	1972 / 2002	1971 / 1995 / 2003	1998 / 2006

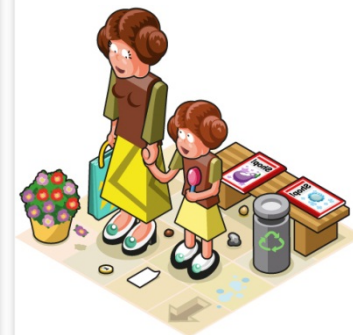


## SHOPPING CENTERS

## Germany

**Billstedt-Center****Phoenix-Center****Forum**

Location	Hamburg	Hamburg	Wetzlar
Investment	100%	50.0%	65.0%
Lettable space sqm	42,800	39,200	34,300
Parking	1,500	1,600	1,700
Number of shops	approx. 110	approx. 110	approx. 110
Occupancy rate	100%	100%	100%
Catchment area	approx. 0.7 m. inhabitants	approx. 0.6 m. inhabitants	approx. 0.5 m. inhabitants
Opening/refurbishm.	1969 / 1977 / 1996	2004	2005

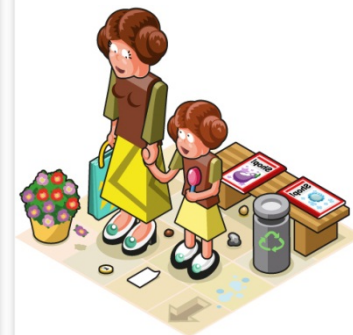


## SHOPPING CENTERS

## Germany

**Allee-Center****City-Galerie****Rathaus-Center**

Location	Hamm	Wolfsburg	Dessau
Investment	100%	100%	100%
Lettable space sqm	33,900	30,800	30,400
Parking	1,250	800	850
Number of shops	approx. 90	approx. 100	approx. 90
Occupancy rate	100%	100%	98%
Catchment area	approx. 1.0 m. inhabitants	approx. 0.5 m. inhabitants	approx. 0.6 m. inhabitants
Opening/refurbishm.	1992 / 2003 / 2009	2001 / 2006	1995



## SHOPPING CENTERS

## Germany



City-Arkaden

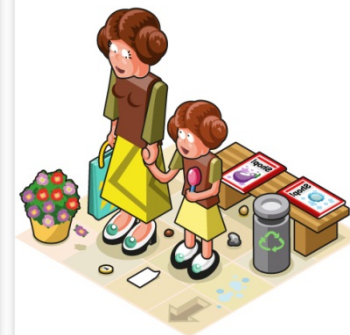


City-Point



Stadt-Galerie

Location	Wuppertal	Kassel	Passau
Investment	100%	100%	75.0%
Lettable space sqm	28,700	28,300	27,600
Parking	650	220	500
Number of shops	approx. 90	approx. 60	approx. 90
Occupancy rate	100%	100%	100%
Catchment area	approx. 0.7 m. inhabitants	approx. 0.8 m. inhabitants	approx. 0.7 m. inhabitants
Opening/refurbishm.	2001 / 2004	2002 / 2009	2008

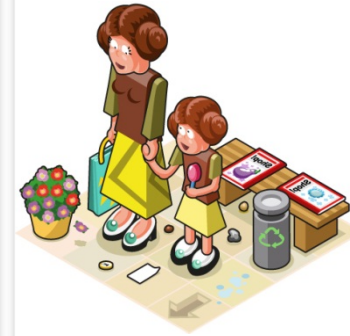


## SHOPPING CENTERS

## Germany

**Stadt-Galerie**

Location	Hameln
Investment	100%
Lettable space sqm	26,000
Parking	500
Number of shops	approx. 100
Occupancy rate	100%
Catchment area	approx. 0.4 m. inhabitants
Opening/refurbishm.	2008

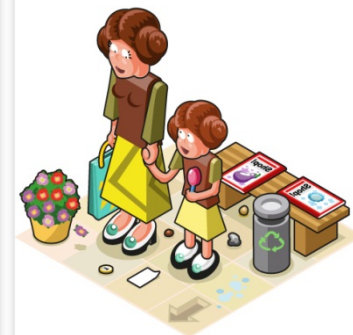


## SHOPPING CENTERS

## Europe




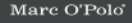


















































**Galeria Bałtycka****City Arkaden****Árkád**

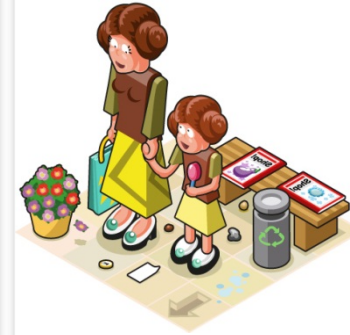
Location	Gdansk, Poland	Klagenfurt, Austria	Pécs, Hungary
Investment	74.0%	50.0%	50.0%
Lettable space sqm	48,600	36,900	35,300
Parking	1.050	880	850
Number of shops	approx. 195	approx. 120	approx. 130
Occupancy rate	100%	100%	93%
Catchment area	approx. 1.1 m. inhabitants	approx. 0.4 m. inhabitants	approx. 1.0 m. inhabitants
Opening/refurbishm.	2007	2006	2004



## SHOPPING CENTERS

Our Tenants<sup>1)</sup>



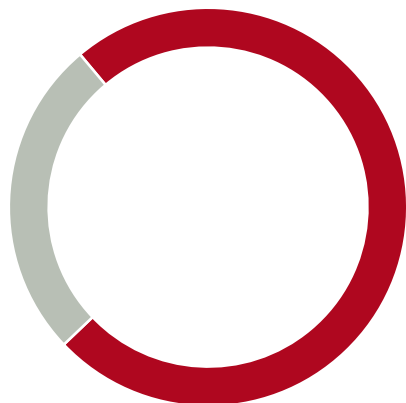
<sup>1)</sup> selection of our well known tenants

## SHOPPING CENTERS

Tenants Structure Top 10 Tenants<sup>1)</sup>

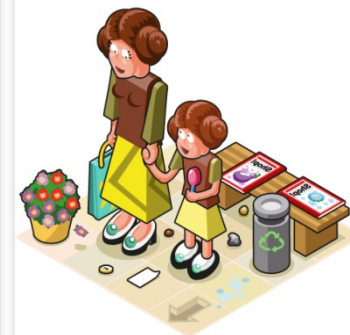
	2013	2012
Metro Group	5.6%	5.7%
Douglas Group	4.5%	4.6%
H&M	3.2%	2.9%
New Yorker	2.3%	2.2%
Peek & Cloppenburg	2.1%	2.1%
Deichmann	1.9%	1.9%
REWE	1.6%	1.7%
Inditex Group	1.5%	1.5%
C&A	1.5%	1.8%
Esprit	1.4%	1.5%
<b>Total</b>	<b>25.6%</b>	<b>25.9%</b>

Low level of  
dependence on  
the top 10 tenants



**Total** 74.4% 74.1%

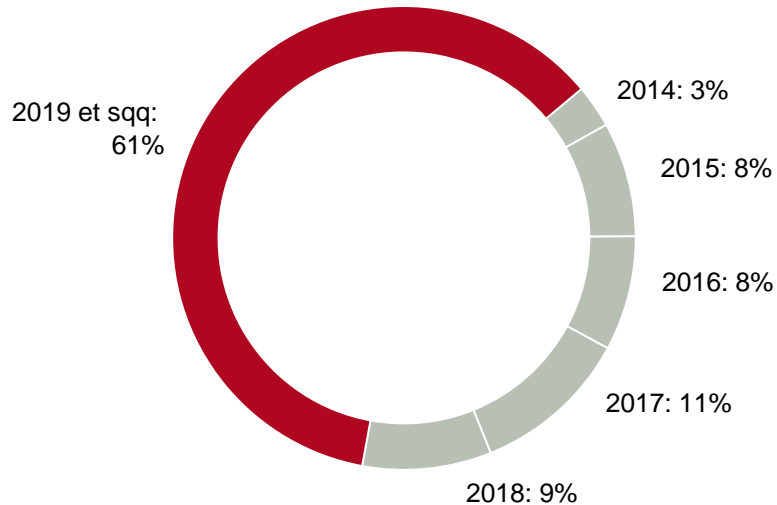
Other tenants



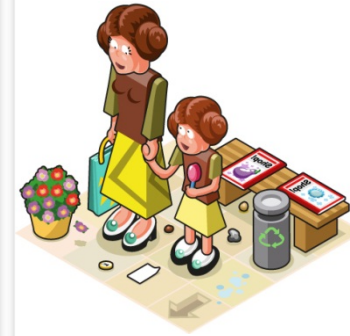
<sup>1)</sup> in % of total rents as at 31 Dec. 2013



## SHOPPING CENTERS

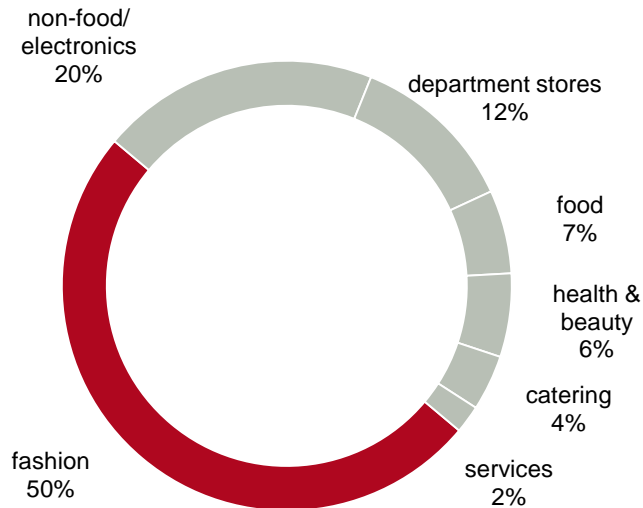
Maturity Distribution of Rental Contracts<sup>1)</sup>

- Long-term contracts guarantee rental income
- Weighted maturity 6.6 years

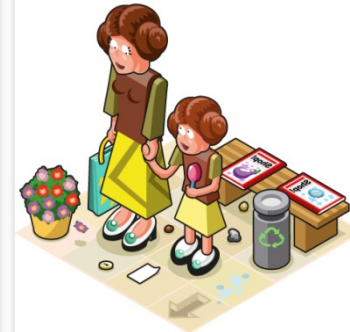


<sup>1)</sup> as % of rental income as at 31 Dec. 2013

## SHOPPING CENTERS

Sector Mix<sup>1)</sup>

Balanced sector  
diversification

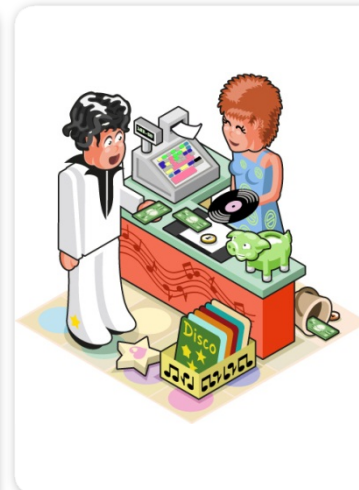


<sup>1)</sup> as % of rental space as at 31 Dec. 2013

## FINANCIALS

## Key Figures FY 2013 (Preliminary Results)

€ million	01.01.-31.12.2013	01.01.-31.12.2012	Change
Revenue	188.0	178.1	6%
Net operating income	170.2	159.7	7%
EBIT	165.9	151.6	9%
Net finance costs	-29.6	-62.1	52%
Valuation result	58.5	13.9	320%
EBT	194.8	103.4	88%
<b>Consolidated profit</b>	<b>178.7</b>	<b>122.5</b>	<b>46%</b>
FFO per share	2.16	1.66	30%
EPRA Earnings per share	1.82	1.35	35%
	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>Change</b>
<b>Total equity<sup>1)</sup></b>	<b>1,642.4</b>	<b>1,606.1</b>	<b>2%</b>
<b>Financial liabilities</b>	<b>1,486.8</b>	<b>1,467.6</b>	<b>1%</b>
Other debt (incl. Deferred taxes)	265.7	273.9	-3%
<b>Total assets</b>	<b>3,394.9</b>	<b>3,347.6</b>	<b>1%</b>
Net financial liabilities	1,445.9	1,306.6	11%
Equity ratio <sup>1)</sup>	48.4%	48.0%	
LTV ratio	43%	41%	
Gearing*	107	108	



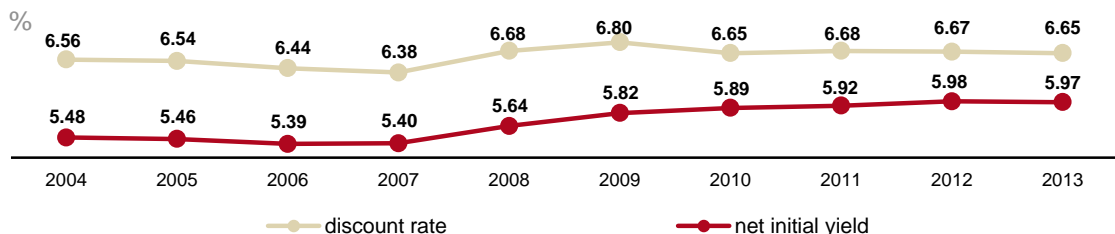
<sup>1)</sup> incl. non controlling interests

## FINANCIALS

Valuation<sup>1)</sup> – Investment Properties 2013

Discounted cash-flow method	2013	2012	actual
expected yield of 10-year German federal bonds	4.24%	4.30%	1.57% <sup>2)</sup>
<b>average applied risk premiums</b>	<b>2.41%</b>	<b>2.37%</b>	
average discount rate	6.65%	6.67%	
average property operating and management costs	10.90%	11.00%	
net initial yield (EPRA)	5.97%	5.98%	

Macro-location	40.0%
Competitive environment	12.8%
Micro-location	19.2%
Property quality	8.0%
Tenants risk	20.0%



## Sensitivity analysis

in € thousand	Basis	change of -25bps	change of +25bps
Rent increase rates	1.70%	-111,500	+116,800
Discount rate	6.65%	+104,700	-99,600
Net initial yield	5.97%	+149,600	-137,600
Cost ratio	10.90%	+9,700	-9,700



<sup>1)</sup> External appraisers: Feri Research and GfK GeoMarketing

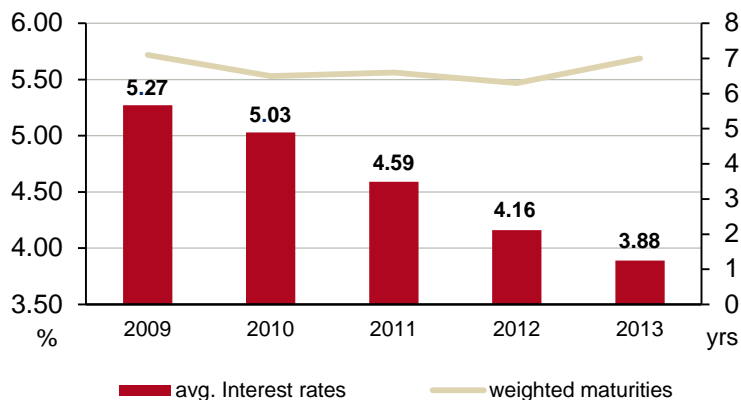
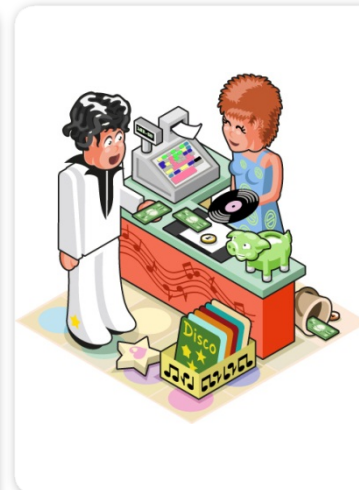
<sup>2)</sup> Status: 3 Apr. 2014

## FINANCIALS

Loan Structure<sup>1)</sup> incl. Convertible Bonds

Interest lockin	Duration	Principle amounts (€ thousand)	Share of total loan	avg. interest rate
Up to 1 year		95.2	6%	1.67%
1 to 5 years	3.4	372.5	25%	3.88%
5 to 10 years	7.9	924.4	63%	3.72%
Over 10 years	13.7	91.0	6%	5.07%
<b>Total 2013</b>	<b>7.0</b>	<b>1,483.1</b>	<b>100%</b>	<b>3.88%</b>

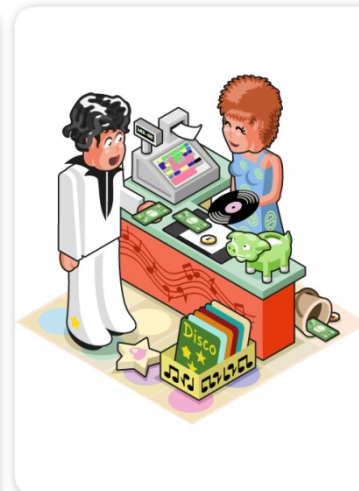
- 21 German Banks
- Weighted maturity of fixed interest periods 7.0 years
- Weighted maturity of the loans >10 years


<sup>1)</sup> as of 31 Dec. 2013


## FINANCIALS

Maturities until 2018<sup>1)</sup>

in € thousand	end of fixed interest periods respectively expiring loans	avg. interest rate	regular redemption payments	total maturities
2014	77,000	1.00%	18,200	<b>95,200</b>
2015	62,000	5.26%	17,800	<b>79,800</b>
2016	77,000	4.92%	16,000	<b>93,000</b>
2017	93,400	1.75%	16,500	<b>109,900</b>
2018	72,000	4.60%	17,800	<b>89,800</b>
	<b>381,400</b>			



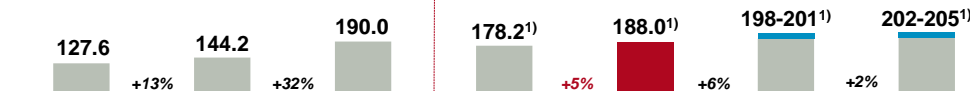
<sup>1)</sup> as of 31 Dec. 2013,  
excl. non-consolidated loans

## FINANCIALS

## Forecast

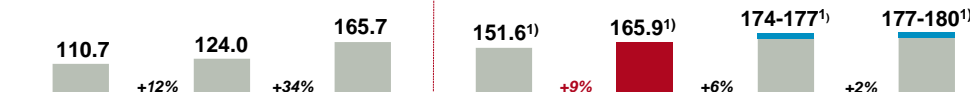
## REVENUE

€m

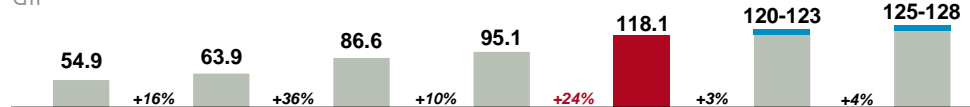


## EBIT

€m

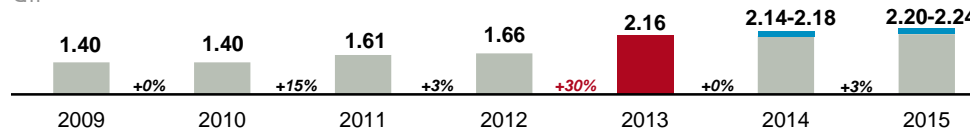
EBT BEFORE VALUATION<sup>4)</sup>

€m



## FFO PER SHARE

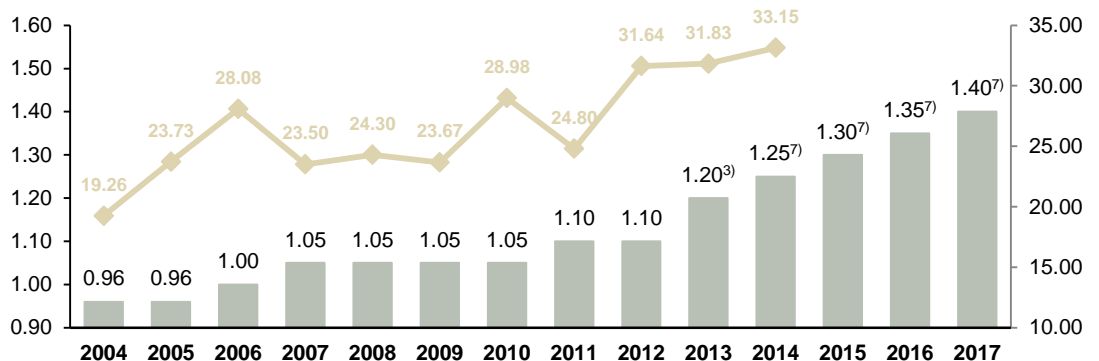
€m



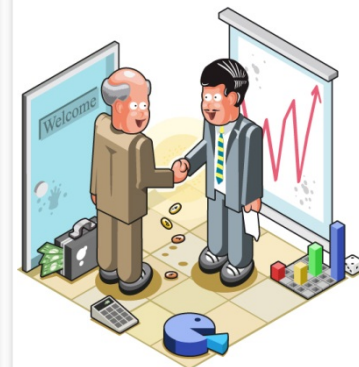
- 1) Equity method
- 2) Compound Annual Growth Rate (CAGR) 2009-2015
- 3) incl. dilution
- 4) excl. capital gain

## SHOPPING CENTER SHARES

## Dividend &amp; Performance

Dividend<sup>1)</sup>Share price<sup>2)</sup>PERFORMANCE<sup>4)</sup>

	DES	DAX	EPRA <sup>5)</sup>	REX <sup>6)</sup>	OEI <sup>8)</sup>
1 year	(2013) <b>+4.5%</b>	+25.5%	+9.6%	-0.5%	+1.1%
3 years	+23.4% = <b>+7.2% p.a.</b>	+11.4% p.a.	+8.7% p.a.	+4.1% p.a.	+1.6% p.a.
5 years	+61.4% = <b>+10.0% p.a.</b>	+14.7% p.a.	+15.5% p.a.	+4.2% p.a.	+2.3% p.a.
Since IPO (2001)	+184.1% = <b>+8.4% p.a.</b>	+3.1% p.a.	+6.8% p.a.	+4.9% p.a.	+3.7% p.a.



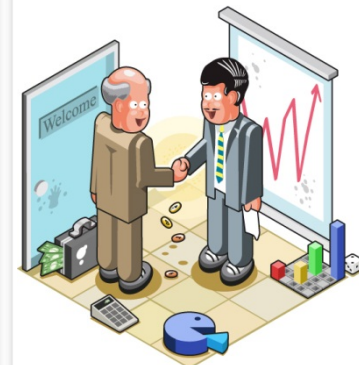
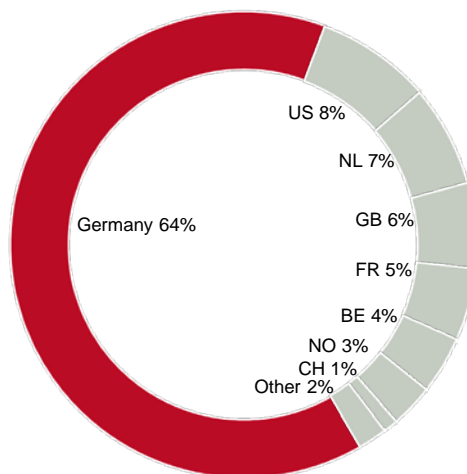
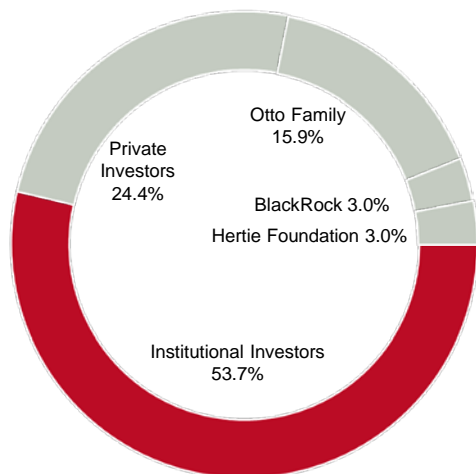
- 1) respectively paid for the previous financial year
- 2) 2014: as of 3 Apr. 2014
- 3) paid on 21 June 2013
- 4) as of 31 December 2013
- 5) EPRA/NAREIT Europe
- 6) German government bonds index
- 7) probable proposal
- 8) Open ended real estate funds



## SHOPPING CENTER SHARES

Shareholder Structure<sup>1)</sup>

- 9,125 shareholders
- Free float 84.1%



<sup>1)</sup> Status: 1 Apr. 2014

## SHOPPING CENTER SHARES

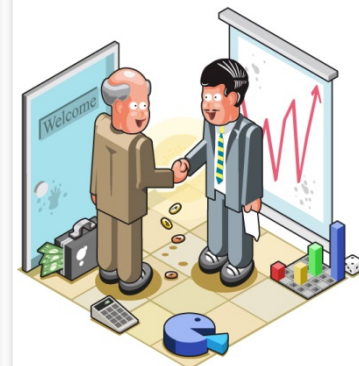
Analysts' Consensus<sup>1)</sup>

avg. / in €	2013	2014
EBIT (€ million)	171.2	178.4
FFO per share	2.01	2.07
EPS	2.15	2.19
Dividend	1.26	1.30
Price target		33.62

Status: 11 Feb. 2014

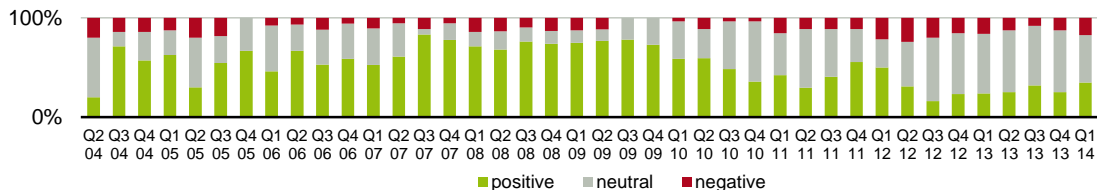
- 23 analysts: one of the best covered real estate companies in Europe<sup>2)</sup>

Sell	Underperform	Neutral	Outperform	Buy
<ul style="list-style-type: none"> <li>▪ UBS</li> </ul>	<ul style="list-style-type: none"> <li>▪ ABN Amro</li> <li>▪ Natixis</li> <li>▪ Odco</li> </ul>	<ul style="list-style-type: none"> <li>▪ Baader Bank</li> <li>▪ Bankhaus Lampe</li> <li>▪ Close Brothers Seydler</li> <li>▪ Commerzbank</li> <li>▪ Deutsche Bank</li> <li>▪ Equinet</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hamburger Sparkasse</li> <li>▪ HSBC</li> <li>▪ Independent Research</li> <li>▪ Kempen &amp; Co</li> <li>▪ NORD/LB</li> </ul>	<ul style="list-style-type: none"> <li>▪ J.P. Morgan Cazenove</li> <li>▪ Berenberg Bank</li> <li>▪ DZ Bank</li> <li>▪ Green Street Advisors</li> <li>▪ Kepler Cheuvreux</li> <li>▪ Metzler</li> <li>▪ M.M. Warburg</li> <li>▪ Societe Generale</li> </ul>



<sup>1)</sup> aggregated by DES

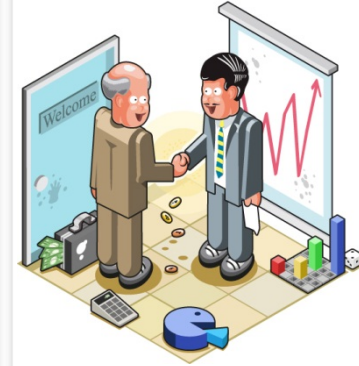
<sup>2)</sup> according to Bloomberg as of April 2013



## SHOPPING CENTER SHARE

## 10 Reasons to Invest

1. The only public company in Germany to invest solely in shopping centers
2. Prime locations
3. Proven, conservative strategy
4. Stable cash flow with long term visibility
5. Shareholder-friendly dividend policy
6. Experienced management team
7. Excellent track record
8. Centers almost 100% let
9. Inflation-protected rental agreements
10. Solidity combined with growth potential



## APPENDIX

## Key Data of the Share

Listed since	02.01.2001
Nominal capital	€53,945,536.00
Outstanding shares	53,945,536
Class of shares	Registered shares
Dividend 2013 (probable proposal, 19 June 2014)	€1.25
52W High	€34.55
52W Low	€29.27
Share price (3 April 2014)	€33.15
Market capitalisation	€1.79 billion
avg. turnover per day last 12 months (XETRA)	112,300 shares
Indices	MDAX, EPRA, GPR, MSCI Small Cap, EURO STOXX, STOXX Europe 600
Official market	Prime Standard Frankfurt and XETRA
OTC market	Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart
ISIN	DE 000 748 020 4
Ticker	DEQ, Reuters: DEQn.DE
Market maker	Close Brothers Seydler



## APPENDIX

## Key Data of the Convertible Bond 1.75% 2017

Amount	€100 million
Principal amount	€100,000 per Bond
Issue date	20 Nov. 2012
Maturity date	20 Nov. 2017
Coupon	1.75%
Price (4 April 2014)	111.1%
Interest payment date	payable semi-annually in arrear on 21 May and 21 November in each year
Conversion price	€33.79 <sup>1)</sup>
Dividend protection	Conversion Price adjustment for any dividends paid (full dividend protection)
ISIN	DE 000 A1R 0W0 5
Listing	Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange



<sup>1)</sup> originally €35.10, adjusted on  
21 June 2013

## APPENDIX

Retail turnover 2013<sup>1)</sup>

Retail sector	% change in 2013	rent-to-sales ratio in %	% of sales	% of space
Department stores	2.1	5.9	8.5	14.4
Food	0.4	7.0	9.6	6.4
Fashion textiles	-2.0	11.8	28.2	37.1
Shoes & leather goods	0.6	13.5	5.8	6.9
Sports	-0.8	8.8	4.2	5.0
Health & Beauty	2.7	7.1	11.2	6.0
General Retail	-0.8	9.7	11.7	10.9
Electronics	-1.0	2.9	12.2	7.7
Services	4.2	4.7	4.5	1.6
Food catering	0.1	13.0	4.1	4.0
<b>Total</b>	<b>-0.1</b>	<b>8.7</b>	<b>100.0</b>	<b>100.0</b>

- retail turnover development abroad on a **like-for-like** basis: **+2.2%**  
DES-Portfolio overall: **+0.2%**
- absolute** turnover development: Germany **-0.1%**<sup>2)</sup>, Abroad **+3.3%**  
DES-Portfolio overall: **+0.3%**



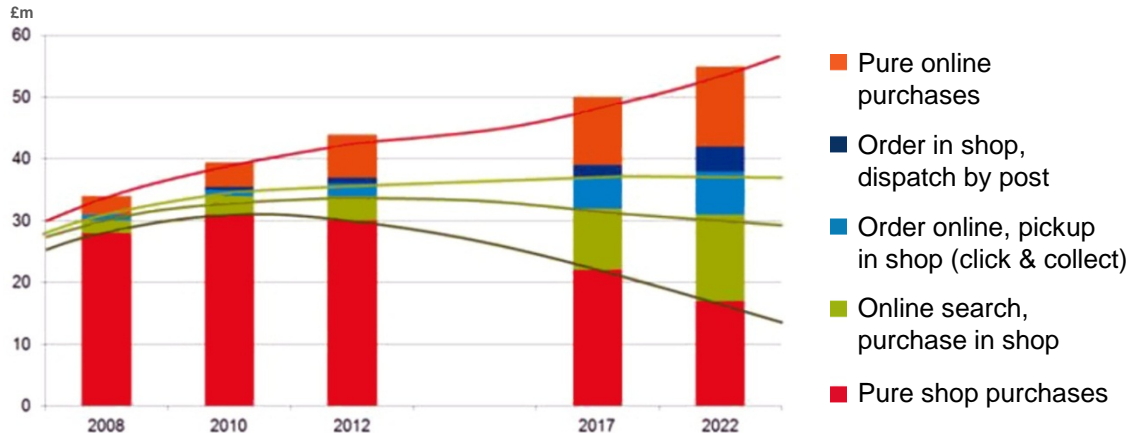
<sup>1)</sup> German centers on a like-for-like basis (turnover: €2.1 billion)

<sup>2)</sup> compares to a turnover development of +1.4% of the overall German retail

## APPENDIX

## Online vs. stationary retail?

Turnover distribution of a fashion retailer



- Stationary retail transforms from „Point of Purchase“ to „Touch Point“ (product experience).
- New store concepts (flagship store, show room, multi-channel store, pick-up store), click & collect, augmented reality, online goes offline, mobile services
- Location, location, location newly interpreted: convenience, attractivity & likeability



Source: GfK

## APPENDIX

## Our partner: ECE



- ECE develops, plans, builds, leases and manages large commercial real estate in the sectors shopping, office, industries since 1965
- originally ECE was an abbreviation for the German word Einkaufszentrentwicklung (Shopping center development)
- 100% privately owned by the Otto family
- active in 16 European countries
- European market leader in the shopping center business
- Assets under management:
  - 189 shopping centers
  - 6 million sqm overall sales area
  - approx. 17,500 retail businesses
  - €21 billion in annual sales

## MANY INVESTORS RELY ON ECE:





## APPENDIX

## Environment

- Climate protection is one of the most important issues for Deutsche EuroShop. We believe that sustainability and profitability, the shopping experience and environmental awareness are not opposing forces. Long-term thinking is part of our strategy. This includes playing our part in environmental protection.
  
- In 2013, all our German shopping centers had contracts with suppliers that use regenerative energy sources such as hydroelectric power for their electricity needs. The “EnergieVision” organisation certified the green electricity for our centers in Germany with the renowned “ok-power” accreditation in 2013. We plan to switch the centers in other countries to green electricity as well in the next few years.
  
- The German centers used a total of around 67.4 million kWh of green electricity in 2013. This represented 100% of the electricity requirements in these shopping centers. As a result, based on conservative calculations this meant a reduction of around 22,500 tonnes in carbon dioxide emissions – this equates to the annual CO<sub>2</sub> emissions of around 1,020 two-person households. We have already reduced the energy consumption of our shopping centers by using heat exchangers and energy-saving light bulbs.
  
- Deutsche EuroShop, through its shopping centers, also supports a range of activities at local and regional level in the areas of ecology, society and economy.



G R E S B

## APPENDIX

## Financial Calendar

## 2014

09.04.	Roadshow Hamburg, Montega	22.09.	Goldman Sachs & Berenberg German Conference, Munich
<b>25.04.</b>	<b>Publication of the Annual Report 2013</b>	23.09.	Baader Investment Conference, Munich
<b>14.05.</b>	<b>Interim report Q1 2014</b>	30.09.	Roadshow London, Berenberg
15.05.	Donner & Reuschel Hamburger Investmentkonferenz, Hamburg	01.10.	Societe Generale Real Estate Conference, London
20.05.	Roadshow London, MM Warburg	06.10.	ExpoREAL, Munich
04.-05.06.	Kempen European Property Seminar, Amsterdam	<b>13.11.</b>	<b>Nine-month report 2014</b>
11.-13.06.	db Access Conference, Berlin	17.11.	Roadshow Paris, Deutsche Bank
<b>18.06.</b>	<b>Annual General Meeting, Hamburg</b>	18.11.	Roadshow Amsterdam, Kempen & Co.
<b>12.08.</b>	<b>Interim report H1 2014</b>	19.11.	Roadshow Zurich, Baader
17.09.	Roadshow Luxembourg, Bankhaus Lampe	01.-02.12.	Berenberg European Conference, Pennyhill









## APPENDIX

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Statements in this presentation relating to future status or circumstances, including statements regarding management's plans and objectives for future operations, sales and earnings figures, are forward-looking statements of goals and expectations based on estimates, assumptions and the anticipated effects of future events on current and developing circumstances and do not necessarily predict future results.

Many factors could cause the actual results to be materially different from those that may be expressed or implied by such statements.

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