

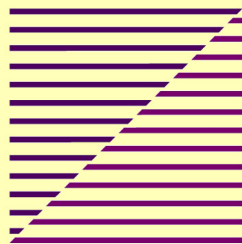


Independent Research

Unabhängige Finanzmarktanalyse GmbH

Research Note

Fair Value REIT-AG



fair value
REIT

Preliminary results 2009

02/25/2010

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Adjusted results exceed expectations

Preliminary results 2009

- ⇒ Fair Value's preliminary results exceeded both our expectations and the company's targets on an adjusted basis. In 2009, adjusted net income reached EUR5.0m (5.2; our forecast: 4.5). Fair Value had predicted an adjusted net income of between EUR4.5m and 4.8m.
- ⇒ With a reported EUR10.5m (12.4), rental income was slightly above our forecast (EUR10.3m). As at December 31, 2009, occupancy rates were 95.5% (94.9%; September 30, 2009: 95.1%). The decline in rental income was largely accounted for by a property sale and the amicable termination of a general lease contract.
- ⇒ As expected, the reported profit was influenced by valuation losses. Market valuation of interest rate hedges dragged down results by EUR4.9m (4.2), while market valuation of the real estate portfolio put a burden of EUR8.0m (17.5) on results. Thus, the market value of Fair Value's share in the properties was down by 3.3% (6.4%) in 2009.
- ⇒ We were surprised at the extent of the real estate portfolio's valuation loss. In particular, the rise in discounting and capitalisation rates, which was the main reason for the valuation loss, was unexpected with regard to the current low level of financing rates. Apparently, the risk premium demanded from real estate investors is still high.
- ⇒ Taking into account the recent decline in share price and the NAV of EUR7.64 per share (December 31), we believe that the downside potential of the stock has now been exploited. In our opinion, the company's dividend announcement for the fiscal year 2010 and solid financing structure are arguments in favour of the stock. What we regard as a negative factor is the fact that investors' interest in real estate stocks is still restrained. Leaving our forecasts unchanged and with a price target of EUR6.10, we hold on to our Buy recommendation.

Fair Value REIT-AG 6)

Recommendation: Buy

before:

as of

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Price target (in EUR) (6 months)	6.10
Share price (Xetra) (in EUR)	4.51
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Share price potential	35.25%

Company data

Country	GE
Sector	Financial Services / REIT
Market segment	Prime Standard
ISIN	DE000A0MW975
Reuters	FVIG.DE
Bloomberg	FVI
Internet	www.fvreit.de

Share data

Shares (m)	9.407
Free float	42.28%
Market cap. (EURm)	42.8
∅ Trading volume	2,870
52W High 10/16/09	EUR5.40
52W Low 05/19/09	EUR2.84
Beta	1.15
Volatility (60 days)	59.13

Multiples

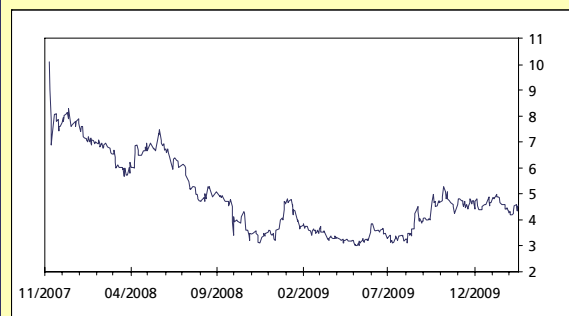
	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2006	-	-	-	-
2007	24.7	neg.	10.7	0.0%
2008	7.5	neg.	neg.	0.0%
2009	8.9	neg.	neg.	0.0%
2010E	8.6	17.4	9.5	2.6%

Performance (in %)

	1m	3m	6m	12m
Absolute	-2.2	-1.1	18.2	33.8
Relative to:				
DAX	-2.1	2.0	16.7	-8.6
Pr. Fin. Services	-1.7	7.7	22.7	-10.1

Index weighting

Prime Fin. Services	0.103%
RX REIT Index	7.830%



Author: Zafer Rüzgar (analyst)

AP	FY	Sales	EBIT	EBT	EAT	EPS
IFRS	2006	0	-21	-20	-56	-
IFRS	2007	4,326	-1,810	1,744	1,744	0.74
IFRS	2008	12,392	-1,754	-13,301	-13,301	-1.41
IFRS	2009	10,460	-727	-4,236	-4,236	-0.45
IFRS	2010E	10,931	5,362	3,855	3,855	0.41
CAGR 2006 - 2010E		36.2%	-	30.3%	30.3%	

Figures in EUR'000 except EPS (in EUR), hist. PERs based on average share prices

1)2)3)4)6) Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document

Disclaimer

Recommendations concerning particular shares (starting December 18, 2009)

- Buy: According to our assessment, the stock will rise by at least 15% in absolute terms within a 6-month period.
- Hold: According to our assessment, the stock will rise by between 0% and 15% in absolute terms within a 6-month period.
- Sell: According to our assessment, the stock will decline in absolute terms within a 6-month period.

Recommendations concerning particular shares (until December 17, 2009)

- Buy: According to our assessment, the stock will rise by at least 15% in absolute terms within a 6-month period.
- Accumulate: According to our assessment, the stock will rise by between 0% and 15% in absolute terms within a 6-month period.
- Reduce: According to our assessment, the stock will decline by between 0% and 15% in absolute terms within a 6-month period.
- Sell: According to our assessment, the stock will decline by least 15% in absolute terms within a 6-month period.

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Key sources of information used in the preparation of this document are publications in foreign and domestic media such as information services (e.g. Reuters, VWD, Bloomberg, DPA-AFX etc.), the financial press (e.g. Börsenzeitung, Handelsblatt, FAZ, FTD, Wall Street Journal, Financial Times etc.), specialised journals, published statistics, rating agencies and publications of the issuers under coverage.

Summary of the valuation principles used:

Analyses of shares:

In valuing companies standard and accepted valuation methods (amongst others the Discounted Cash Flow Method (DCF Method), Peer-Group Analysis) are applied. Under the DCF Method the net value of the issuer is calculated, which represents the sum of the discounted company results, i.e. the net present value of the issuer's future net cash flows. The net value is therefore determined with reference to the company's anticipated future results and the discount rate applied. Under the Peer-Group Analysis Method issuers quoted on the Stock Exchange are valued with reference to the comparison of valuation multiples (e.g. price/earnings ratio, price/book value, enterprise value/sales, enterprise value/EBITDA, enterprise value/EBIT). Comparability of the valuation multiples is primarily determined by business activity and economic prospects.

Sensitivity of the valuation parameters:

The figures taken from the income statement, the cash flow statement and the balance sheet, upon which the valuation of companies is based, are numerical estimates and therefore subject to risks. These may change at any time without prior notice.

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As at: 02/25/2010

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