

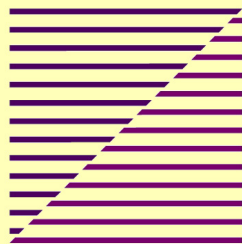


**Independent Research**

Unabhängige Finanzmarktanalyse GmbH

# **Investment Research**

## **Fair Value REIT-AG**



**fair value**  
REIT

**9M results 2010**

**11/18/2010**

Please take note of the information concerning the preparation of this document, the information concerning potential conflicts of interest, the compulsory information required by Section 34b WpHG (Wertpapierhandelsgesetz - German Securities Trading Act), and the liability statement at the end of this document. This financial analysis in the meaning of Section 34b WpHG shall only be distributed to professional clients or eligible counterparties according to Section 31a WpHG.

## Fair Value raises guidance for 2010 after good Q3 results

### 9M results 2010

- ⇒ Being boosted by consolidation effects, rental income increased to EUR2.88m (2.57; our forecast: 2.97) in Q3 2010. Real estate related expenses were almost unchanged with a reported EURO.86m (0.83). It came as a positive surprise to us that costs remained stable.
- ⇒ With general administration costs declining markedly, operating profit increased to EUR1.95m (1.24; our forecast: 1.76). Net income climbed to EUR1.78m (0.72) in Q3 and reached EUR4.08m (2.39) in 9M, which already corresponded to Fair Value's original full-year guidance.
- ⇒ The company's 9M results exceeded our expectations, particularly on the earnings side. Above all, this was due to cost cuts on group level. However, we presume that the cost cutting potential is exploited for the time being following the measures taken. Rental income remained stable.
- ⇒ For 2010, Fair Value now predicts adjusted net income (EPRA) of EUR5.1m (before: 4.2) or EURO.55 (before: 0.45) per share, and FFO of EUR3.3m (before: 2.7). Furthermore, the company has reaffirmed its dividend target of EURO.10 for 2011.
- ⇒ We have raised our profit forecasts for 2010 and 2011 by 21.7% and 2.6%, respectively. Our new price target is EUR8.50 (before: 8.00). The Fair Value stock has increased somewhat in the past few weeks. However, it is still trading at a significant discount to the company's NAV (47.3% or, respectively, 54.3% to EPRA NAV). In our opinion, the discount, which is high compared to the industry as a whole, is not justified with regard to the company's solid business model (rental income stable in the long term, lean cost structure). We hold on to our Buy recommendation.

## Fair Value REIT-AG 6)

**Recommendation: Buy**

**before:**

as of

-

-

**Price target** (in EUR) (6 months)

**8.50**

Share price (Xetra) (in EUR)

4.37

11/16/10 4:20 PM

Share price potential

94.55%

### 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	41.42%
Market cap. (EURm)	41.1
∅ Trading volume	2,743
52W High 01/18/10	EUR4.98
52W Low 06/18/10	EUR3.65
Beta	1.15
Volatility (60 days)	30.64

### Multiples

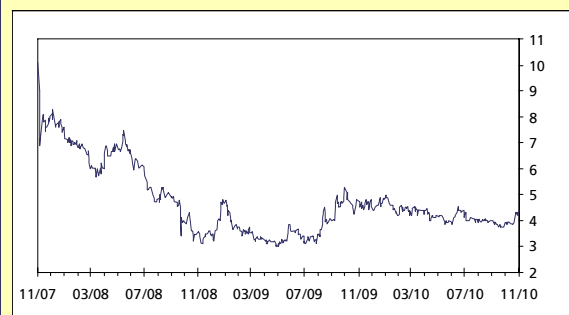
	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2007	29.0	neg.	10.7	0.0%
2008	10.7	neg.	neg.	0.0%
2009	13.1	neg.	neg.	0.0%
2010E	10.9	18.6	8.0	2.3%
2011E	10.1	18.0	7.5	2.3%

### Performance (in %)

	1m	3m	6m	12m
Absolute	12.0	12.0	4.0	-8.0
Relative to:				
DAX	9.2	2.7	-5.4	-19.9
Pr. Fin. Services	15.4	11.8	4.7	-2.6

### Index weighting

Prime Fin. Services	0.103%
RX REIT Index	7.830%



**Author: Zafer Rüzgar (analyst)**

AP	FY	Rental inc.	EBIT	EBT	EAT	EPS
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	-2,906	-2,906	-0.31
IFRS	2010E	11,791	6,889	5,156	5,156	0.55
IFRS	2011E	12,280	6,936	5,499	5,499	0.58
CAGR 2007 - 2011E		29.8%	-	33.3%	33.3%	

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**

## Company profile

### Two-pronged strategy

#### Fair Value REIT-AG at a glance

Munich-based Fair Value REIT-AG is a real estate investment trust (REIT) specialising in the acquisition, property management and sale of commercial properties. The company's investment activity focuses on office, retail and logistics properties in certain regional locations in Germany. Fair Value is following a two-pronged strategy. It acquires interests in selected closed-end real estate funds on the one hand and makes direct investments in the German real estate market on the other. At present, Fair Value holds interests in 13 closed-end real estate funds, whose properties have an occupancy rate of 88.3% at the subsidiaries and 95.4% at the associated companies.

Fair Value REIT-AG emerged in 2007 from "IC Grundbesitz Gesellschaft mbH & Co. Beteiligungs-KG", which changed its corporate form to "Fair Value Immobilien-Aktiengesellschaft". Since November 16, 2007, the company is listed on the Prime Standard of the Frankfurt Stock Exchange.

#### Fair Value REIT-AG: Shareholder structure

	in %
IC Immobilien Holding AG	9.39
H.F.S. Zweitmarkt Invest 2 GmbH & Co. KG *	8.13
H.F.S. Zweitmarkt Invest 3 GmbH & Co. KG *	7.44
H.F.S. Zweitmarkt Invest 4 GmbH & Co. KG *	7.44
H.F.S. Zweitmarkt Invest 5 GmbH & Co. KG *	7.44
IC Immobilien Service GmbH	6.34
IFB Beteiligungen AG i.L.	5.44
Bayerische Beamten Lebensversicherung a.G.	3.76
IC Fonds GmbH	2.34
Own shares	0.86
<b>Free float</b>	<b>41.42</b>

\* 30.45% of the of voting rights of H.F.S. Zweitmarkt are controlled by UniCredit

Source: Fair Value REIT-AG

as of 09/30/10

### REITs do not have to pay corporate and business taxes

#### Fair Value as a real estate investment trust

Put simply, a REIT is a trust that owns and manages real estate properties. In order to be classified as a REIT, a real estate company is required to distribute at least 90% of its distributable profit (according to German Commercial Code) to its shareholders through dividends. The company is able to set up a maximum of 50% of capital gains from directly held properties as provisions for procurement of immovables for up to two years. REITs are not required to pay any corporate or business taxes. The company's distributed profit (dividend) will be taxed only through the shareholders' withholding tax. Furthermore, REITs are obliged to have an equity ratio of at least 45% of their real estate assets. The high minimum equity ratio creates stability and the high payout ratio is an attractive steady source of income to REIT investors.

## Business performance 9M 2010

*Sales boosted by full consolidation of IC 13*

### Unexpected decline in maintenance costs

Due to consolidation effects (full consolidation of subsidiary IC 13 at the beginning of 2010), Fair Value posted an increase in rental income to EUR2.88m (2.57; our forecast: 2.97) in Q3 2010 and to EUR8.93m (7.71) in 9M 2010. After adjusting for consolidation effects (Q3: EURO.59m; 9M: EUR1.81m), rental income fell short of prior year level. Also, it has to be pointed out that the Q3 2009 figure had included rental income of about EURO.15m from properties sold in 2010. In Q3, real estate related expenses almost matched prior year level, reaching EURO.86m (0.83), whereas Fair Value had recorded a significant increase (+100%) here in Q2. It came as a positive surprise to us that costs were stable. This was primarily accounted for by a decline in the funds' maintenance costs (e.g. due to smaller rental losses). Net rental income reached EUR2.55m (2.09; our forecast: 2.29) in Q3 and increased markedly to EUR7.07m (6.05) in 9M.

<b>Fair Value REIT-AG</b>			
<b>Selected key data of the consolidated income statement</b>			
<b>Unit :</b> EUR'000			
<b>Fiscal year :</b> Dec 31			
<b>Accounting standards :</b> IFRS	<b>Q3 2009</b>	<b>Q3 2010</b>	<b>Q3 2010</b> (our forecast)
<b>Sales</b>	<b>2.9</b>	<b>3.4</b>	<b>3.3</b>
<b>Net rental result</b> as percentage of sales	<b>2.1</b> 73.7%	<b>2.6</b> 70.9%	<b>2.3</b> 69.5%
<b>Operating income</b> as percentage of sales	<b>1.2</b> 43.7%	<b>2.0</b> 54.2%	<b>1.8</b> 53.4%
<b>Net income</b> as percentage of sales	<b>0.7</b> 25.2%	<b>1.8</b> 49.1%	<b>1.1</b> 34.4%

Source: Independent Research; Fair Value REIT-AG

*Cost cuts have positive impact on earnings*

### Original profit target already achieved in 9M

While general administration costs declined significantly (especially thanks to a drop in personnel costs), the operating profit climbed to EUR1.95m (1.24; our forecast: 1.76) in Q3. In 9M, the operating profit improved to EUR5.32m (3.89). As for the expenditure side, it should also be mentioned that interest costs were stable (EUR1.18m (1.17)) in spite of the reduction in net debt. In Q3, net income increased to EUR1.78m (0.72), being boosted also by a noticeable rise in profit from equity accounted investments to EUR1.41m (0.89), which was primarily due to the omission of valuation losses (previous year: EURO.38m) as well as lower interest costs (EUR1.15m (1.34)). In 9M, net income totalled EUR4.08m (2.39)), which already corresponded to the company's original full-year target.

<b>Fair Value REIT-AG</b>			
<b>Selected key data of the consolidated income statement</b>			
<b>Unit :</b> EUR'000	<b>9M 2009</b>	<b>9M 2010</b>	<b>9M 2010</b>
<b>Fiscal year :</b> Dec 31			<b>(our forecast)</b>
<b>Accounting standards :</b> IFRS			
<b>Sales</b>	<b>8.6</b>	<b>10.4</b>	<b>10.3</b>
<b>Net rental result</b> as percentage of sales	<b>6.1</b> 213.3%	<b>7.1</b> 196.4%	<b>6.8</b> 206.4%
<b>Operating income</b> as percentage of sales	<b>3.9</b> 136.6%	<b>5.3</b> 147.8%	<b>5.1</b> 155.6%
<b>Net income</b> as percentage of sales	<b>2.4</b> 84.3%	<b>4.1</b> 113.3%	<b>3.4</b> 104.5%
Source: Independent Research; Fair Value REIT-AG			

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*Reduction in net debt continues*

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### Balance sheet ratios still solid

As of September 30, funds from operations (FFO) reached a high EUR3.11m (September 30, 2009: 2.19) thanks to the increase in net profit. Net financial debt was EUR89.63m as of September 30 (December 31, 2009: EUR100.04m). The company reduced its liabilities mainly through real estate sales. The proceeds were mostly received in Q2. Equity grew slightly to EUR74.63m (December 31, 2009: 72.72). The equity ratio according to the German REIT Act improved to 48.6% (45.5%). As of September 30, EPRA NAV increased to EUR85.47m (June 30: 84.01; December 31, 2009: 81.52).

### Successful subsequent letting

In 9M, Fair Value exceeded our expectations, especially on the earnings side, which was primarily due to cost cuts on group level. However, we presume that the cost cutting potential is exploited for the time being following the measures taken. Rental income remained stable. The occupancy rate fell slightly to 93.6% (Q2 2010: 94.1%; Q3 2009: 95.1%) especially due to the scheduled vacancy of a commercial property in Krefeld. As the existing area is being restructured, the vacancy will likely continue for some time. The company may also make opportunistic decisions concerning the property. The weighted remaining lease term is 6.3 years (December 31, 2009: 6.3 years), which shows that subsequent letting has been successful.

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*Fair Value raises profit target for 2010*

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For 2010, Fair Value now predicts adjusted net income (EPRA) of EUR5.1m (before: 4.2) or, respectively, EUR0.55 (before: 0.45) per share. Furthermore, the company forecasts FFO of EUR3.3m (before: 2.7). It has also reaffirmed its dividend target of EUR0.10 per share for 2011.

In view of the reduced cost items, we have raised our profit forecast (excluding valuation result) for 2010 to EUR5.16m (before: 4.24). For 2011, we now predict net income of EUR5.50m (before: 5.36). Taking into account the almost unchanged occupancy rate and the remaining lease terms, we assume that earnings will be stable in the medium term.

## Valuation

In order to value Fair Value REIT-AG we used the NAV calculation, which is the common method for real estate companies, but also a dividend discount model (DDM) and a peer group analysis. As Fair Value classifies as a REIT, it will distribute a large portion of its profits in the future. As the company has not paid any dividends yet for lack of net profits, we weight the DDM at 25% for the time being. For the peer group analysis we used real estate companies with a similar business model due to the small number of REITs in Germany. These include companies which manage office and commercial properties. The fair value per share results from the weighted average of the three valuation methods.

NAV calculation 2008-2011E				
	2008	2009	2010E	2011E
Fair market value of investment properties	130,740	137,587	137,587	137,587
Equity-accounted participations	48,443	47,442	50,276	53,316
Other assets less other liabilities	-5,673	3,022	-6,098	-6,598
Financial liabilities	94,257	108,316	97,829	93,065
Cash and cash equivalents	14,039	8,281	10,752	9,530
Minority interests	16,505	15,296	16,812	18,338
<b>NAV</b>	<b>76,787</b>	<b>72,720</b>	<b>77,876</b>	<b>82,433</b>
Number of shares (in m)	9,407	9,407	9,407	9,407
<b>NAV per share</b>	8.16	7.73	<b>8.28</b>	<b>8.76</b>
<b>Average NAV per share</b>			<b>8.52</b>	
Figures in EUR'000 except for NAV per share (in EUR)				
Source: Independent Research; Fair Value REIT-AG				

NAV per share: EUR8.52  
(before: 8.42); fair value  
according to our DDM:  
EUR2.53 (before: 2.47)

We have valued the Fair Value stock based on the average NAV of fiscal years 2010 and 2011. Based on the increased forecasts, we have now calculated an average NAV per share of EUR8.52 (before: 8.42).

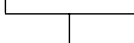
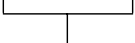
The DDM results in a new fair value of EUR2.53 (before: 2.47) per share based on our update.

Dividend discount model (DDM)										
in EUR	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
<b>DPS</b>	<b>0.10</b>	<b>0.10</b>	<b>0.12</b>	<b>0.13</b>	<b>0.15</b>	<b>0.17</b>	<b>0.20</b>	<b>0.23</b>	<b>0.27</b>	<b>0.31</b>
<b>Present values</b>	<b>0.10</b>	<b>0.09</b>	<b>0.10</b>	<b>0.11</b>	<b>0.11</b>	<b>0.12</b>	<b>0.13</b>	<b>0.14</b>	<b>0.15</b>	<b>0.16</b>
Sum of present values	1.23									
Terminal value	1.30		in % of total value :		51%					
<b>Fair value per share</b>	<b>2.53</b>									
<b>Model parameters DDM:</b> Risk-free rate of return : 4.00%    Beta : 0.7    Risk premium equity : 4.0% Cost of equity: 6.8%    Date : 11/17/10										
Source: Independent Research										

Peer group comparison				
Company	P/E		EV/Sales	
	2010E	2011E	2010E	2011E
ALSTRIA OFFICE REIT	-	15.9	14.6	14.5
DIC Asset	21.3	20.0	13.3	13.4
Deutsche Euroshop	19.6	17.1	16.7	15.3
Hamborner REIT	-	47.3	16.8	14.2
Average	20.5	25.1	15.3	14.4

Source: Independent Research; Bloomberg

Share prices as of 11/16/2010

	EPS		Sales	
in EUR'000, EPS in EUR	2010E	2011E	2010E	2011E
Fair Value REIT-AG	0.55	0.58	13,691	13,875
Enterprise Value			209,746	199,176
Cash and cash equivalents			10,285	
Debt			-99,919	
Fair market capitalisation			120,112	109,542
Number of shares (in '000)			9,407	
Fair value	11.21	14.64	12.77	11.64
				
Average	12.93		12.21	
Weighting	1/2		1/2	
Fair value per share	12.57			

Source: Independent Research

New price target: EUR8.50  
(before: 8.00)

Our peer group analysis produced a fair value of EUR12.57 (before: EUR11.41). The increase in valuation was accounted for by rising peer group multiples on the one hand and the company's reduced net financial debt on the other. Combining the different valuation models, we have calculated a new fair value of EUR8.54 (before: 8.05) per share.

Valuation summary			
	NAV	DDM	Peer group
Fair value per share (EUR)	8.52	2.53	12.57
Weighting	37.5%	25.0%	37.5%
Final fair value per share (EUR)	8.54		

Source: Independent Research

**Fair Value REIT-AG****Selected key data**

<b>Unit :</b> EUR'000 <b>Fiscal year :</b> Dec 31 <b>Accounting standards :</b> IFRS	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010E</b>	<b>2011E</b>
<b>Key data income statement</b>					
Rental income (EUR'000)	4,326	12,392	10,460	11,791	12,280
EBITDA margin	neg.	64.5%	54.2%	58.7%	56.7%
EBIT margin	neg.	neg.	neg.	58.4%	56.5%
Net yield	40.3%	neg.	neg.	43.7%	44.8%
Value adjustment ratio	16.8%	78.6%	60.9%	0.0%	0.0%
Interest coverage ratio	1.2	0.4	0.2	-1.4	-1.5
<b>Profitability ratios</b>					
ROE	1.8%	neg.	neg.	6.6%	6.7%
ROI	0.8%	neg.	neg.	2.6%	2.7%
<b>Accounting ratios</b>					
Equity ratio	41.1%	38.7%	35.7%	38.8%	40.6%
Ratio of equity to non-current assets	44.1%	42.3%	39.2%	41.4%	43.1%
Ratio of non-current assets to total assets	93.2%	91.6%	91.0%	93.7%	94.3%
Trade accounts receivables/Sales	20.1%	12.1%	12.5%	11.6%	11.7%
<b>Key data per share (EUR)</b>					
EPS	0.74	-1.41	-0.31	0.55	0.58
Free cash flow per share	-25.42	2.66	0.11	1.38	0.48
Dividend per share	0.00	0.00	0.00	0.10	0.10
Cash and cash equivalents per share	2.28	1.49	0.88	1.14	1.01
Book value per share	40.11	8.16	7.73	8.28	8.76
<b>Valuation ratios</b>					
EV/Sales	29.0	10.7	13.1	10.9	10.1
EV/EBITDA	neg.	neg.	neg.	18.5	17.9
EV/EBIT	neg.	neg.	neg.	18.6	18.0
PER	10.7	neg.	neg.	8.0	7.5
Price to book value ratio	0.2	0.7	0.5	0.5	0.5
Price to cash flow ratio	-0.3	neg.	neg.	neg.	neg.
Price to sales ratio	4.3	4.3	3.5	3.5	3.3
Dividend yield	0.0%	0.0%	0.0%	2.3%	2.3%

Source: Independent Research; Fair Value REIT-AG



<b>Fair Value REIT-AG</b>					
<b>Consolidated income statement</b>					
<b>Unit :</b> EUR'000	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010E</b>	<b>2011E</b>
<b>Fiscal year :</b> Dec 31					
<b>Accounting standards :</b> IFRS					
<b>Rental income</b>	<b>4,326</b>	<b>12,392</b>	<b>10,460</b>	<b>11,791</b>	<b>12,280</b>
year-on-year growth	-	186.5%	-15.6%	12.7%	4.1%
Operating income and incidental costs	264	1,303	1,505	1,900	1,595
Expenses for investment properties	2,038	2,912	3,437	4,500	4,842
<b>Net rental result</b>	<b>2,552</b>	<b>10,783</b>	<b>8,528</b>	<b>9,191</b>	<b>9,033</b>
year-on-year growth	-	322.5%	-20.9%	7.8%	-1.7%
General administrative expenses	3,502	3,797	2,611	2,067	1,997
as percentage of rental income	81.0%	30.6%	25.0%	17.5%	16.3%
Other operating income and expenses (total)	-135	-351	-84	-100	-100
as percentage of rental income	neg.	neg.	neg.	neg.	neg.
Result from sale of investment properties	0	1,345	-190	-135	0
as percentage of rental income	0.0%	10.9%	neg.	neg.	0.0%
Valuation result	-725	-9,734	-6,370	0	0
as percentage of rental income	neg.	neg.	neg.	0.0%	0.0%
<b>Operating income</b>	<b>-1,810</b>	<b>-1,754</b>	<b>-727</b>	<b>6,889</b>	<b>6,936</b>
as percentage of rental income	neg.	neg.	neg.	58.4%	56.5%
Income from equity-accounted participations	7,225	-7,075	1,401	4,584	4,790
Other investment result	413	0	0	0	0
<b>Income from participations</b>	<b>7,638</b>	<b>-7,075</b>	<b>1,401</b>	<b>4,584</b>	<b>4,790</b>
as percentage of rental income	176.6%	neg.	13.4%	38.9%	39.0%
Minority interests	-768	435	945	-1,516	-1,526
Expenses for going public	1,825	0	0	0	0
Net interest expenses	-1,491	-4,907	-4,525	-4,802	-4,702
as percentage of rental income	neg.	neg.	neg.	neg.	neg.
<b>Financial result</b>	<b>-4,084</b>	<b>-4,472</b>	<b>-3,580</b>	<b>-6,317</b>	<b>-6,228</b>
as percentage of rental income	neg.	neg.	neg.	neg.	neg.
<b>Profit (loss) before taxes</b>	<b>1,744</b>	<b>-13,301</b>	<b>-2,906</b>	<b>5,156</b>	<b>5,499</b>
as percentage of rental income	40.3%	neg.	neg.	43.7%	44.8%
Income taxes	0	0	0	0	0
<b>Net profit (loss)</b>	<b>1,744</b>	<b>-13,301</b>	<b>-2,906</b>	<b>5,156</b>	<b>5,499</b>
as percentage of rental income	40.3%	neg.	neg.	43.7%	44.8%
Number of shares ('000)	2,360	9,407	9,407	9,407	9,407
<b>EPS (EUR)</b>	<b>0.74</b>	<b>-1.41</b>	<b>-0.31</b>	<b>0.55</b>	<b>0.58</b>
DPS (EUR)	0.00	0.00	0.00	0.10	0.10

Source: Independent Research; Fair Value REIT-AG

Fair Value REIT-AG						
Consolidated balance sheet						
Unit : Fiscal year : Accounting standards :	EUR'000 Dec 31 IFRS	2007	2008	2009	2010E	2011E
Assets						
Intangible assets		2	2	4	1	0
Property, plant, and equipment		31	22	12	11	10
Investment properties		150,070	130,740	137,587	137,587	137,587
Properties under construction		566	0	0	0	0
Equity-accounted investments		58,909	48,443	47,442	50,276	53,316
Fiancial assets (non-current)		5,005	2,319	348	348	348
Total non-current assets		214,583	181,526	185,393	188,223	191,262
Non-current assets available for sale		5,700	0	8,237	0	0
Trade receivables		869	1,502	1,307	1,372	1,441
Other receivables and assets		3,826	1,176	591	621	652
Cash and cash equivalents		5,381	14,039	8,281	10,752	9,530
Total current assets		15,776	16,717	18,416	12,745	11,623
Total assets		230,359	198,243	203,809	200,968	202,885
Equity and liabilities						
Subscribed capital		47,034	47,034	47,034	47,034	47,034
Share premium		46,167	46,167	46,167	46,167	46,167
Profit reserve		1,462	-11,839	-14,745	-9,589	-5,031
Net assets of shareholders		0	-4,575	-5,446	-5,446	-5,446
Treasury shares		0	0	-290	-290	-290
Total equity		94,663	76,787	72,720	77,876	82,434
Minority interests		18,487	16,505	15,296	16,812	18,338
Financial liabilities		57,116	78,352	104,004	93,604	88,923
Other liabilities		494	4,496	5,313	5,989	6,237
Total non-current liabilities		76,097	99,353	124,613	116,404	113,498
Provisions		255	334	261	294	306
Financial liabilities		55,018	15,905	4,312	4,226	4,141
Trade payables		2,617	1,359	809	1,052	1,367
Other current liabilities		1,709	4,505	1,094	1,116	1,138
Total current liabilities		59,599	22,103	6,476	6,688	6,953
Total equity and liabilities		230,359	198,243	203,809	200,968	202,885
Source: Independent Research: Fair Value REIT-AG						

Source: Independent Research; Fair Value REIT-AG

Fair Value REIT-AG						
Consolidated cash flow statement						
Unit : Fiscal year : Accounting standards :	EUR'000 Dec 31 IFRS	2007	2008	2009	2010E	2011E
Net profit (deficit)		1,744	-13,301	-2,906	5,156	5,499
Income tax expense		0	0	0	0	0
Amortisation/depreciation of intangible assets and property, plant, and equipment		3	11	26	29	31
Profits from the disposal of investment properties		0	-1,345	190	0	0
Valuation result		725	9,734	6,370	0	0
Income from equity-accounted investments		-7,225	7,075	-1,401	-4,584	-4,790
Withdrawals from equity-accounted investments		1,418	2,519	1,902	1,750	1,750
Losses from the sale of subsidiaries		3,080	0	0	0	0
Income from the disposal of participating interests		-180	0	0	0	0
Income from beneficial acquisition of participations		-3,155	0	0	0	0
Income from restructuring a financial liability		0	-1,469	0	0	0
Loss/profit for minority interests		768	-435	-945	1,516	1,526
Disbursement to minority interests		-1,371	-1,256	-397	0	0
Result from the valuation of derivative financial instruments		-16	88	108	0	0
Expenses connected to compensation payment received		0	1,880	0	0	0
FFO (funds from operations) subtotal		-4,209	3,501	2,947	3,867	4,015
Compensation payment received		0	15,438	0	0	0
Expenses connected to compensation payment received		0	-1,880	0	0	0
(Increase)/ decrease in trade receivables		-612	-633	249	-65	-69
(Increase)/ decrease in other liabilities		-1,944	3,524	-53	-30	-31
(Decrease)/ increase in provisions		188	79	-85	33	12
(Decrease)/ increase in trade payables		2,504	-1,258	-639	243	316
(Decrease)/ increase in other liabilities		-51	2,725	-3,679	698	271
Cash flow from operating activities		-4,124	21,496	-1,260	4,746	4,514
Cash and cash equivalents from acquired subsidiaries		12,614	0	0	0	0
Payments for the purchase of interests in associated companies		-10,948	-9	-67	0	0
Proceeds from the sale of subsidiaries		0	4,705	0	0	0
Cash and cash equivalent reduction from sold subsidiaries		-1,037	0	0	0	0
Cash and cash equivalent reduction from participating interests no longer fully consolidated but equity-accounted		-4,318	0	0	0	0
Income from the disposal of investment properties		0	15,068	403	0	0
Investments in investment propert./ propert. under construction		-52,331	-13,892	-74	8,237	0
Income (payment) related to non-current assets		0	-2,300	2,050	0	0
Investm. in property, plant and equipm. and intangible assets		-36	-2	-18	-25	-30
Income from the sale of property ownership certificates		190	0	0	0	0
Cash flow from investment activities		-55,866	3,570	2,294	8,212	-30
Dividend distribution		0	0	0	0	-941
Capital contribution		16,835	0	-290	0	0
Payments for capital procurement		-1,117	0	0	0	0
Receipts from financial liabilities		51,398	46,959	80	-10,487	-4,765
Repayment from financial liabilities		-1,758	-63,367	-8,421	0	0
Cash flow from financing activities		65,358	-16,408	-8,631	-10,487	-5,705
Change in cash and cash equivalents		5,368	8,658	-7,597	2,471	-1,222
Cash and cash equivalents - start of period		13	5,381	15,878	8,281	10,752
Cash and cash equivalents - end of period		5,381	14,039	8,281	10,752	9,530

Source: Independent Research; Fair Value REIT-AG

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

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### 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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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.

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**As at: 11/18/2010**

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