

Recommendation:  
**BUY** (Initiating Coverage)

Risk:  
**MEDIUM** (-)

Price Target:  
**EUR 7.00** (-)

08 September 2011

## A promising player with REIT status

### Solid perspective for the future

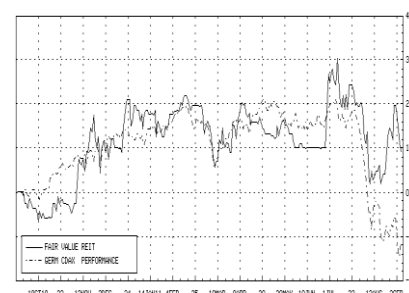
- The Munich-based Fair Value REIT-AG is a Real Estate Investment Trust (REIT) that focuses on the acquisition, rental, property management and sale of office and retail properties throughout Germany.
- Fair Value holds its properties either directly or indirectly via the participation within closed-end real estate funds. Fair Value holds a share of EUR 223m in a property portfolio worth EUR 494m which is regionally diversified. This portfolio comprises 74 properties with a rental space of 432,000 m<sup>2</sup>. The income based occupancy rate amounted to 93.6% (occupancy rate according to rental space of 87.5%) as at 31 December 2010 and the average secured remaining term of rental agreements amounted to 6 years.
- The tenant structure is characterised by a high quality with the largest single tenant generating 15.5% of the proportionate contractual rent thereby inhering a relatively low risk.
- As it is typical for a REIT, the balance sheet of Fair Value is strong with an equity ratio of 40.1% of total assets and 50.9% of immovable assets. Fair Value is one of only four companies listed in Germany that have a REIT status.
- Fair Value is additionally experienced in investing in closed-end real estate funds. This broadens the scope of investment possibilities that can include a "value added" strategy.
- We assume a conservative scenario with a moderate rise in net rental income and occupancy rate in a constant portfolio without any major acquisitions. For the coming years we expect Fair Value to continue to pay dividends with estimated dividend yields of between 4.5% and 5.6%.
- Based on a peer group model, a NAV market model and a DCF model we derive a fair value of EUR 6.97 per share. The stock trades at a discount to NAV of 49% which we think is overdone. We recommend to BUY and set a price target of EUR 7.00 per share.

#### Key data

FY 12/31, EUR m	2008	2009	2010	2011E	2012E	2013E
Sales	12.4	10.5	12.1	10.4	10.6	10.7
EBIT	-1.8	-0.7	2.9	5.9	6.6	7.1
Net result	-13.3	-2.9	2.2	5.8	6.9	7.5
EPS	-1.41	-0.31	0.24	0.62	0.74	0.81
DPS	0.00	0.00	0.10	0.20	0.25	0.25
EBIT margin	-14.5%	-8.7%	30.4%	71.2%	78.8%	83.4%
ROE	-15.5%	-3.9%	3.0%	7.6%	8.5%	8.9%
ROA	-0.8%	-0.4%	1.4%	3.0%	3.3%	3.5%
LTV	52.6%	56.0%	55.1%	53.6%	52.7%	51.9%
Price / NAV	0.49	0.58	0.57	0.51	0.48	0.46
EV/EBIT	-67.2	-196.1	45.1	21.3	18.8	17.7
P/E	-2.8	-14.6	18.9	6.8	5.8	5.3

Source: Fair Value REIT-AG, CBS Research AG

Share price (dark) vs. CDAX



Source: CBS Research AG, Bloomberg, Fair Value REIT-AG

Change	2011E		2012E		2013E	
	new	old	new	old	new	old
Sales	10.4	-	10.6	-	10.7	-
EBIT	5.9	-	6.6	-	7.1	-
EPS	0.62	-	0.74	-	0.81	-

www.fair-value-reit.de

WKN: A0MW97

Reuters: FVIG.DE

Sector: Real Estate

ISIN: DE000A0MW975

Bloomberg: FVI GY

#### Short company profile:

Fair Value REIT-AG is a Real Estate Investment Trust (REIT) that focuses on the acquisition, rental, property management and sale of office and retail properties throughout Germany. Fair Value invests directly and indirectly via participations in real estate.

#### Share data:

Share price (EUR, latest closing price):	<b>4.26</b>
Shares outstanding (m):	9.3
Market capitalisation (EUR m):	39.7
Enterprise value (EUR m):	124.9
Ø daily trading volume (3 m., no. of shares):	5,023

#### Performance data:

High 52 weeks (EUR):	5.15
Low 52 weeks (EUR):	3.75
Absolute performance (12 months):	8.3%
Relative performance vs. CDAX:	
1 month	11.3%
3 months	26.1%
6 months	19.1%
12 months	18.8%

#### Shareholders:

H.F.S.	30.5%
IC	18.1%
IFB	5.4%
BBV	3.8%
Free float	42.3%

#### Financial calendar:

9M 2011 figures	15 November 2011
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## Investment thesis

The Munich-based Fair Value REIT-AG is a Real Estate Investment Trust (REIT) that focuses on the acquisition, letting, property management and sale of commercial properties throughout Germany. Investment activities primarily focus on office and retail properties in regional centres and Metropolitan areas.

Fair Value holds its properties either directly or indirectly via the participation within closed-end real estate funds. Direct investments comprise properties completely and directly owned by Fair Value. Subsidiaries and associated companies comprise properties that are held via closed-end real estate funds wherein Fair Value holds majority and minority participations respectively.

Fair Value holds a share of EUR 223m in a property portfolio worth EUR 494m which is regionally diversified. This portfolio comprises 74 properties with a rental space of 432,000 m<sup>2</sup>.

The tenant structure is characterised by a high quality with the largest single tenant generating 15.5% of the proportionate contractual rent thereby inhering a relatively low risk. The income based occupancy rate amounted to 93.6% (occupancy rate according to rental space of 87.5%) as at 31 December 2010 and the average secured remaining term of rental agreements amounted to 6 years.

After net losses in FY 2008 (EUR -13.3m) and in FY 2009 (EUR -2.9m) Fair Value REIT became profitable again in FY 2010.

In 1H 2011 net rental result declined slightly by -2.8% to EUR 4.4m. This was mainly due to a temporary vacancy of a property in Krefeld which has been remedied meanwhile. Thanks to the positive financial result and a stable cost basis, Fair Value REIT was able to record an increase of 38.3% in net income to EUR 3.2m (PY EUR 2.3m).

As it is typical for a REIT, the balance sheet of Fair Value is strong with an equity ratio of 40.1% of total assets and a ratio of "equity to immovable assets" of 50.9% that is comfortably above the 45% threshold required by the REIT laws. Fair Value is one of only four companies listed in Germany that have a REIT status.

Fair Value is additionally experienced in investing in closed-end real estate funds. This broadens the scope of investment possibilities. Funds that are unable to conduct acquisitions or payouts could be interesting targets for a "value added" strategy by investing in them and improving their financial conditions.

We assume a conservative scenario with a moderate rise in net rental income and occupancy rate in a constant portfolio without any major acquisitions.

For the coming years we expect Fair Value to continue to pay dividends which we estimate to be EUR 0.20 per share in FY 2011E and EUR 0.25 per share for FY 2012E and FY 2013E. At current share price levels this would mean attractive dividend yields of between 4.5% and 5.6%.

Based on a peer group model, a NAV market model and a DCF model we derive a fair value of EUR 6.97 per share. The stock trades at a discount to NAV of 49% which we think is overdone. We recommend to BUY and set a price target of EUR 7.00 per share.

**Acquisition, letting, property management and sale of commercial properties**

**Fair Value holds its properties either directly or indirectly via closed-end funds**

**Fair Value has a property exposure of EUR 223m**

**High quality of the tenant structure**

**Return to profitability in FY 2010**

**1H 2011 net income of EUR 3.2m (PY EUR 2.3m, +38.3%)**

**Strong balance sheet, typical for a REIT**

**Investing in closed-end real estate funds broadens scope of investment possibilities**

**Conservative scenario**

**We expect rising dividends in the future**

**BUY recommendation with a price target of EUR 7.00 per share**

## SWOT Analysis

### Strengths

- Tenant structure is characterised by a high quality (Sparkasse Südholstein, Metro or EDEKA)
- A streamlined organisation of the internal management structure (three employees plus one management board member)
- High equity ratio of 40.1% of total assets and 50.9% of immovable assets
- Retail segment contributes through its longer lease terms to yield stability and thus is limiting the risks in the portfolio
- Fair Value REIT is one of only four companies listed in Germany that have a REIT status
- Portfolio is regionally diversified

### Weaknesses

- Small market cap
- Key person risk Mr. Frank Schaich (CEO)
- In general, REIT's can grow only through capital increases
- Less control over the properties that are held by the associated companies in comparison to full consolidation

### Opportunities

- Interest costs are poised to decrease in the next refinancing rounds (44% of the outstanding debt is due within the next two years)
- Fair Value is additionally experienced in investing in closed-end real estate funds. This broadens the scope of investment possibilities

### Threats

- Typical risks of purchasing properties
- Rising interest rates in a possible inflation scenario could lead to higher interest rate costs

## Valuation

We estimate the fair value of Fair Value REIT on the basis of three different valuation methods. The peer group model gives us a valuation that is derived from a comparison with similar companies and is therefore close to the market, the NAV valuation allows for an assessment of the asset value of the company and the DCF calculates an intrinsic value based on projected future cash flows.

We weighted the peer group model, the NAV market model and the DCF model equally with 33.3%. The DCF model represents the upper part of the valuation range with EUR 9.92 per share while the peer group model result is at the lower part of the range with a fair value of EUR 4.80 per share. The combination of the three models results in a fair value of EUR 6.97 per share for Fair Value REIT.

**Valuation on the basis of peer group, NAV market model and DCF model**

**Consolidation of valuation methods results in fair value of EUR 6.97 per share**

### Consolidation of valuation methods

	Weighting factor	Fair value per share (EUR)
Peer group model	33.3%	4.80
NAV market model	33.3%	6.19
DCF model	33.3%	9.92
<b>Fair value per share (EUR)</b>		<b>6.97</b>

Source: CBS Research AG

On the basis of our derived fair enterprise value (EV) we calculated an EV/EBIT multiple of 25.6 for 2011E, 22.6 for 2012E and 21.2 for 2013E. The P/Es for 2011E until 2013E are 11.2, 9.5 and 8.6. Furthermore, we calculated the multiples based on the current stock market price, which are stated in the last row of the table below.

**Multiples based on fair value and on current market price**

### Multiples of Fair Value REIT AG on basis of our fair value per share

EURm, except EPS (EUR)			EBIT			EPS		
			2011E	2012E	2013E	2011E	2012E	2013E
Financial estimates for Fair Value REIT by CBSR:			5.9	6.6	7.1	0.62	0.74	0.81
	Fair value	Market price	EV / EBIT			P / E		
			2011E	2012E	2013E	2011E	2012E	2013E
Value per share (EUR)	6.97	4.26						
Market capitalization (EURm)	65.0	39.7						
Enterprise value EV (EURm)	150.2	124.9						
<b>Implied multiples of Fair Value REIT</b>								
- on basis of our fair value			25.6	22.6	21.2	11.2	9.5	8.6
- on basis of the current market price			21.3	18.8	17.7	6.8	5.8	5.3

Source: CBS Research AG; Bloomberg

## Peer group analysis

Fair Value REIT-AG acquires, manages and sells commercial real estate in Germany. Investment activities primarily focus on office and retail properties in regional centres. The business model combines direct investments in real estate properties and the purchase of interests in real estate partnerships. We have chosen for our peer group companies with a similar or partially similar business model.

**Our peer group consists of:**

Peer group: Company data in EURm

Company name	Market cap.	EV	EBIT			EPS (EUR)		
			2011E	2012E	2013E	2011E	2012E	2013E
ALSTRIA OFFICE REIT-AG	637	1,317	73	85	89	0.56	0.63	0.65
DEUTSCHE EUROSHP AG	1,399	2,713	162	171	180	1.26	1.61	1.66
HAMBORNER REIT AG	216	370	14	18	20	0.19	0.23	0.23
POLIS IMMOBILIEN AG	106	262	17	17	18	1.09	0.85	0.84
<b>Average</b>	<b>589</b>	<b>1,166</b>	<b>67</b>	<b>73</b>	<b>77</b>	<b>n/m</b>	<b>n/m</b>	<b>n/m</b>
<b>Median</b>	<b>426</b>	<b>844</b>	<b>45</b>	<b>52</b>	<b>54</b>	<b>n/m</b>	<b>n/m</b>	<b>n/m</b>

Source: CBS Research AG; Bloomberg

**Alstria Office REIT-AG** is a real estate investment trust ("REIT") that acquires, owns, and manages a diversified portfolio of properties. The company focuses on German office real estate markets. Its current portfolio comprises 92 properties with an accumulated lettable space of approximately 953,000 m<sup>2</sup> and is valued at approximately EUR 1.9bn.

### Alstria Office REIT-AG

**Deutsche EuroShop AG** is Germany's only listed company that solely invests in shopping centres in prime locations and is therefore a pure retail play. The company currently has equity interests in 18 European shopping centres located in Germany, Austria, Hungary and Poland. The market value of these shopping centres, which are predominantly in city centre locations, amounts to EUR 3.3bn. At its domestic market Germany, the company outsourced its centre management business to an experienced external partner, the Hamburg-based ECE Projektmanagement.

### Deutsche EuroShop AG

**Hamborner REIT-AG** is a REIT-AG that today exclusively operates in the property sector and is positioned as a portfolio holder for high-yielding commercial properties. The company has sustainable rental incomes, with a nationally-dispersed substantial property portfolio as its foundation. Attractive retail trade spaces in key town centre sites of German cities and intermediate centres form the focal point of the portfolio. In addition, the property portfolio includes highly-frequented specialist stores and profitable office buildings, as well as spaces for medical practices, apartments and parking spaces. As of 31 December 2010, Hamborner manages a portfolio with 218,358 m<sup>2</sup> usable floor area and total fair value of EUR 376.15m.

### Hamborner REIT-AG

**POLIS Immobilien AG** is a real estate company with focus on office properties in prime central locations in major German cities. POLIS purchases and actively manages a range of "core" and "value added" properties and seeks to generate additional returns for its investors through its prudent buy and sell approach. The portfolio currently comprises 33 properties with a total IFRS value of approx. EUR 317m and a total rental space of ~155,900 m<sup>2</sup>.

### POLIS Immobilien AG

## Peer Group: Multiples

Company name	EV / EBIT			P / E		
	2011E	2012E	2013E	2011E	2012E	2013E
ALSTRIA OFFICE REIT-AG	17.9	15.3	14.6	15.9	14.2	13.7
DEUTSCHE EUROSHOP AG	16.7	15.7	15.0	21.4	16.8	16.3
HAMBORNER REIT AG	25.5	20.6	18.7	33.6	28.1	27.1
POLIS IMMOBILIEN AG	15.3	15.6	14.9	8.8	11.2	11.4
<b>Average</b>	<b>18.8</b>	<b>16.8</b>	<b>15.8</b>	<b>19.9</b>	<b>17.6</b>	<b>17.1</b>
<b>Median</b>	<b>17.3</b>	<b>15.7</b>	<b>14.9</b>	<b>18.7</b>	<b>15.5</b>	<b>15.0</b>

EURm, except EPS (EUR)	EBIT			EPS		
	2011E	2012E	2013E	2011E	2012E	2013E
Fair Value REIT AG: Financial estimates CBS Research	5.9	6.6	7.1	0.62	0.74	0.81
Applied multiples: Peer group median	17.3	15.7	14.9	18.7	15.5	15.0
<b>Enterprise value (derived)</b>	<b>101.4</b>	<b>104.2</b>	<b>105.6</b>	-	-	-
+ Excess cash and marketable securities	10.3					
- Financial debt and minority interest	-95.4					
<b>Market capitalisation (derived)</b>	<b>16.2</b>	<b>19.0</b>	<b>20.4</b>	<b>108.7</b>	<b>106.6</b>	<b>113.0</b>
<b>Average</b>	<b>64.0</b>					
Premium (discount) vs. Peer Group	-30%					
<b>Fair market capitalization (after discount)</b>	<b>44.8</b>					
Number of shares (m)	9.3					
<b>Fair value per share (EUR)</b>	<b>4.80</b>					

Source: CBS Research AG; Bloomberg

The peer group model results in a market cap of EUR 64.0m. For conservative reasons we have chosen the median of the derived market capitalisations instead of the average. After applying a 30% discount to consider the small market cap of Fair Value REIT, the peer group model results in a fair market cap of EUR 44.8m or EUR 4.80 per share.

**Peer group model  
results in a fair value  
of EUR 4.80 per share**



## NAV Market model

In our NAV calculation we use the equity book value as a realistic proxy for NAV aiming for a straight forward valuation. Of course this can differ in some cases from reported NAVs where specific management assumptions are included.

First, we calculate the current average and median discount to NAV of our peer group, which will serve as guidance in our NAV market model. The average discount is 9.1% and the median discount is 9.0%.

### Peer Group: NAV Premium / Discount

Company name	NAV per share (EUR)	Share price (EUR)	Premium / Discount to NAV (in %)
ALSTRIA OFFICE REIT-AG	10.86	8.90	-18.1%
DEUTSCHE EUROSHOP AG	23.77	27.09	14.0%
HAMBORNER REIT AG	6.31	6.32	0.1%
POLIS IMMOBILIEN AG	14.12	9.55	-32.4%
<b>Average</b>			<b>-9.1%</b>
<b>Median</b>			<b>-9.0%</b>
FAIR VALUE REIT-AG	8.35	4.26	-49.0%

Source: CBS Research AG, Bloomberg, company data

We estimate a NAV of EUR 78.4m in 2011E before market discount or EUR 8.41 per share. This would mean that Fair Value REIT currently trades at a discount of 49.4% on the basis of a current share price of EUR 4.26.

### NAV market model

EURm, except NAV per share (EUR)	NAV		
	2011E	2012E	2013E
Fair Value REIT AG: Financial estimates CBS Research			
Investment properties	129.2	129.7	130.7
Equity accounted investments	51.6	54.8	58.2
Cash and cash equivalents	13.3	14.4	15.3
Other assets	2.3	2.3	2.3
Financial debt	-96.9	-97.3	-98.0
Other liabilities	-20.9	-21.5	-22.0
NAV before market discount	78.4	82.4	86.4
<b>NAV per share before market discount (EUR)</b>	<b>8.41</b>	<b>8.83</b>	<b>9.27</b>
Market discount	-30%	-30%	-30%
NAV after market discount	54.9	57.7	60.5
<b>NAV per share after market discount (EUR)</b>	<b>5.89</b>	<b>6.18</b>	<b>6.49</b>
Ø NAV before market discount	82.4		
Shares outstanding (in millions)	9.3		
<b>Ø NAV per share before mkt discount (EUR)</b>	<b>8.84</b>		
Market discount	-30%		
<b>Fair value per share (EUR)</b>	<b>6.19</b>		

Source: CBS Research AG

We apply a discount of 30% on the average NAV per share before market discount from 2011E to 2013E as we think that POLIS, with a discount of 32.4%, could be the most reasonable proxy considering market cap, balance sheet structure and valuation. The calculation gives us a fair value of EUR 6.19 per share for Fair Value REIT.

**We use IFRS book value as proxy for NAV**

**Calculating NAV peer group discounts**

**NAV 2011E before market discount: EUR 8.41 per share**

**NAV market model results in fair value of EUR 6.19 per share**

## DCF model

We calculate an intrinsic value for Fair Value REIT with a DCF model (three phases) and include the balance sheet values of 30 June 2011 regarding cash position, investment properties & equity accounted investments and debt.

Phase 1 (2011E until 2013E) is based on our detailed financial forecast. In phase 2 we consider that the portfolio will continue to increase gradually. This should be accompanied by also gradually growing rental revenues. In the long-term we expect EBIT margins excl. IAS 40 revaluation gains to stay near 60% through tight cost control. Phase 3 represents the terminal value where we conservatively apply a long-term growth of 0%.

With 1.00 we use a fundamentally derived beta for Fair Value REIT. Applying a risk free rate of 3.5% and a target equity ratio of 40% we calculate a WACC of 7.55%. The equity risk premium is 6.0% and the debt risk premium is 2.75%.

As the company is a REIT we excluded any tax payment. Based on our assumptions the DCF model calculates a fair value of EUR 9.92 per share.

### Calculating an intrinsic value for Fair Value REIT

### Three phases DCF model

### WACC of 7.55%

### Fair value of EUR 9.92 per share based on DCF model

#### Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2							PHASE 3
	2011E	2012E	2013E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	∞
Sales	10.4	10.6	10.7	10.7	10.8	10.8	10.9	10.9	11.0	11.0	
YoY growth	-15.6%	1.9%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	
EBIT excl. non-cash items	5.9	6.4	6.4	6.4	6.5	6.5	6.5	6.6	6.6	6.6	
EBIT margin excl. non-cash items	56.4%	60.2%	60.2%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	
Income tax on EBIT (cash tax rate)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Depreciation and amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in net working capital	-2.4	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
Net capital expenditure	0.4	-2.9	-3.1	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	
<b>Free cash flow</b>	<b>3.8</b>	<b>3.5</b>	<b>3.3</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	
<b>Present values</b>	<b>3.7</b>	<b>3.1</b>	<b>2.7</b>	<b>2.6</b>	<b>2.4</b>	<b>2.3</b>	<b>2.1</b>	<b>2.0</b>	<b>1.9</b>	<b>1.7</b>	<b>23.2</b>
Present value Phase 1	9.6										
Present value Phase 2	15.1										
Present value Phase 3	23.2										
Total present value	47.8										
+ Excess cash/Non-operating assets	10.3										
+ Investment properties & equity accounted investments	129.8										
- Financial debt	95.4										
Fair value of equity	92.5										
Number of shares (m)	9.3										
Fair value per share (EUR)	9.92										

Risk free rate	3.50%	Target equity ratio	40.0%
Equity risk premium	6.00%	Beta (fundamental)	1.00
Debt risk premium	2.75%	<b>WACC</b>	<b>7.55%</b>
Tax shield	0.0%	<b>Terminal growth</b>	<b>0.0%</b>

Sensitivity analysis						
Terminal growth (Phase 3)						
	-1.0%	-0.5%	0.0%	0.5%	1.0%	
WACC	6.5%	30.72	30.92	31.16	31.44	31.76
	7.0%	30.37	30.55	30.74	30.97	31.24
	7.5%	30.07	30.22	<b>9.92</b>	30.57	30.79
	8.0%	29.80	29.93	30.07	30.23	30.41
	8.5%	29.56	29.67	29.79	29.92	30.08

Source: CBS Research AG

## The company

### Short profile

Fair Value REIT-AG (Fair Value) is a Munich-based Real Estate Investment Trust (REIT) that focuses on the acquisition, letting, property management and sale of commercial properties in Germany. Activities primarily focus on office and retail properties in regional centres.

With three employees including Management Board Fair Value operates throughout Germany and invests directly in real estate properties as well as indirectly, via the acquisition of participations, in real estate partnerships.

Together with its subsidiaries and associated companies Fair Value currently holds 74 properties and the total market value of the portfolio amounts to EUR 494m. Thereof Fair Value's share accounts for EUR 223m. The total rental space amounts to 432,000 m<sup>2</sup> and the occupancy rate (by rental income) of the portfolio was 93.1% as of 30 June 2011.

**Real Estate Investment Trust with focus on office and retail properties**

**Fair Value invests directly and indirectly in properties**

**Portfolio value of EUR 223m & occupancy rate of 93.1%**

### Company structure

Fair Value REIT-AG		
Fully owned portfolio	Holdings >50% (fully consolidated)	Holdings 20% - <50% (at-equity)
Direct investments	Subsidiaries	Associated companies
„Sparkassen-Portfolio“	<b>IC 07</b> IC Fonds & Co. Büropark Teltow KG, 76.74%  <b>IC 03</b> IC Fonds & Co. Forum Neuss KG, 71.58%  <b>IC 01</b> IC Fonds & Co. München-Karlsfeld KG, 56.29%  <b>IC 13</b> IC Fonds & Co. Gewerbe-Portfolio Deutschland 13. KG, 50.04%  <b>BBV 06</b> BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, 55.71%  <b>BBV 03</b> BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG, 53.83%	<b>IC 12</b> IC Fonds & Co. SchmidtBank-Passage KG, 40.27%  <b>IC 15</b> IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, 38.89%  <b>BBV 14</b> BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, 45.11%  <b>BBV 02</b> BBV Immobilien-Fonds Erlangen GbR, 40.45%  <b>BBV 10</b> BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, 38.37%  <b>BBV 09</b> BBV Immobilien-Fonds Nr. 9 GmbH & Co. KG, 25.16%

Source: Fair Value REIT-AG, CBS Research AG

The company holds properties in three ways on the balance sheet. It directly holds properties which are shown in the table under “Direct investments” and comprise the “Sparkassen-Portfolio”. It also holds a number of fully consolidated partnerships in closed-end real estate funds pictured in “Subsidiaries”. Additionally, Fair Value has minority interests in real estate partnerships (participations in closed-end real estate funds of 20% - <50%) which are equity accounted at the net asset value within “Associated companies”.

**Fair Value is structured in Direct investments, Subsidiaries and Associated companies**

## Company milestones

The company was founded as IC Grundbesitzgesellschaft mbH in January 2004. Its business idea was to build up funds that purchase shares in closed-end real estate funds ("Zweitmarktfonds"). In July 2007, the company changed its name into Fair Value Immobilien AG. In August 2007, after a swap offer was made to the shareholders of IC Fonds and BBV Immobilienfonds, Fair Value Immobilien AG acquired participations in 14 closed-end real estate funds.

In 2007, Fair Value acquired the "Sparkassen-Portfolio", which includes 32 office properties, as well as the "Airport Office II" (status: under construction; no pre-lettings). Capital increases of a total of over EUR 100m were conducted by way of contribution in kind and for cash. On 6 December 2007, Fair Value Immobilien AG achieved REIT status and has operated since then under the name Fair Value REIT-AG.

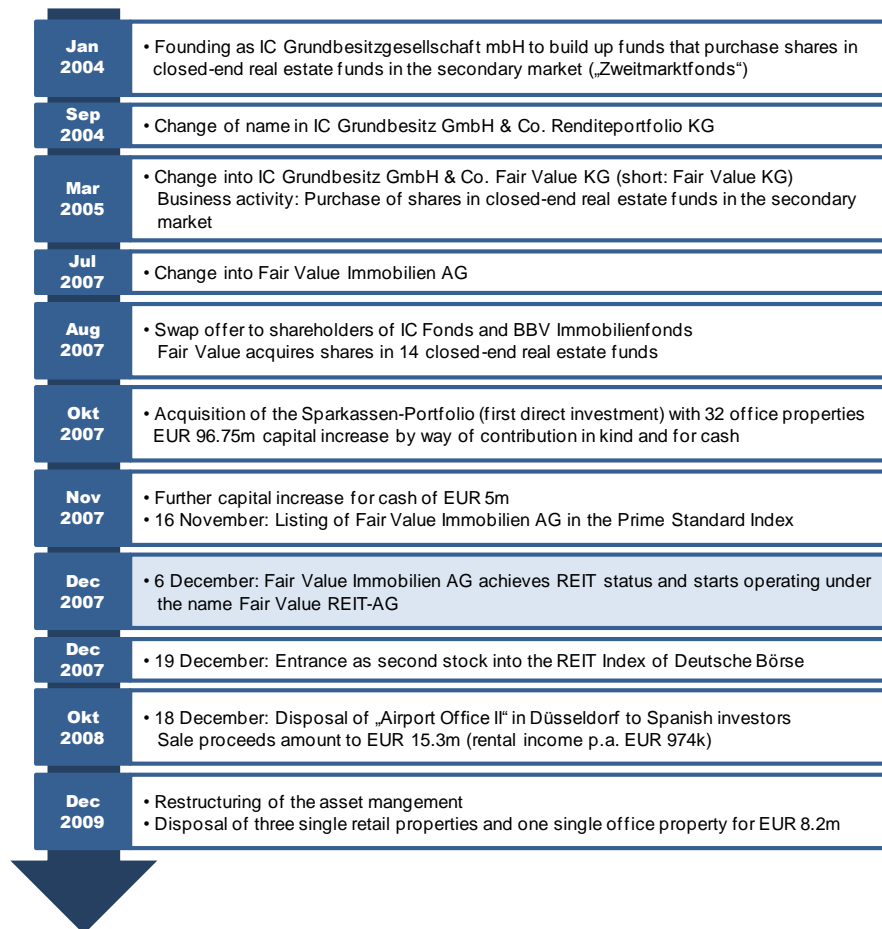
On 18 December 2008, Fair Value successfully disposed "Airport Office II" (status: construction completed; fully-let) in Düsseldorf to a Spanish investor group. The proceeds amounted to EUR 15.3m. In December 2009, three single retail properties plus a single office property were disposed for a total amount of EUR 8.2m. The cash inflow of the latter disposal is comprised in the reporting for FY 2010.

**2004 till 2007...**

**Achieved REIT status  
on 6 December 2007**

**Disposal of the fully-let  
"Airport Office II" and  
four further properties  
in 2008 and 2009**

## Company milestones



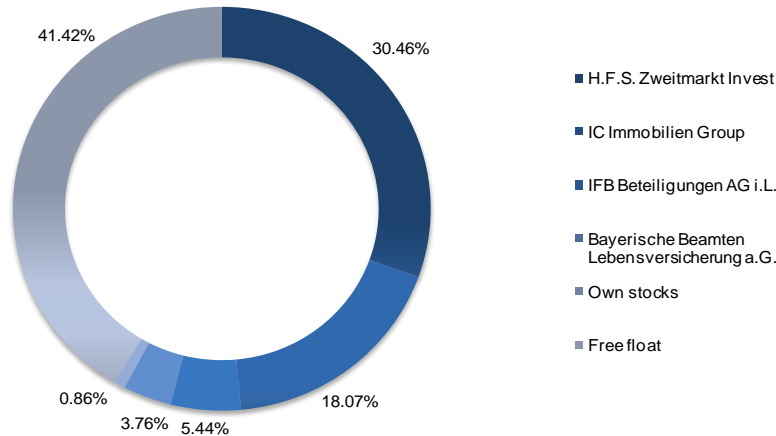
Source: Fair Value REIT-AG, CBS Research AG

## Shareholder structure

30.5% of the shareholder structure of Fair Value is made up by H.F.S. Zweitmarkt Invest and 18.1% to IC Immobilien Group. These are the two major shareholders of Fair Value. Further shareholders are IFB Beteiligungen AG i.L. with 5.4% and Bayerische Beamten Lebensversicherungen a.G. with 3.8%. The free float amounts to 41.4%.

**30.5% are held by H.F.S. and 18.1% by IC Immobilien Group, Free float amounts to 41.4%**

### Shareholder structure



Source: Fair Value REIT-AG, CBS Research AG

H.F.S. Zweitmarkt Invest Group are subsidiaries of closed-end real estate funds which were issued by H.F.S. HYPO-Fondsbeteiligungen für Sachwerte GmbH and which are managed by UniCredit.

**H.F.S. Zweitmarkt Invest Group**

The IC Immobilien Group (IC) is a full service provider with various specialised Group companies, offering all real estate services from a single source for private and institutional investors in Germany and other countries. IC has been operating actively for over twenty years locally and internationally in the real estate sector.

**IC Immobilien Group**

The listed REIT companies are obliged to ensure that there is a minimum free float in the shareholder structure in order to make sure that ample opportunities are opened up for smaller investors to invest in tradeable real estate wealth. In the long term at least 15% of shares must be in the possession of shareholders who do not hold more than 3% (i.e. a minimum of 15% free float) of the share capital each of them. Furthermore, a single shareholder can directly hold only less than 10% of the subscribed capital of the company. That is the reason why IC and H.F.S. allocated their shares in Fair Value to subsidiaries that they control.

**A single shareholder can directly hold only less than 10% of the subscribed capital of the company**

Shareholder structure of IC and H.F.S.	Share
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%
<b>H.F.S.</b>	<b>30.45%</b>
IC Immobilien Holding AG	9.39%
IC Service GmbH	6.34%
IC Fonds GmbH	2.34%
<b>IC Immobilien Group</b>	<b>18.07%</b>

Source: Fair Value REIT-AG, CBS Research AG

## Management Board

**Frank Schaich (CEO)** is the CEO of Fair Value REIT-AG. Frank Schaich (born: 1959) has been the CEO of Fair Value REIT-AG since September 17, 2007. Mr. Schaich was previously a member of the IC Immobilien Holding AG's management board, where he was responsible for the fund business. He has held executive positions in various departments since IC GmbH was founded in 1988. From 1993 onwards he was a managing director for several IC Real Estate Group companies and the funds under management by IC, before being appointed to the management board in 2002. In total, he has more than 25 years' experience on international real estate markets. Frank Schaich has been able to gain extensive experience in syndicating, financing, and placing closed-end real estate funds as well as in asset and portfolio management.

**Frank Schaich**

## Supervisory Board

The Supervisory Board of Fair Value is headed by **Prof. Dr. Heinz Rehkugler (Chairman)**. Prof. Dr. Heinz Rehkugler (born: 1943) studied business administration and obtained his doctorate from the University of Munich and went on to become managing director at a management consulting firm. He became a university professor in 1977 and was head of the Financial Economics and Banking department at the University of Freiburg from 1994 to 2009. In addition to his entrepreneurial activities, Prof. Rehkugler has gained an excellent reputation as a result of his many publications on financial economics and real estate. He is Scientific Director of the Center for Real Estate Studies at DIA Freiburg and of Steinbeis University.

**Prof. Dr. Heinz Rehkugler**

**Christian Hopfer** is Deputy Chairman of the supervisory board of Fair Value. Christian Hopfer (born: 1940) graduated in business administration and held various positions at IBM Germany, Realkredit- und Finanzierungsgesellschaft Berlin AG, coop AG and SEB AG. He became an interim manager at SchmidtBank Hof in January 2002, where he was responsible, among other things, for the revision and termination of all participation interests through disposals and closures. In addition, he supervised SchmidtBank's real estate holdings and leased premises.

**Christian Hopfer**

**Dr. Oscar Kienzle** is a member of the supervisory board. Kienzle (born: 1947) founded IC Immobilien Consulting- und Anlagegesellschaft mbH in 1988 and has been CEO until August 23, 2011. He now is chairman of the supervisory board of IC Immobilien Holding AG. Previously, Dr. Kienzle held various positions in the real estate division of the WestLB Group, the last of which was serving as managing director of the WestLB-Immobilien Group. Dr. Kienzle is a lawyer by profession, and also holds a degree in mathematics and macroeconomics. In addition, he successfully completed a MBA program in Fontainebleau/France. He is a fellow of the Royal Institution of Chartered Surveyors (FRICS).

**Dr. Oscar Kienzle**

## Business model and strategy

Fair Value REIT-AG acquires, manages and sells commercial real estate in Germany. Fair Value holds the properties either in their two business segments **Direct Investments** and **Subsidiaries** or via **associated companies**. Investment activities focus in particular on office and retail properties in regional centres.

The company currently deals with three different kinds of consolidation: 1) Direct investments comprise properties that are fully owned by Fair Value 2) Subsidiaries which are closed-end real estate funds and are fully consolidated and 3) Associated companies which are minority participations (20-<50%) in closed-end real estate funds and are equity accounted.

In this regard, Fair Value does two different types of investments. It invests directly in real estate properties as well as indirectly, via the acquisition of participations in real estate partnerships/closed-end real estate funds. Investments can be made as contributions in kind (i.e. in exchange for shares in Fair Value) as well as in form of the payment in cash of the purchase price. A combination of the two models is also possible.

**Fair Value acquires, manages and sells commercial real estate in Germany**

**It either deals with direct investments, subsidiaries or associated companies**

**Two different types of investments: directly or indirectly**

### Business structure

Fair Value business activities		
Direct investments	Indirect investments via closed-end real estate funds	
100%-owned Sparkassen Portfolio	Fund holdings with >50%	Fund holdings with 20-<50%
	IC 07 76.74%, IC 03 71.58% IC 01 56.29%, IC 13 50.04% BBV 06 55.71%, BBV 03 53.83%	IC 12 40.27%, IC 15 38.89% BBV 14 45.11%, BBV 02 40.45% BBV 10 38.37%, BBV 09 25.16%

Source: Fair Value REIT-AG, CBS Research AG

The criteria for Fair Value investments are simple. Secondary cities, regional centres with inhabitants >100,000 or the Metropolitan regions Berlin, Düsseldorf/Cologne, Frankfurt, Hamburg, Munich and Stuttgart are preferred. The investment volume spans from EUR 5m to EUR 30m. Net initial yield should amount to minimum 6.0% based on all-in costs in Metropolitan regions, minimum 7.0% based on all-in costs in secondary cities and regional centres.

Because of its REIT status, Fair Value REIT-AG has been exempt from corporation- and trade tax since 2007. Fair Value is maintaining this beneficial tax status by adhering to the numerous regulations of the German REIT law. Fair Value has to underlay the immovable assets with balance sheet equity capital of at least 45%. Furthermore, the company has to pay dividends amounting to at least 90% of the profit as defined by HGB (German GAAP).

The company's fixed costs are kept to a minimum due to the streamlined organisation of the internal management structures. The non-strategic, operative functions in the areas of accounting and technical and commercial property management are outsourced to external service providers, which receive partly fixed and partly variable (performance-related) remuneration.

**Investment criteria regarding the selection of properties**

**Fair Value maintains REIT status as a beneficial tax status**

**The fixed costs are reduced to a minimum due to the streamlined organisation**



## Property Portfolio

Fair Value's portfolio comprises properties that are fully owned by the company within the Sparkassen-Portfolio and properties that are held indirectly via the participations in real estate partnerships in closed-end real estate funds. The participations >50% are fully consolidated and the participations from 20% - <50% are accounted at equity. Currently the portfolio consists of 74 properties that are fully or partly owned by Fair Value.

**Fair Value's portfolio comprises the Sparkassen-portfolio and real estate participations**

## Regional diversification

The portfolio of Fair Value REIT-AG shows a significant regional diversification of properties throughout Germany. Focal points of the portfolio are secondary cities and regional centres with inhabitants of > 100,000 as well as the Metropolitan regions Berlin, Dusseldorf/Cologne, Frankfurt/M, Hamburg, Munich and Stuttgart.

**Significant regional diversification throughout Germany**

### Regional portfolio allocation\*



\* in percentage of the IFRS value as of 31 March 2011

Source: Fair Value REIT-AG, CBS Research AG

## Asset class

The portfolio puts a clear focus on commercial properties in Germany. 44% of the portfolio comprises real estate in the retail segment and 42% in the office segment (14% others). The retail segment contributes through its longer lease terms to cash flow yield stability and thus to limiting the risks in the portfolio. The office segment is able to have a positive influence on the portfolio through higher income and value creation dynamics.

**Clear focus on commercial properties, 44% retail and 42% office properties**

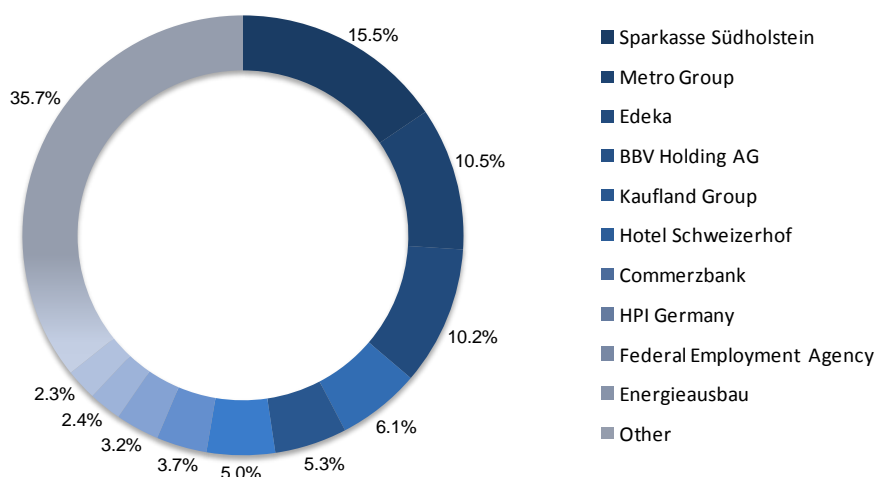


## Tenant structure

The tenant structure of Fair Value is characterised by a high quality. The largest single tenant, with about 15% of the proportionate contractual rent, is Sparkasse Südholstein. Solid retailers, such as Metro Group, Edeka and Kaufland Group jointly representing approx. 26%, are further major tenants. About 36% of the contractual rent is attributable to a number of smaller business partners. This broad distribution of the tenant mix further reinforces the risk diversification of Fair Value's investment strategy.

**Diversified tenant structure shows a high quality, largest single tenant with 15.5%**

### Tenant structure in % of potential rent



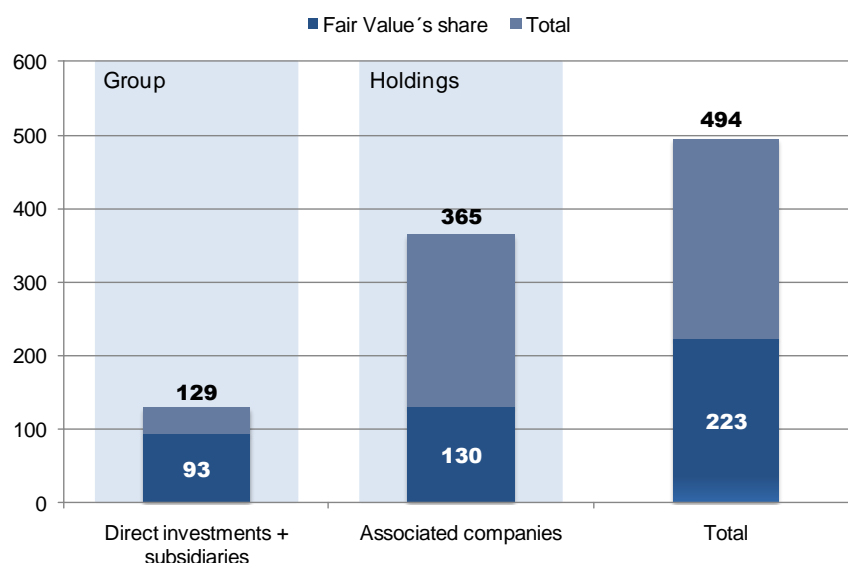
Source: Fair Value REIT-AG, CBS Research AG

## Portfolio structure

Fair Value currently holds directly and indirectly 74 properties with a rental space of 432,000 m<sup>2</sup> and a total market volume of EUR 494m. On the basis of pro forma proportional consolidation Fair Value's share on the portfolio sums up to EUR 223m which splits up in EUR 93m through direct investments and subsidiaries, and EUR 130m through investments in associated companies.

**Fair Value has a property exposure of EUR 223m**

### Portfolio structure



Source: Fair Value REIT-AG, CBS Research AG

## Direct Investments

The business segment Direct Investments holds the Sparkassen-portfolio. This portfolio comprises properties that are exclusively rented by the savings bank Sparkasse Südholstein. These properties are Sparkassen offices and branches that are located at the southern part of the German federal state Schleswig Holstein. The Sparkassen-Portfolio currently comprises 32 properties and measures a total market value of EUR 45.4m with a total rental space of 42,948 m<sup>2</sup>. The occupancy rate is 97.4% of the potential rent and the average secured remaining term of rental agreements amounts to 11.2 years, as of 31 March 2011.

**Sparkassen-Portfolio:  
32 properties with a  
market value of EUR  
45.4m**

## Subsidiaries

The business segment Subsidiaries accounts for majority holdings at the following closed-end real estate funds: IC 07, IC 03, IC 01, IC 13, BBV 06 and BBV 03. These funds are currently holding 20 properties with a total rental space of 121,562 m<sup>2</sup> and a total market value of EUR 85.8m. Thereof Fair value holds a share of EUR 49.1m. The occupancy rate is 83.6% of the potential rent and the average secured remaining term of rental agreements amounts to 3.4 years.

**Subsidiaries hold 20  
properties with a  
market value of EUR  
85.8m (Fair Value's  
share: EUR 49.1m)**

## Associated companies

The associated companies account for minority holdings at the following closed-end real estate funds: IC 12, IC 15, BBV 02, BBV 09, BBV 10 and BBV 14. These funds currently possesses 23 properties. The properties measure a total rental space of 269,173 m<sup>2</sup> and a total market value of EUR 365.3m. Thereof Fair Value's share accounts for a volume of EUR 130.0m. The occupancy rate reaches 96.8% of the potential rent and the average secured remaining term of rental agreements lasts for 5.7 years. The associated companies are accounted at-equity.

**Associated companies  
hold 23 properties with  
a market value of EUR  
365.3m (Fair Value's  
share: EUR 130.0m)**

## Market environment

The German economy experienced a strong upturn in 2010 - with a GDP growth of 3.6% in 2010 - from which the labour market also benefited noticeably. The situation in the key office rental markets thus stabilised considerably.

## Retail real estate

According to BNP RE, the increased pressure of demand has led to a further reduction in the anyway limited supply of space in top areas. Whereas in 2009 and at the beginning of last year, cases of protracted negotiations over lease contracts were to be observed, the struggle to gain a foothold in the coveted premium precincts has now definitely flared up again. And the isolated examples evident in 2009 of vacant premises proving difficult to let, for instance in Berlin, are now – with just a few exceptions – a thing of the past. However, the very strong demand has not yet started to make highgrade retailers move into B-locations or subcentres, and so the supply situation in those areas is still far more relaxed.

Prime rents in most cities have risen only modestly since the end of 2009. In parallel to the movement in prime rents, average rents also increased somewhat in most of the A-rated locations. In contrast, no significant rise has been observed yet in the B- and C-locations, where the focus has been more on stabilising rents at their present level, according to a market report of BNP RE.

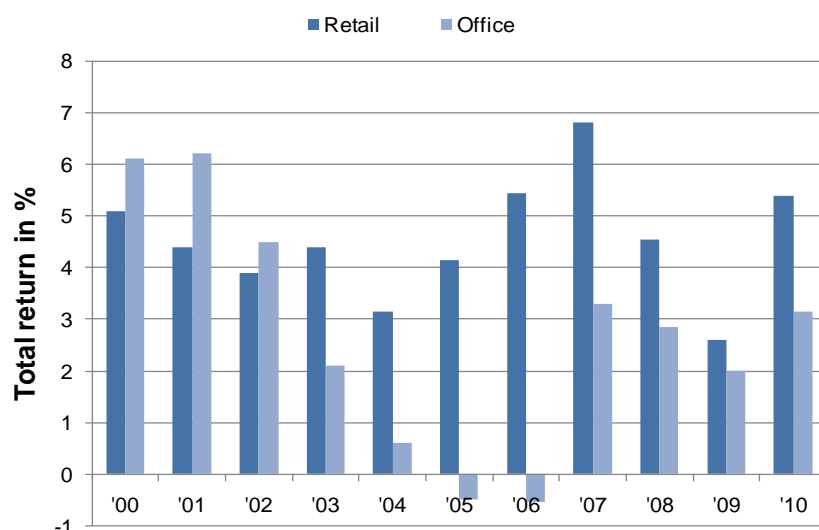
**Increased pressure of demand led to a further reduction in the anyway limited supply of space in top areas**

**Prime rents in most cities have risen only modestly since the end of 2009**

## Total return concerning retail and office real estate

On the illustration below, you can see a comparison of the total return for retail and office real estate.

### Total return of retail and office real estate



Source: IPD, CBS Research AG

## Office real estate market in Germany

The German office real estate market is the biggest in Europe. It is characterised by A-cities, B-cities and C-cities. Berlin, Duesseldorf, Frankfurt/M, Hamburg, Cologne, Munich and Stuttgart belong to the A-locations and Bochum, Bonn, Bremen, Dortmund, Dresden, Duisburg, Essen, Hanover, Karlsruhe, Leipzig, Mannheim, Mainz, Münster, Nuremberg and Wiesbaden to the B-rated locations, according to Bulwiengesa.

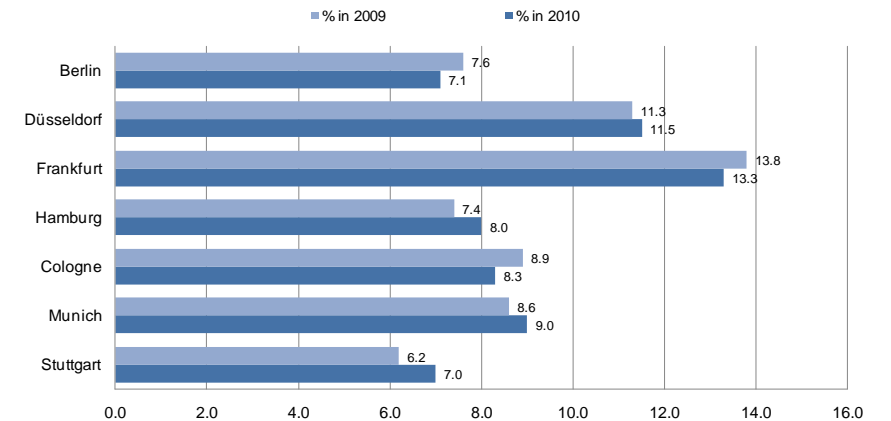
**The German office real estate market is the biggest in Europe**

## Office real estate

### Vacancy rates of office real estate

On the illustration below you can see the development of vacancy rates in 2009 and 2010.

#### Vacancy rates in 2009 and 2010

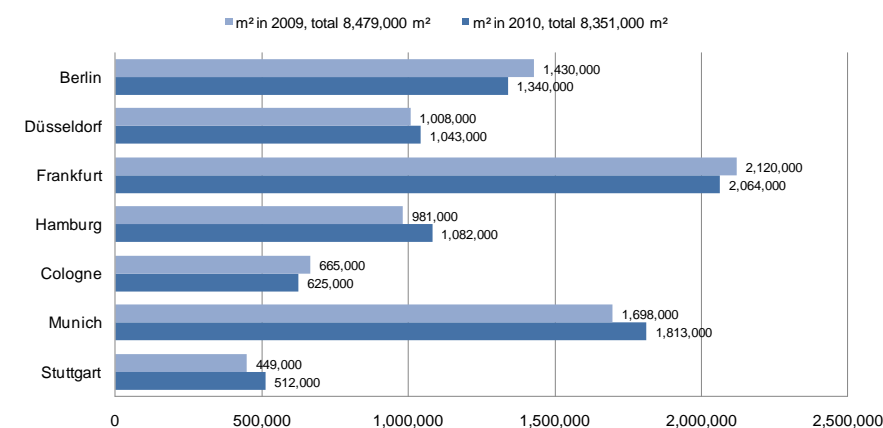


Source: BNP Paribas RE- Office Market in Germany 2011, CBS Research AG

Viewed across all seven locations, vacancy has risen further in the past twelve months, by slightly more than 1%. In some locations, the level of vacancy fell. These were Berlin (-6%), Cologne (-6%) and Frankfurt (-3%). In the other main cities it increased: Stuttgart (+14%), Hamburg (+10%), Munich (+7%) and Düsseldorf (+3.5%). Since the middle of 2010, vacancy has started to decline again in all locations with the exception of Stuttgart. According to BNP Paribas Real Estate, on average, vacancy volumes have contracted by 2.3% in the past six months. Modern vacant space has actually declined by almost 5% in the same period.

**Vacancy has risen by slightly 1% over the last 12 months, but the vacancy volumes have contracted by 2.3% in the past six months**

#### Vacant space in 2009 and 2010

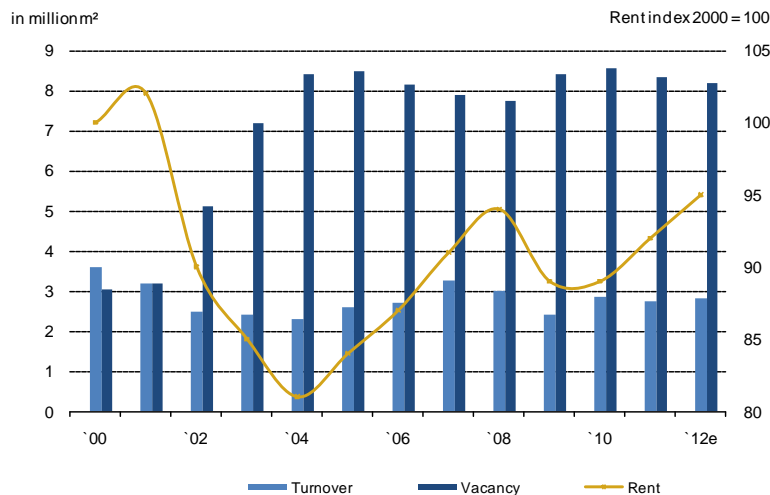


Source: BNP Paribas RE – Office Market in Germany 2011, CBS Research AG

### Comparison of turnover, vacancy and rent of office space

On the next illustration you can see a comparison of turnover, vacancy and rent of office space in the seven top office locations.

### Office market of the top seven locations in Germany



Source: IVG Research, CBS Research AG

### Office market in regional centres in Germany

In the regional centres (B-locations), developments in recent years have been considerably less volatile than in the major urban centres. The vacancy rate in such regional centres admittedly did not reach the low levels seen in major locations during the boom years at the beginning of the previous decade, but even in the crisis years the vacancy rates remained consistently below 8% and actually fell. The rents for prime locations were also considerably less volatile in the regional centres than in the major centres for office space. Such tendencies and developments are due to the considerably smaller changes to office space inventories in the regional centres when compared to the major locations.

**B-locations have been considerably less volatile than major urban centres**

### Investment market

In comparison to the previous year, the transaction volume in the market for commercial properties nearly doubled during 2010 in the seven major investment markets (Berlin, Duesseldorf, Frankfurt/M, Hamburg, Cologne, Munich, Stuttgart), reaching a figure of EUR 19.3bn (previous year EUR 10.3bn). This was partly the result of the continued low interest rates and the associated lack of investment alternatives with good yields, according to Fair Value REIT-AG.

**Transaction volume for commercial properties nearly doubled in 2010**

The demand among private and institutional investors focused in particular on low risk properties in prime locations, so called core properties. Office and retail properties dominated the market as usual and represented approx. 80% (approx. equally split) of the transaction volume in 2010. Due to the excess demand for core properties, prices for these properties increased in the segments for warehousing and logistics space as well as in the segment for office space and commercial buildings, while other segments remained stable. Considering the lack of availability of core properties and the positive macroeconomic conditions, there are already signs of increased investor interest in 2011 and thus greater demand for properties with higher risk profiles, according to Fair Value.

**Investor demand focused in particular on core properties**

### Conclusion

The low supply of well located office and retail locations will intensify the battle to secure space in the absolutely top areas. However, the extent to which this development will already spill over into the B-locations this year remains to be seen.

## Financials

### Historic operating and financial development

After net losses in FY 2008 (EUR -13.3m) and in FY 2009 (EUR -2.9m) Fair Value REIT became profitable again in FY 2010.

#### FY 2010

The net rental result increased by 11.8% to EUR 9.5m (PY EUR 8.5m) mainly due to the consolidation of the subsidiary IC 13.

An important contribution to the turnaround came from the decrease of the loss in the valuation result of EUR -4.2m (PY EUR -6.4m). The valuation loss resulted mainly from temporary vacancies and shortened remaining terms of rental contracts.

A further important contribution to the net profit in FY 2010 came from the financial result which rose to EUR -0.9m from EUR -3.1m. The improvement stemmed from a higher result from equity accounted investments due to property valuation gains.

Net income came back to positive territory in FY 2010 with a net profit of EUR 2.2m vs. previous year's loss of EUR -2.9m.

As a result, for the first time since it has been listed in 2007, Fair Value REIT was able to announce a dividend payment for FY 2010. The dividend of EUR 0.10 per share was paid in 2Q 2011.

**Return to profitability in FY 2010**

**Increase in net rental result**

**Decline in property valuation losses**

**Improvement of result from equity accounted investments**

**Net profit in FY 2010 of EUR 2.2m**

**Dividend payment for the first time**

#### Fair Value REIT AG

##### Profit and loss account

	IFRS	EURm	2009	2010	change	% change
<b>Rental income</b>			<b>10.5</b>	<b>12.1</b>	<b>1.6</b>	<b>15.5%</b>
Income and expenses related to rental income			-1.9	-2.5	-0.6	-31.8%
<b>Net rental result</b>			<b>8.5</b>	<b>9.5</b>	<b>1.0</b>	<b>11.8%</b>
Result from sale of investment properties			-0.2	-0.1	0.1	42.6%
<b>Total revenues</b>			<b>8.3</b>	<b>9.4</b>	<b>1.1</b>	<b>13.0%</b>
SG&A			-2.6	-2.3	0.4	13.7%
Total other operating income and expenses			-0.1	-0.1	0.0	17.9%
<b>EBITDA</b>			<b>5.6</b>	<b>7.1</b>	<b>1.5</b>	<b>25.9%</b>
in % of total revenues			67.7%	75.4%		
Valuation result			-6.4	-4.2	2.1	33.5%
in % of total revenues			-76.4%	-45.0%		
<b>EBIT</b>			<b>-0.7</b>	<b>2.9</b>	<b>3.6</b>	<b>n.m.</b>
in % of total revenues			-8.7%	30.4%		
Financial result			-3.1	-0.9	2.2	71.4%
<b>Net income including minorities</b>			<b>-3.9</b>	<b>2.0</b>	<b>5.8</b>	<b>n.m.</b>
Minority interests			0.9	0.3	-0.7	-73.0%
<b>Net income attributable to shareholders</b>			<b>-2.9</b>	<b>2.2</b>	<b>5.1</b>	<b>n.m.</b>
in % of total revenues			-34.9%	23.7%		
Shares outstanding (in millions)			9.3	9.3	0.0	-0.2%
<b>Earnings per share (EUR)</b>			<b>-0.31</b>	<b>0.24</b>	<b>0.55</b>	<b>n.m.</b>
<b>Dividend per share (EUR)</b>			<b>0.00</b>	<b>0.10</b>	<b>0.10</b>	<b>n.m.</b>

Source: CBS Research AG, Fair Value REIT AG

**1H 2011**

Rental income went down by -14.4% yoy to EUR 5.2m in 1H 2011. This was mainly due to a temporary vacancy of a property in Krefeld which has been remedied meanwhile. However, the net rental result declined only slightly by -2.8% to EUR 4.4m as higher income from operating and incidental costs and lower real estate-related operating expenses were booked.

The financial result improved to a profit of EUR 0.8m from a loss of EUR -0.5m in last year's period. This was driven by a higher profit of EUR 3.07m (PY EUR 2.01m) from the result from equity accounted investments mainly due to an increase in the valuation of derivatives.

Thanks to the positive financial result and a stable cost basis, Fair Value REIT was able to record an increase of 38.3% in net income to EUR 3.2m (PY EUR 2.3m).

**Temporary vacancy in Krefeld led to lower rental income**

**Positive financial result due to higher result from equity accounted investments...**

**... and a stable cost basis lead to an increase in net income**

**Fair Value REIT AG****Profit and loss account**

	IFRS	EURm	1H 2010	1H 2011	change	% change
<b>Rental income</b>			<b>6.0</b>	<b>5.2</b>	<b>-0.9</b>	<b>-14.4%</b>
Income and expenses related to rental income			-1.5	-0.8	0.7	48.7%
<b>Net rental result</b>			<b>4.5</b>	<b>4.4</b>	<b>-0.1</b>	<b>-2.8%</b>
Result from sale of investment properties			-0.1	-0.1	0.0	n.m.
<b>Total revenues</b>			<b>4.5</b>	<b>4.3</b>	<b>-0.1</b>	<b>-3.2%</b>
SG&A			-1.1	-1.2	-0.1	-7.9%
Total other operating income and expenses			0.0	0.0	0.1	n.m.
<b>EBITDA</b>			<b>3.4</b>	<b>3.2</b>	<b>-0.2</b>	<b>-5.2%</b>
in % of total revenues			75.6%	74.1%		
Valuation result			0.0	-0.3	-0.3	n.m.
in % of total revenues			0.0%	-5.9%		
<b>EBIT</b>			<b>3.4</b>	<b>2.9</b>	<b>-0.4</b>	<b>-12.7%</b>
in % of total revenues			75.6%	68.2%		
Financial result			-0.5	0.8	1.2	274.9%
<b>Net income including minorities</b>			<b>2.9</b>	<b>3.7</b>	<b>0.8</b>	<b>27.9%</b>
Minority interests			-0.6	-0.5	0.1	11.7%
<b>Net income attributable to shareholders</b>			<b>2.3</b>	<b>3.2</b>	<b>0.9</b>	<b>38.3%</b>
in % of total revenues			51.8%	74.1%		
Shares outstanding (in millions)			9.3	9.3	0.0	0.0%
<b>Earnings per share (EUR)</b>			<b>0.25</b>	<b>0.34</b>	<b>0.09</b>	<b>38.3%</b>

Source: CBS Research AG, Fair Value REIT AG

As it is typical for a REIT, the balance sheet of Fair Value REIT is strong. The equity ratio amounts to 40.1% and the ratio “equity to properties” of 50.9% is comfortably above the 45% threshold required by the REIT laws.

**Strong balance sheet,  
typical for a REIT**

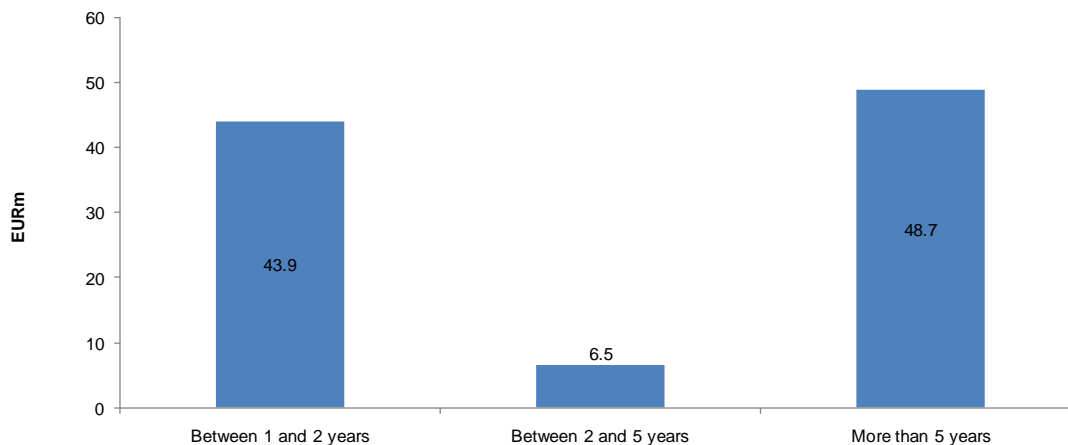
The ratio “properties to total assets” stood at 93.6% as at 30 June which is also well above the 75% threshold required by the REIT laws. Fair Value REIT sums the balance sheet items “investment properties” (EUR 129.8m) and “equity accounted investment” (EUR 51.7m) under “properties” to calculate the ratio “properties to total assets” which is accordance to the REIT laws. The item “equity accounted investments” consists of minority holdings in closed-end funds.

**All balance sheet  
ratios are in  
accordance with the  
REIT laws**

The financial liabilities amount to EUR 95.4m, which translates into a low balance sheet LTV of 52.6%. As at 31 December 2010, we calculate a weighted average interest rate of 4.4%.

**We calculate a  
weighted average  
interest rate of 4.4%**

#### Debt maturity profile as at 31 December 2010



Source: Fair Value REIT-AG, CBS Research AG

The debt maturity profile shows that 44% of the outstanding debt (EUR 43.9m) is due within the next two years and 49% of the outstanding debt (EUR 48.7m) has a maturity of more than five years.

**44% of the debt is due  
within the next two  
years**

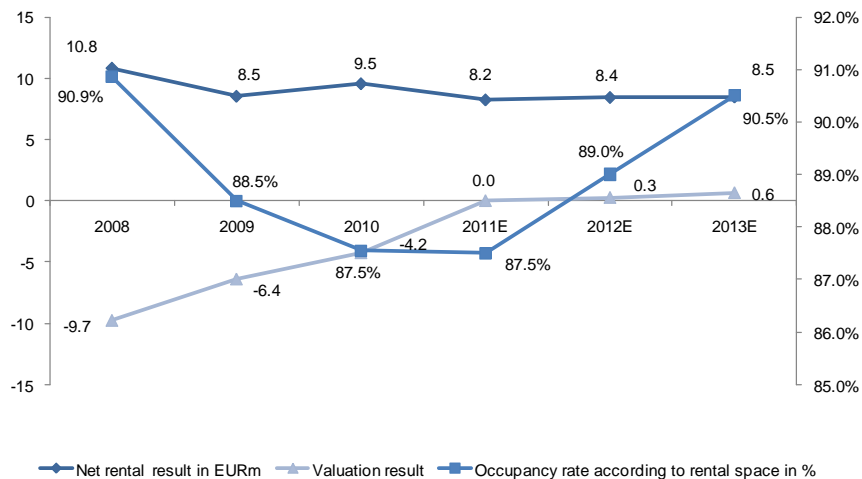


## Financial forecast

We assume a conservative scenario with a moderate rise in occupancy rate in a constant portfolio without any major acquisitions.

**Conservative scenario  
without major  
acquisitions**

### Development of net rental income, revaluation result and occupancy rate



Source: Fair Value REIT-AG, CBS Research AG

At the end of FY 2008 the portfolio had an occupancy rate of 90.9% which declined to 88.5% in FY 2009 and 87.5% in FY 2010. After our discussions with the management we think that the occupancy rate should have seen its lows and should increase in FY 2012E to 89% and in FY 2013E to 90.5%.

**Increase in occupancy  
rate from FY 2011E  
onwards...**

For the net rental income we depict a very conservative scenario with a net rental result of EUR 8.2m in FY 2011E, which should be the trough. For FY 2012E and FY 2013E we forecast increasing net rental results of EUR 8.4m and EUR 8.5m respectively due to the increase in occupancy rate and slightly rising rents.

**... accompanied by  
recovering net rental  
results**

In regard to valuation gains we take a conservative stance as well. After a valuation loss of EUR -4.2m in FY 2010 we expect a neutral result in FY 2011E and slight valuation gains of EUR 0.3m and EUR 0.6m in FY 2012E and FY 2013E respectively.

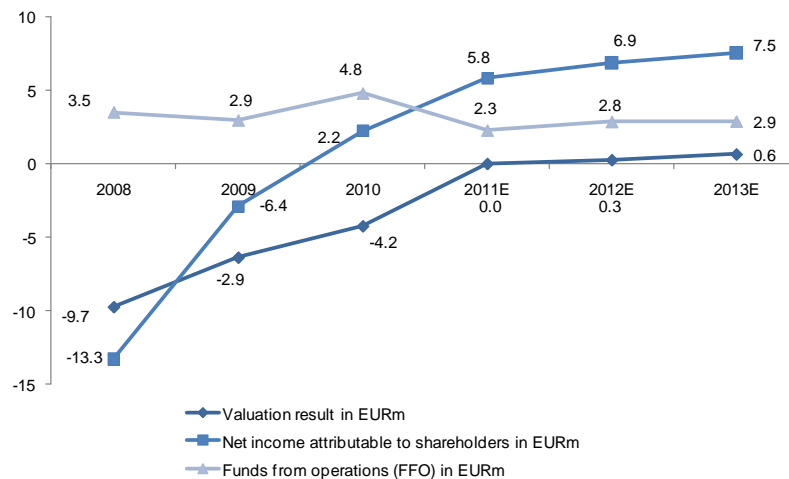
**Conservative stance  
towards valuation  
gains**

For the coming years we expect Fair Value REIT to continue to pay dividends which we estimate to be EUR 0.20 per share in FY 2011E and EUR 0.25 per share for FY 2012E and FY 2013E.

**We expect rising  
dividends in the future**

In our conservative scenario of a moderate rise in occupancy rate and a constant portfolio without any major acquisitions we forecast a rising net income until FY 2013E. This should be accompanied by moderate valuation gains. FFO will increase, too. However, the FFO also depends on the decision of Fair Value REIT on the height of withdrawals from the equity accounted investments. Higher withdrawals increase the FFO.

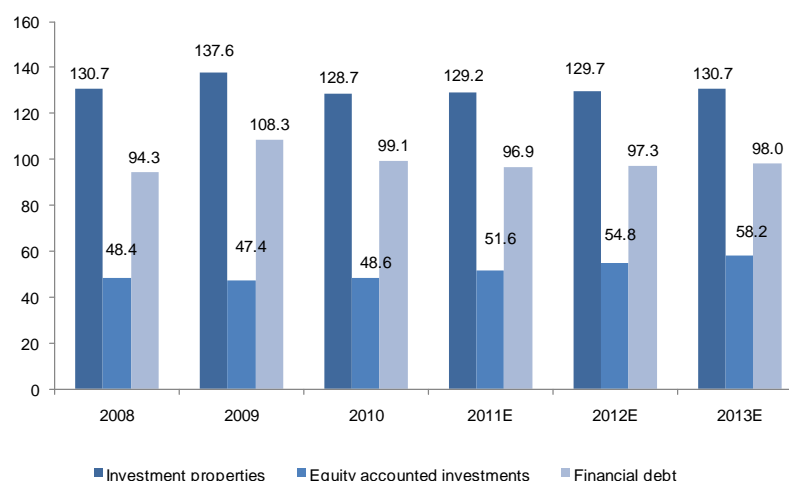
### Development of valuation result, net income and FFO



Source: Fair Value REIT-AG, CBS Research AG

As we do not assume major acquisitions in our scenario, investment properties and financial debt should increase gradually whilst the increase in equity accounted investments could be stronger. However, this also depends on the decision of Fair Value REIT on the height of withdrawals from the equity accounted investments. Higher withdrawals increase the FFO but have an opposite effect on the balance sheet position of “equity accounted investments”, if the withdrawals exceed the profits.

### Development of investment properties, equity accounted investments and financial debt



Source: Fair Value REIT-AG, CBS Research AG

## Appendix

### Fair Value REIT AG

#### Profit and loss account

	IFRS	EURm	2008	2009	2010	2011E	2012E	2013E
<b>Rental income</b>			<b>12.4</b>	<b>10.5</b>	<b>12.1</b>	<b>10.4</b>	<b>10.6</b>	<b>10.7</b>
YoY growth			186.5%	-15.6%	15.5%	-13.8%	1.9%	0.5%
Income and expenses related to rental income			-1.6	-1.9	-2.5	-2.2	-2.2	-2.2
<b>Net rental result</b>			<b>10.8</b>	<b>8.5</b>	<b>9.5</b>	<b>8.2</b>	<b>8.4</b>	<b>8.5</b>
Result from sale of investment properties			1.3	-0.2	-0.1	0.0	0.0	0.0
<b>Total revenues</b>			<b>12.1</b>	<b>8.3</b>	<b>9.4</b>	<b>8.2</b>	<b>8.4</b>	<b>8.5</b>
SG&A			-3.8	-2.6	-2.3	-2.3	-2.0	-2.0
Total other operating income and expenses			-0.4	-0.1	-0.1	-0.1	-0.1	-0.1
<b>EBITDA</b>			<b>8.0</b>	<b>5.6</b>	<b>7.1</b>	<b>5.9</b>	<b>6.4</b>	<b>6.4</b>
in % of total revenues			65.8%	67.7%	75.4%	71.2%	75.8%	75.8%
Valuation result			-9.7	-6.4	-4.2	0.0	0.3	0.6
in % of total revenues			-80.3%	-76.4%	-45.0%	0.0%	3.1%	7.7%
<b>EBIT</b>			<b>-1.8</b>	<b>-0.7</b>	<b>2.9</b>	<b>5.9</b>	<b>6.6</b>	<b>7.1</b>
in % of total revenues			-14.5%	-8.7%	30.4%	71.2%	78.8%	83.4%
Financial result			-12.0	-3.1	-0.9	0.4	0.7	1.0
<b>Net income including minorities</b>			<b>-13.7</b>	<b>-3.9</b>	<b>2.0</b>	<b>6.3</b>	<b>7.4</b>	<b>8.1</b>
Minority interests			0.4	0.9	0.3	-0.4	-0.5	-0.6
<b>Net income attributable to shareholders</b>			<b>-13.3</b>	<b>-2.9</b>	<b>2.2</b>	<b>5.8</b>	<b>6.9</b>	<b>7.5</b>
in % of total revenues			-109.7%	-34.9%	23.7%	70.6%	81.4%	88.9%
Shares outstanding (in millions)			9.4	9.3	9.3	9.3	9.3	9.3
<b>Earnings per share (EUR)</b>			<b>-1.41</b>	<b>-0.31</b>	<b>0.24</b>	<b>0.62</b>	<b>0.74</b>	<b>0.81</b>
<b>Dividend per share (EUR)</b>			<b>0.00</b>	<b>0.00</b>	<b>0.10</b>	<b>0.20</b>	<b>0.25</b>	<b>0.25</b>

Source: CBS Research AG, Fair Value REIT AG

## Fair Value REIT AG

## Balance Sheet

	IFRS	EURm	2008	2009	2010	2011E	2012E	2013E
<b>Assets</b>								
<b>Non-current assets</b>			<b>181.5</b>	<b>185.4</b>	<b>177.5</b>	<b>181.0</b>	<b>184.7</b>	<b>189.2</b>
as % of total assets			91.6%	91.0%	90.6%	92.2%	91.9%	91.6%
Intangible assets			0.0	0.0	0.0	0.0	0.0	0.0
PP&E			0.0	0.0	0.0	0.0	0.0	0.0
Investment properties			130.7	137.6	128.7	129.2	129.7	130.7
Equity accounted investments			48.4	47.4	48.6	51.6	54.8	58.2
Other receivables and assets			2.3	0.3	0.3	0.3	0.3	0.3
<b>Current assets</b>			<b>16.7</b>	<b>18.4</b>	<b>18.5</b>	<b>15.3</b>	<b>16.4</b>	<b>17.3</b>
as % of total assets			8.4%	9.0%	9.4%	7.8%	8.1%	8.4%
Non-current assets available for sale			0.0	8.2	2.5	0.0	0.0	0.0
Accounts receivables			2.7	1.9	4.0	2.0	2.0	2.0
Cash and cash equivalents			14.0	8.3	12.0	13.3	14.4	15.3
<b>Total Assets</b>			<b>198.2</b>	<b>203.8</b>	<b>196.0</b>	<b>196.3</b>	<b>201.1</b>	<b>206.5</b>
<b>Total equity and liabilities</b>								
<b>Total equity</b>			<b>76.8</b>	<b>72.7</b>	<b>74.6</b>	<b>78.4</b>	<b>82.4</b>	<b>86.4</b>
as % of total equity and liabilities			38.7%	35.7%	38.0%	40.0%	41.0%	41.9%
Subscribed capital			47.0	47.0	47.0	47.0	47.0	47.0
Capital reserve			46.2	46.2	46.2	46.2	46.2	46.2
Retained earnings			-16.4	-20.2	-18.2	-14.4	-10.4	-6.4
Treasury shares			0.0	-0.3	-0.4	-0.4	-0.4	-0.4
<b>Non-current liabilities</b>			<b>99.4</b>	<b>124.6</b>	<b>107.3</b>	<b>105.8</b>	<b>106.6</b>	<b>107.9</b>
as % of total equity and liabilities			50.1%	61.1%	54.7%	53.9%	53.0%	52.3%
Minority interests			16.5	15.3	14.5	14.9	15.4	16.0
Financial liabilities			78.4	104.0	87.6	86.8	87.1	87.8
Derivative financial instruments			4.2	5.0	5.2	4.0	4.0	4.0
Other liabilities			0.3	0.3	0.0	0.0	0.0	0.0
<b>Current liabilities</b>			<b>22.1</b>	<b>6.5</b>	<b>14.1</b>	<b>12.0</b>	<b>12.1</b>	<b>12.2</b>
as % of total equity and liabilities			11.1%	3.2%	7.2%	6.1%	6.0%	5.9%
Provisions			0.3	0.3	0.2	0.2	0.2	0.2
Financial liabilities			15.9	4.3	11.5	10.1	10.1	10.2
Derivative financial instruments			0.0	0.0	0.0	0.0	0.0	0.0
Trade accounts payables			1.4	0.8	1.1	1.0	1.0	1.0
Other liabilities			4.5	1.1	1.3	0.8	0.8	0.8
<b>Total equity and liabilities</b>			<b>198.2</b>	<b>203.8</b>	<b>196.0</b>	<b>196.3</b>	<b>201.1</b>	<b>206.5</b>

Source: CBS Research AG, Fair Value REIT AG

## Fair Value REIT AG

## Cash flow statement

	IFRS	EURm	2008	2009	2010	2011E	2012E	2013E
<b>Net income</b>			-13.3	-2.9	2.2	5.8	6.9	7.5
Income tax			0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and amortisation			0.0	0.0	0.0	0.0	0.0	0.0
Result from the disposal of investment properties			-1.3	0.2	0.1	0.0	0.0	0.0
Valuation result			9.7	6.4	4.2	0.0	-0.3	-0.6
Result from equity accounted investments			7.1	-1.4	-3.9	-5.0	-5.3	-5.6
Withdrawal from equity accounted investments			2.5	1.9	2.8	1.9	2.1	2.2
Result of minority shareholders in subsidiaries			-0.4	-0.9	-0.3	0.4	0.5	0.6
Disbursement to minority shareholders in subsidiaries			-1.3	-0.4	-0.5	-1.0	-1.1	-1.2
Valuation result of derivative financial instruments			0.1	0.1	-0.1	0.0	0.0	0.0
<b>Subtotal FFO</b>			<b>3.5</b>	<b>2.9</b>	<b>4.8</b>	<b>2.3</b>	<b>2.8</b>	<b>2.9</b>
Compensation payment received			15.4	0.0	0.5	2.0	0.0	0.0
Change in assets, equity and liabilities			4.4	-4.2	0.0	-0.6	0.0	0.0
<b>Cash flow from operating activities</b>			<b>21.5</b>	<b>-1.3</b>	<b>5.1</b>	<b>3.6</b>	<b>2.8</b>	<b>2.9</b>
Payments for purchase of interests in associates			0.0	-0.1	0.0	0.0	0.0	0.0
Payments for purchase of participations			0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from the sale of subsidiaries			4.7	0.0	0.0	0.0	0.0	0.0
Change in non-current assets			-2.3	2.1	0.0	0.0	0.0	0.0
Income from the sale of subsidiaries			0.0	0.0	0.1	0.0	0.0	0.0
Change in investment properties			1.2	0.3	7.8	2.0	-0.3	-0.4
Investments in PP&E			0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>			<b>3.6</b>	<b>2.3</b>	<b>7.9</b>	<b>2.0</b>	<b>-0.3</b>	<b>-0.4</b>
Change in treasury stocks			0.0	-0.3	-0.1	0.0	0.0	0.0
Dividends payment			0.0	0.0	0.0	-0.9	-1.8	-2.3
Net borrowings/retirements of financial debt			-16.4	-8.3	-9.2	-3.4	0.4	0.8
<b>Cash flow from financing activities</b>			<b>-16.4</b>	<b>-8.6</b>	<b>-9.3</b>	<b>-4.3</b>	<b>-1.4</b>	<b>-1.5</b>
<b>Total change in cash and cash equivalents</b>			<b>8.7</b>	<b>-5.8</b>	<b>3.7</b>	<b>1.3</b>	<b>1.1</b>	<b>0.9</b>
Cash and cash equivalents at the start of the period			5.4	14.0	8.3	12.0	13.3	14.4
<b>Cash and cash equivalents at the end of the period</b>			<b>14.0</b>	<b>8.3</b>	<b>12.0</b>	<b>13.3</b>	<b>14.4</b>	<b>15.3</b>

Source: CBS Research AG, Fair Value REIT AG

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Date	Recommendation	Price at change date	Price target
08 September 2011	BUY (Initial Coverage)	EUR 4.26	EUR 7.00

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MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

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The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks.

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