Independent Research

Unabhängige Finanzmarktanalyse GmbH

Investment Research

Fair Value REIT-AG

fair value
REIT

Annual results 2010

04/21/2011

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.

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Solid 2010 results - very detailed guidance

Annual results 2010

- In 2010, net rental income increased to EUR9.5m (8.8) and net income amounted to EUR2.2m (-2.9). Rental income rose to EUR12.1m (10.5).
- In our view, the company's results were solid. The valuation losses narrowed to EUR4.9m (6.8), reaching the 2007 level. We find it particularly encouraging that the market value of the direct investments remained stable regardless of the decline in the remaining lease terms.
- The equity ratio according to the REIT Act increased to 49.6% as at December 31, 2010 (December 31, 2009: 45.5%). The operating cash flow (FFO) of EUR4.8m (3.0) was very strong as well. Net financial debt was cut to EUR87.1m as at December 31, 2010 (December 31, 2009: 100.0).
- Fair Value has issued a very detailed guidance for the next two years. The high occupancy rate and the fact that remaining terms of the rental agreements have always exceeded 6 years in the past few years ensure a high level of planning reliability for the company's operations. Presuming that net income according to the German Commercial Code will be positive, Fair Value announced that it is looking to pay a dividend of EUR0.10 per share for each of the next two years.
- We assume that Fair Value's growth will be driven by active portfolio management and capital measures. The company said that it planned to make specific capital measures (capital increase through contributions in cash or in kind) if market conditions are favourable.
- With the help of our updated valuation models we have calculated an unchanged price target of EUR8.00 (EPRA NAV as at December 31, 2010: EUR8.93). Thanks to the improved market environment for real estate stocks and the investors' interest connected with it, the Fair Value stock will presumably continue to increase. We are maintaining our Buy recommendation.

AP	FY	Rental inc.	EBIT	EBT	EAT	EPS
IFRS	2008	12,392	-1,754	-13,736	-13,301	-1.41
IFRS	2009	10,460	-727	-3,851	-2,906	-0.31
IFRS	2010	12,081	2,867	1,975	2,232	0.24
IFRS	2011E	11,580	5,375	5,075	6,258	0.67
IFRS	2012E	12,159	6,261	6,061	7,438	0.79
CAGR 2008 - 2012E		-0.5%	-	-	-	

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

Fair Value REIT-AG 6)

Recommendation: **Buy**
before: -
as of -

Price target (in EUR) (6 months)	**8.00**
Share price (Xetra) (in EUR) 04/14/11 5:36 PM	4.70
Share price potential	70.21%
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)	44.2
∅ Trading volume	4,570
52W High 12/27/10	EUR4.88
52W Low 06/18/10	EUR3.65
Beta	0.70
Volatility (60 days)	35.67

Multiples

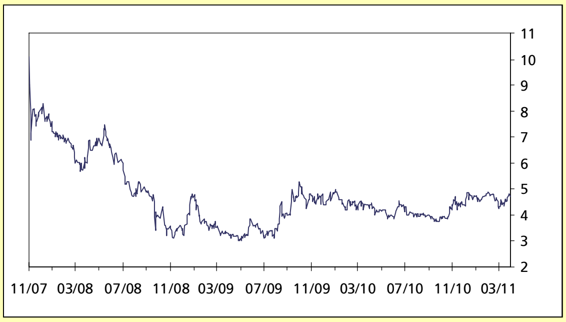
	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2008	10.7	neg.	neg.	0.0%
2009	13.1	neg.	neg.	0.0%
2010	10.5	44.3	17.9	2.4%
2011E	11.0	23.7	7.1	2.1%
2012E	10.5	20.3	5.9	3.2%

Performance (in %)

	1M	3M	6M	12M
Absolute	4.5	0.0	24.3	10.7
Relative to:				
DAX	0.4	-1.0	12.3	-2.8
Pr. Fin. Services	3.7	4.5	15.3	5.2

Index weighting

Prime Fin. Services	0.103%
RX REIT Index	7.830%



Author: Zafer Rüzgar (analyst)

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STRENGTHS

- **Almost no valuation losses from direct investments in 2010**
- **Fair Value is facing a relatively low level of competition thanks to its investment strategy**
- **Efficient corporate structure, short ways of decision-making**
- **Management has extensive expertise in real estate and significant track record**

OPPORTUNITIES

- **Roll-up platform for acquisition of units in closed-end real estate funds is unique selling point**
- **Competitive edge thanks to REIT status; only three German REITs currently listed**
- **Stable cash flows through long-term rental agreements, particularly with the savings bank (Sparkasse) properties**
- **Share price still significantly below NAV**

WEAKNESSES

- **Relatively short corporate history**
- **High dependence on key personnel**
- **Relatively small influence on associated companies**
- **Relatively low average market value per property**

THREATS

- **Further write-downs would have dramatic impact on results**
- **Loss of REIT status without company's fault**

Company profile

Fair Value REIT-AG at a glance

Direct investments in the real estate market and participations in real estate funds

Munich-based Fair Value REIT-AG is a real estate investment trust (REIT) specialising in the acquisition, letting, management and sale of commercial properties. The company's investment activity focuses on office and retail properties in certain regional locations in Germany. Fair Value is following a two-pronged strategy. It acquires interests in select closed-end real estate funds on the one hand, and it makes direct investments in the German real estate market on the other. As at December 31, 2010, the market value of all properties held (including associated companies) totalled EUR496m. Fair Value's share in the market value of the entire portfolio (directly held real estate plus properties held through participations (pro rata)) was around EUR225m. The occupancy rate was 93.6% (95.5%), and the potential rent was EUR19.7m per year at full lease-up.
Fair Value REIT-AG came into being in 2007 when "IC Grundbesitz Gesellschaft mbH & Co. Beteiligungs-KG" changed its corporate form to Fair Value Immobilien-Aktiengesellschaft. Since November 16, 2007, the company is listed in the Prime Standard segment 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
Free float	**41.42**

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

Source: Fair Value REIT-AG as of 03/31/11

Real Estate Investment Trust - REIT

REITs do not have to pay corporate and business taxes

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 the shareholders through dividends. Up to 50% of capital gains may be allocated to a reserve for the purposes of acquiring immovable assets for a period of up to two years. REITs do not have to pay corporate and business taxes. The profit distributed by the company (dividend) is only taxable with the shareholders through their withholding tax. Furthermore, a REIT must have an equity ratio of at least 45% measured by its real estate assets. The high minimum equity ratio creates stability, while the high payout ratio is an attractive regular source of income for the REIT investors.

Market volume for closed-end real estate funds: EUR10.8bn

Exchange of closed-end fund shares for Fair Value shares

The roll-up process of Fair Value is a unique selling point. Investors are offered to swap their shares in closed-end real estate funds for shares in Fair Value REIT-AG on specified dates and at specified prices. As a rule, it is rather difficult for investors to exit a closed-end real estate fund, as a sale on the secondary market mostly entails high discounts on the fair value of the shares. Therefore, exchanging these fund shares for shares in Fair Value AG gives investors the opportunity to replace illiquid assets with relatively liquid assets. Through this procedure, Fair Value AG gains access to the large market for closed-end fund participations (total German market volume, 2010: over EUR140bn). Also, Fair Value AG does not depend on liquid funds alone in order to finance investments, as the shares are transferred to the company's assets by way of a contribution in kind.

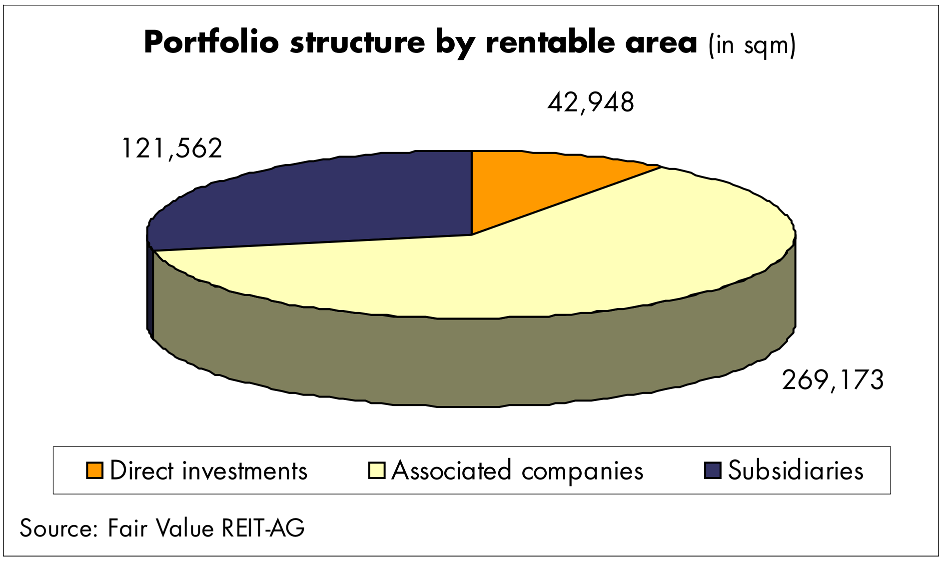
This way, Fair Value acquired participations in 49 properties with a total rental area of 422,557 sqm in 2007, which had a market value of around EUR558m (Fair Value's share: around EUR226m). Approximately 2,100 investors took part in this exchange.

Proportionate market value as of December 31, 2010: EUR225m

An overview of Fair Value's investment portfolio

The real estate investment portfolio of Fair Value REIT-AG includes direct investments in real estate properties as well as stakes in private real estate companies. The broadly diversified real estate portfolio of Fair Value REIT-AG includes 75 directly and indirectly held properties with a total lettable area of 434,000 sqm. Based on individual appraisal reports, the entire real estate property as at December 31, 2010 had a market value of EUR496m (508), of which EUR225m (229) were attributable to Fair Value.

Most properties are located in Greater Hamburg (23%) and Greater Düsseldorf (13%). With a share of 44% in the potential rent, retail properties represent the largest segment in the company's total portfolio directly followed by office properties with a share of 42%. Most of the office properties are used as branch offices of savings bank Sparkasse Süd-holstein, which is the biggest single tenant in the portfolio accounting for 15.4% of Fair Value's share in the total contractual rent of EUR18.4m. Retail groups Metro, Edeka and Kaufland are the biggest tenants in the retail division, representing a combined 26% of contractual rents in the division. As at December 31, 2010, rental yield before costs was



Source: Fair Value REIT-AG

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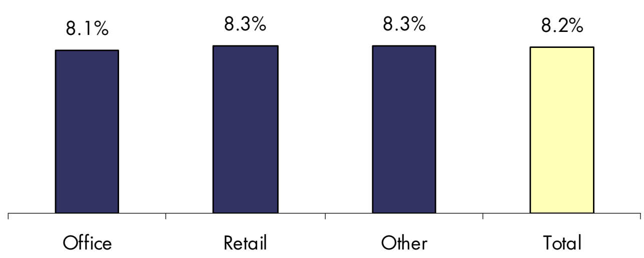
8.2% for Fair Value's share in the market value. An average remaining term of the rental contracts of 6.2 years ensures stable rental income.

Investments in a total of 52 properties

Through its six subsidiaries and direct investments, Fair Value participates in 52 commercial real estate properties with a total rental area of 164,510 sqm (thereof 42,948 sqm or 32 properties owned directly and 121,562 sqm or 20 properties through subsidiaries) and a market value of EUR131m (Fair Value's share: EUR95m) as at December 31, 2010. The properties owned directly by Fair Value have a market value of EUR45.5m, while the portfolio of the subsidiaries has a market value of EUR85.7m (Fair Value's share: EUR49.1m).

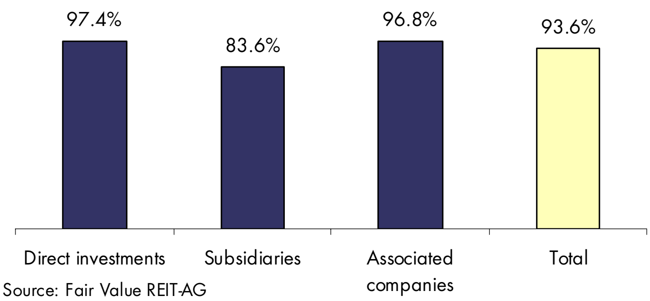
Through the associated companies, Fair Value also has investments in six closed-end real estate funds, which hold 23 commercial properties with a total rental area of some 269,173 sqm. At the reporting date, this portfolio had a market value of around EUR365m (Fair Value's share: EUR130m).

Contractual rental return in % based on proportionate market values



Source: Fair Value REIT-AG

Occupancy rate in % of proportionate potential rents



Source: Fair Value REIT-AG

Savings bank portfolio and associated companies feature high occupancy rates

The annualised contractual rent of the savings bank (Sparkasse) portfolio remains unchanged at EUR3.2m. The occupancy rate of the portfolio is 97.4% (98.5%), and the average remaining term of the rental agreements is 11.2 (12.1) years. Fair Value plans to increase the share of directly held properties to 50% in the long term. The subsidiaries (Fair Value's share) feature a contractual rent of EUR4.1m (5.4) per year, an occupancy rate of 83.6% (90.8%), and an average remaining term of the rental agreements of 3.4 (4.1) years. According to Fair Value, the associated companies have a contractual rent of EUR32.7m per year with Fair Value's share being EUR11.7m (11.3). As at December 31, 2010, Fair Value's share in the portfolio had an occupancy rate of 96.8% (97.0%) and an average remaining term of the rental agreements of 5.7 years.

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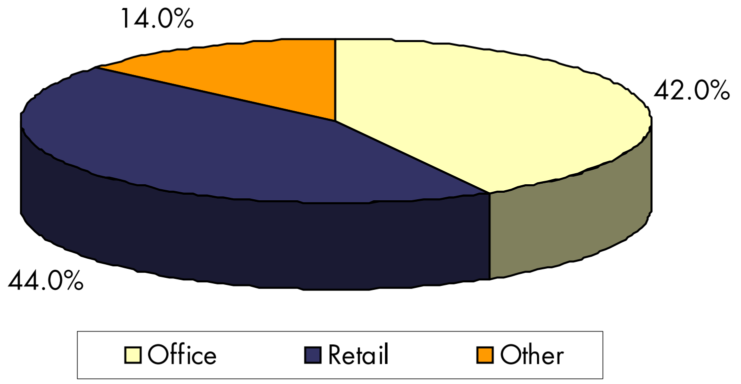
Retail and office properties to come more into focus

Broadly diversified portfolio

Next to its broad regional diversification, the company's real estate portfolio also has a broad sectoral diversification. The office real estate division accounts for 42%, the retail real estate division for 44%, and other sectors (including logistics) for 14% of the potential rent. Fair Value intends to further optimise its portfolio by further acquisitions and specific restructuring measures such as increasing the share of direct investments and subsidiaries. Also, the company plans to concentrate more on its core competence of retail and office properties.

Portfolio breakdown by sectors*



Source: Fair Value REIT-AG * according to potential rent

Well-known tenants

We also welcome the fact that Fair Value's properties have well-known and broadly diversified tenants. The largest tenants in the portfolio include Sparkasse Südholstein (15.4%), Metro Group (10.4%), and EDEKA Group (10.1%). As at December 31, 2010, the ten largest tenants accounted for approximately 64% (60%) of the total contractual rent.

Ten largest tenants in % of proportionate contractual rent

	12/31/2010
Sparkasse Südholstein	15.4%
Metro Group	10.4%
EDEKA Group	10.1%
BBV Holding AG	6.0%
Kaufland Group	5.2%
Schweizerhof Hotel	4.9%
Commerzbank Group	3.7%
HPI Germany	3.2%
Bundesagentur / ARGE SGB II	2.4%
Energiebau	2.3%
Other	36.4%

Source: Fair Value REIT-AG

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History of Fair Value REIT AG

January 2004	• Foundation of IC Grundbesitzgesellschaft mbH with the objective of setting up a secondary market fund
September 2004	• Change of name to IC Grundbesitz GmbH & Co. Renditeportfolio KG
March 2005	• Change of name to IC Grundbesitz GmbH & Co. Fair Value KG (short: Fair Value KG). Purpose was the purchase of stakes in closed-end real estate funds on the secondary market
July 2007	• Change of corporate form to Fair Value Immobilien AG
Aug./Sep. 2007	• Exchange offer to shareholders of IC Fonds and BBV Immobilienfonds: Fair Value acquires stakes in 14 closed-end funds
October 2007	• First direct investments. Acquisition of 32 office properties from Sparkasse Südholstein (savings bank). Cash capital increase and capital increase through contribution in kind to a total of EUR96.75m
November 2007	• Further cash capital increase of EUR5m
November 2007	• November 16: Listing of Fair Value Immobilien AG in the Prime Standard segment
December 2007	• December 6: Fair Value Immobilien AG gets REIT status and is now operating under the name Fair Value REIT-AG
December 2007	• December 19: Becomes second company to be admitted to Deutsche Börse's REIT segment
December 2008	• December 18: Sale of Düsseldorf´s office real estate "Airport Office II" to a Spanish investor group. Sales revenue amounts to EUR15.3m (rental income EUR974,000 p.a)
December 2009	• Reorganisation of asset management • Sale of three retail properties and one office property for a total of EUR8.2m

Source: Faier 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**

Management

Fair Value's Board of Management has currently one member

CEO and CFO of Fair Value REIT-AG

Mr. **Frank Schaich** (51) has been active in various key management positions since the foundation of IC GmbH in 1988. Between 1993 and 2002 he was a managing director for several companies belonging to IC Real Estate Group and the funds under management of IC. He was then appointed to the Board of Management of IC Immobilien Holding AG, where he was responsible for the fund business. Mr. Schaich has 27 years of experience in international real estate markets. In this period he gained extensive experience in syndicating, financing, and placement of closed-end real estate funds. He also has expertise in asset and portfolio management. Mr. Schaich was appointed CEO of Fair Value on September 17, 2007.

The Supervisory Board consists of **Prof. Dr. Heinz Rehkugler** (Chairman), **Christian Hopfer** (Deputy Chairman), and **Dr. Oscar Kienzle**.

Prof. Dr. Heinz Rehkugler, born in 1943, was a professor at the Department of Banking and Finance of the University of Freiburg between 1994 and 2009. Before that, he studied business administration and obtained his doctorate from the University of Munich, and went on to become managing director of a management consultancy firm. Prof. Rehkugler is Scientific Director of the Center for Real Estate Studies at DIA Freiburg as well as of the Steinbeis University. In addition, he acts as the head of the "Real Estate" expert panel for analysts' association DVFA.

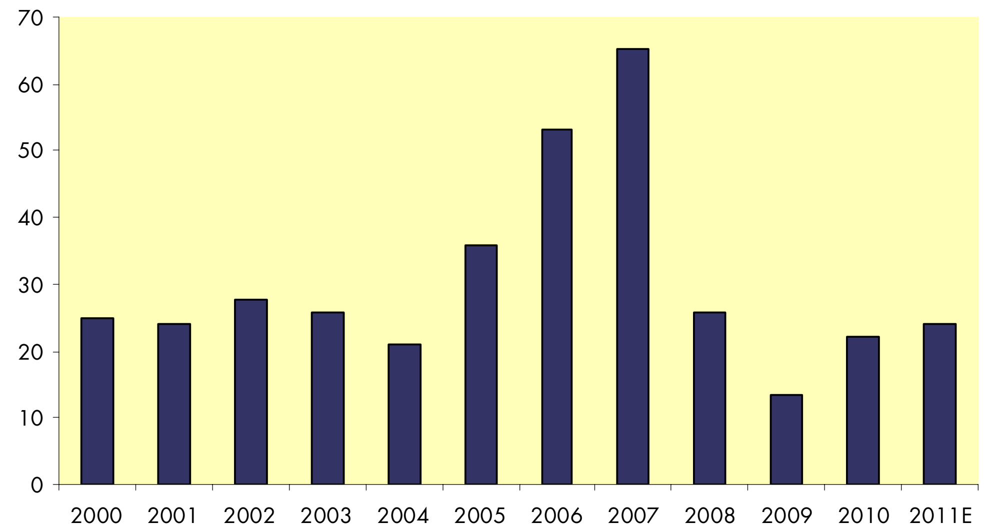
The German real estate market in 2010

Transaction volume nearly at pre-crisis level

2010: Comeback of transaction volume

Following the heavy decline in real estate transaction volume in 2008 (-60%) and 2009 (-48%) in the course of the economic crisis, there was a significant recovery in Germany last year. In 2010, the transaction volume climbed by 64% to EUR22.0bn (13.4). Interest in larger transactions increased significantly again after it had died down completely in 2009. In the residential real estate sector, portfolio transactions were slightly up as well, reaching EUR3.8bn (3.6) in 2010. However, portfolio transactions represented only a small part of commercial real estate transactions (22%). Divided according to type of use, retail properties accounted for the largest share (39.9% (31.2%)) of all commercial real estate transactions with a volume of EUR7.8bn (3.3). Representing a share of 37.2% (35.0%), office properties are no longer the largest segment, although transactions climbed to EUR7.3bn (3.7). This was due to a significant increase in investments in retail properties in 2010 (+136%). Logistics real estate investments showed a considerable increase of almost 76% to EUR1.2bn (0.7), but their share in total transactions still decreased to 6.3% (6.7%) in 2010. Other investments include leisure, social, and mixed-use properties (+12% to EUR2.4bn), as well as hotels (+88% to EUR0.8bn). The share of international investors increased markedly from 14% in 2009 to 37% in 2010.

Real estate transaction volume on the commercial investment market (in EURbn)



Source: Aberdeen Research, Ernst & Young

Increase of between 9% and 18% expected in 2011

For the current year, management consultancy firm Ernst & Young is forecasting a total transaction volume of between EUR24.0bn and 26.0bn. This means that growth is expected to be moderate and far below the pre-crisis growth rates recorded in 2005 through 2007. Presumably, there will be large transactions on a sporadic basis as well. Also, general conditions for transactions are expected to improve, and restructuring measures should initiate sales, too.

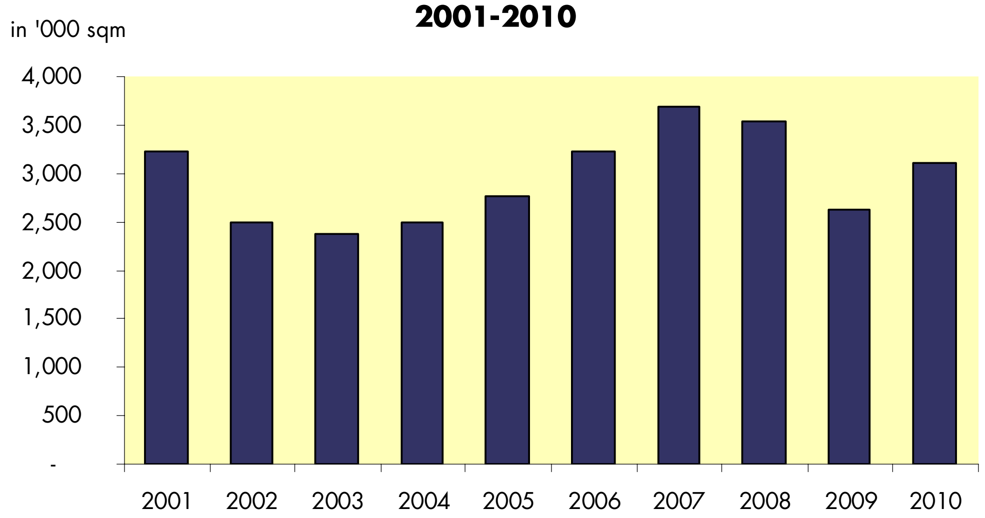
Office real estate market

Economy is key driver in 2010

Increase of 19%

According to BNP Paribas Real Estate, turnover of office space totalled some 3.1m sqm in 2010 in Germany's nine largest office centres (Berlin, Düsseldorf, Essen, Frankfurt, Hamburg, Cologne, Leipzig, Munich, Stuttgart), a year-on-year increase of just under 19%. This trend, which was better than anticipated, was primarily driven by the positive sentiment among companies and the performance of the labour market. These two factors will presumably determine the sales trend also in the current year.

Total take-up of selected office centres*
2001-2010



Source: BNP Paribas Real Estate

* Berlin, Düsseldorf, Essen, Frankfurt, Hamburg, Cologne, Leipzig, Munich, Stuttgart

10% increase in space expected in 2011

However, total supply declined by approximately 1% in the nine office centres, while vacancy increased by a good 1%. In the first three quarters of the past year, peak rents declined somewhat by an average 1.5%, but there was a stabilisation in Q4 thanks to high demand and the slight drop in supply, which was reflected in a rise in peak rents in the nine office centres of a good 2%. Forecasts for the current fiscal year call for another increase in take-up of space of up to 10%. While vacancy is expected to decline only moderately, peak rents should continue the uptrend observed in Q4 2010, although growth ought to slow somewhat.

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Retail real estate market

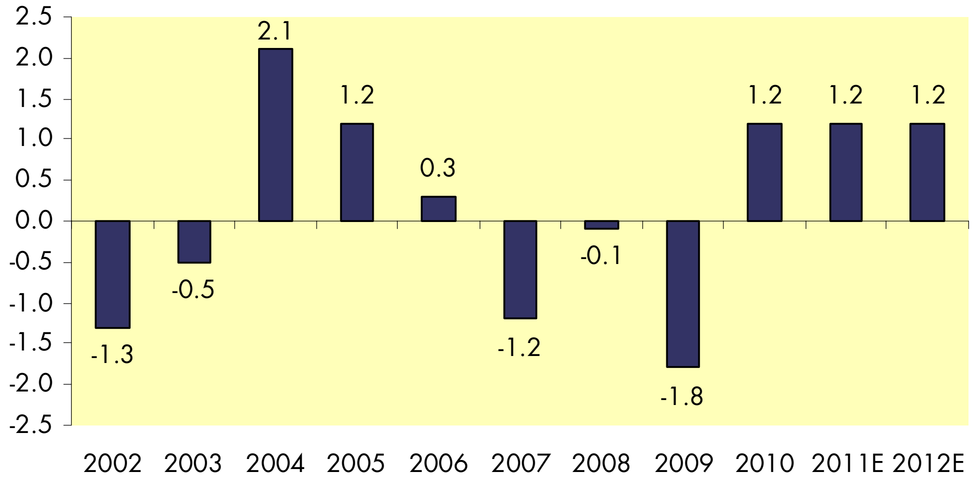
Retail sales to increase

Retail sector recovers in 2010

Following the crisis-induced decline in 2009, German retail sales recovered in 2010 and showed a year-on-year increase of 1.2% in real terms and, respectively, 2.3% in nominal terms. In 2011, consumer sentiment is positive with regard to the economy and incomes. Market research company Gesellschaft für Konsumforschung (GfK) even predicts a rise in purchasing power per capita of EUR500 to EUR19,684. However, the Central Association of the German Retail Trade (HDE) and research institute HWWI predict an increase in retail sales of 1.5% in nominal terms and 1.2% in real terms as the German consumers' propensity to buy will presumably be affected by rising health insurance contributions and energy costs. For 2012, HWWI is forecasting an increase in sales of 1.2% in real terms as well.

Retail sales in Germany

(year-over-year change in real terms; in%)



Source: Destatis, HDE, HWWI

Interest from foreign retailers stimulates German retail property market

The good market environment is also spurring retailers' expansion plans, which Jones Lang Lasalle expects to lead to an increase in peak rents in six out of the ten top retail markets this year. International retailers will presumably play an important part with regard to demand as they see very good potential in Germany due to its good economic situation compared to other European countries, low unemployment, and the fact that the crisis had no major impact on the consumers' propensity to buy. Experts estimate that at least 20 international brands are on the verge of entering the German market. This would mean that 50 new prime locations are required by 2013 alone. Although demand climbed noticeably in 2010 compared to the previous year along with a slight decline in supply, peak rents increased only a little in most cities. This was largely due to the fact that the level of rents had already been high and that there had been no decline in the recession in 2009.

Business performance 2010

Consolidation effect of roughly EUR1.6m in 2010

Full consolidation of IC 13 determines rental income

Rental income increased by 15.5% to EUR12.1m (10.5; our forecast: 11.8) in 2010. However, it has to be taken into account that the rise in rental income was largely due to the first-time consolidation of the subsidiary IC 13 (rental income, 2010: EUR2.4m). It must also be noted that prior year income included four properties that made only a small contribution to sales in 2010 as they were sold. Net rental income for 2010 improved by 11.8% to EUR9.5m (8.5; our forecast: 9.2), being influenced by consolidation effects as well. According to Fair Value, the increase was also owing to real estate-related costs being lower than expected. In Q4, rental income reached EUR3.2m (2.8), a 14.5% increase over prior year level. As real estate-related costs climbed markedly in Q4, net rental income remained unchanged at EUR2.5m (2.5).

Fair Value REIT-AG

Selected key data of the consolidated income statement

Unit : EUR'000 **Fiscal year :** Dec 31 **Accounting standards :** IFRS	**2009**	**2010**	**2010** (our forecast)
Rental income	**10.5**	**12.1**	**11.8**
Net rental result	**8.5**	**9.5**	**9.2**
as percentage of rental income	81.5%	78.9%	77.9%
Operating income*	**-0.7**	**2.9**	**6.9**
as percentage of rental income	neg.	23.7%	58.5%
Financial result	**-4.5**	**-4.8**	**-4.8**
as percentage of rental income	neg.	neg.	neg.
Net income*	**-2.9**	**2.2**	**5.2**
as percentage of rental income	neg.	18.5%	43.7%

Source: Independent Research; Fair Value REIT-AG *our forecast without valuation result

Market value of direct investments remains stable in 2010

Valuation losses narrow significantly

As for the expenditure side, there was a decline in general administrative expenses of 13.7% to EUR2.3m (2.6). In 2010, the operating income was positive again for the first time in several years with a reported EUR2.9m (-0.7). Apart from the increase in sales, Fair Value benefited from a noticeable decline in valuation losses, too. Valuation losses narrowed to EUR4.9m (6.8), thus reaching the 2007 level (EUR5.0m). In relation to Fair Value's share in the portfolio, the valuation loss went down to 2% (4%).

In our opinion, it is particularly encouraging that the market value of the company's direct investments remained stable in spite of the decline in the remaining lease terms. The valuation loss was largely accounted for by retail and logistics properties of the subsidiaries. The poor valuation result of these participations, which we feel was due to temporary rather than structural problems, had already started to show earlier in the year.

Fair Value REIT-AG				
Selected key data of the consolidated income statement				
Unit :	EUR'000			
Fiscal year :	Dec 31	**Q4 2009**	**Q4 2010**	**Q4 2010**
Accounting standards :	IFRS			(our forecast)
Rental income		**2.8**	**3.2**	**2.9**
Net rental result		**2.5**	**2.5**	**2.1**
as percentage of rental income		23.7%	20.4%	18.0%
Operating income*		**-4.9**	**-3.1**	**0.9**
as percentage of rental income		neg.	neg.	7.9%
Financial result		**-1.3**	**-1.2**	**-1.2**
as percentage of rental income		neg.	neg.	neg.
Net income*		**-6.1**	**-2.5**	**0.4**
as percentage of rental income		neg.	neg.	3.7%

Source: Independent Research; Fair Value REIT-AG *our forecast without valuation result

Profit development exceeds our expectations

Valuation result increases markedly

After adjusting for valuation losses, the operating profit was EUR7.1m (5.6; our forecast: 6.9), which exceeded our expectations. Although earnings were down due to consolidation effects, investment income improved to EUR3.9m (1.4). The improvement was driven by a decline in valuation losses to EUR-1.5m (-5.4). The valuation losses of the associated companies were also primarily accounted for by the retail real estate business.
With a reported EUR-4.8m (-4.5; our forecast: -4.8), the financial result was in line with our forecast. Net income for the fiscal year was EUR2.2m (-2.9). Both adjusted net income of EUR5.8m (6.0; our forecast: 5.2) and adjusted EPS of EUR0.62 (0.65; our forecast: 0.55) significantly exceeded our expectations. Fair Value's upward revised guidance announced in November 2010 (EUR5.1m or EUR0.55 per share, respectively) was exceeded as well. The first dividend payment of EUR0.10 per share had already been anticipated.

Balance sheet structure remains solid

Net financial debt reduced

The company's balance sheet structure is still solid. The equity ratio according to the REIT Act climbed to 49.6% as at December 31, 2010 (December 31, 2009: 45.5%), which was due to the earnings-driven increase in equity to EUR74.6m (December 31, 2009: 72.7) on the one hand and a reduction in total assets through real estate sales (inflow of funds: EUR8.1m) on the other. At EUR4.8m (3.0), the operating cash flow (FFO) was very strong as well. By December 31, 2010, Fair Value reduced net financial debt to EUR87.1m (December 31, 2009: 100.0).

Performance was generally solid in 2010

Low potential for surprises

The final results corresponded to the preliminary figures announced in February. Thus, the potential for surprises was low. Generally, we regard the company's operational performance in 2010 as solid. The drop in the occupancy rate to 93.6% (95.5%) was mainly accounted for by individual locations. The company has already realised detailed measures in order to reduce vacancy. Apart from the stable trend in rents and cost cuts, the narrowed valuation losses were one of the main elements of the positive overall image in 2010.

Guidance and forecasts

2011 sees decline due to divestments

Detailed guidance for 2011 and 2012

Fair Value has issued a very detailed guidance for the next two years. The high occupancy rate and the fact that the remaining lease terms of the rental agreements have always exceeded 6 years in the past few years ensure a high level of planning reliability for the company's operational performance. The company assumes that sales will go down in 2011 due to real estate sales. In December 2010, Fair Value sold a retail property of its participation IC 01 (Fair Value's share in contract rent: EUR118,000 per year) for EUR2.5m. Transfer of benefits and burdens took place upon payment of the purchase price in February. In 2012, Fair Value is looking to raise sales again. The company is forecasting sales (rental income + income from operating and incidental costs) of EUR13.2m and EUR13.8m, respectively, for the next two years.

Remaining term of the leases in % of contractual rent

	in %
Total over 10 years	78.2%
Average per year	7.8%
2011	6.6%
2012	8.8%
2013	20.0%
2014	10.2%
2015	8.9%
2016	2.7%
2017	7.7%
2018	4.1%
2019	1.8%
2020	3.6%
After 2020	21.8%
Unlimited	3.8%

Source: Fair Value REIT-AG

15% of rental volume up for re-letting

Real estate-related costs to be increased

In the next two years, approximately 15% of Fair Value's share in the rental volume are up for re-letting. Last year, it was a mere 8%. However, we believe that this will be no great challenge, taking into account the company's previously successful re-letting efforts, which are reflected in the sustained high occupany rate in the past few years. Also, vacancy has already been greatly reduced in Neuss (IC03), and a new concept including re-letting for the properties in Krefeld (BBV06) is being realised. In 2010, the two properties of the subsidiaries suffered the highest losses in market value. In our opinion, it cannot be ruled out that Fair Value will sell individual properties for strategic and opportunistic reasons. The planned significant increase in real estate-related costs to EUR5.4m in both 2011 and 2012 (2010: EUR4.9m) suggests that the expiring rental agreements will be quickly replaced with re-letting agreements.

Dividend payments announced

Fair Value estimates adjusted net income (EPRA) for 2011 and 2012 at EUR4.3m and EUR5.1m, respectively. Accordingly, EPS is to reach EUR0.46 and EUR0.55, respectively. Presuming that net income according to German Commercial Code will be positive, the company announced that it is looking to pay a dividend of EUR0.10 per share for each of the next two years.

Fair Value REIT-AG

Forecast of selected key data of the consolidated income statement

Unit : EUR'000 / **Fiscal year :** Dec 31 / **Accounting standards :** IFRS	**2011E** before	**2011E** new	**2012E** before	**2012E** new
Rental income	**12,280**	**11,580**	**12,570**	**12,159**
Net rental result	9,033	7,775	9,428	8,361
Operating income	6,936	5,375	6,814	6,261
Financial income	-4,702	-4,500	-4,502	-4,600
Net income	**5,498**	**6,258**	**5,795**	**7,438**
EPS (in EUR)	**0.58**	**0.67**	**0.62**	**0.79**

Source: Independent Research

Valuation results and real estate sales will determine earnings

Balanced valuation result in 2011

We have revised our mid-term forecasts to take into account Fair Value's detailed guidance, which we regard as very realistic. Important influences on earnings include valuation results and real estate sales. We proceed from the assumption that the valuation result will improve markedly in 2011. The company may not achieve a significant valuation result but we believe that it will at least not be negative. Property-specific valuation losses will presumably be resolved with the help of specific counter measures. As for operations, Fair Value will presumably concentrate on reducing vacancy of individual properties in 2011. Even if possible sales or liquidation of individual funds are taken into account, the valuation result will likely increase in 2011. As far as the company's direct investments are concerned, we expect no negative value adjustments anyway.

Follow-up financing volume of around EUR28m in 2011

As far as financing activities are concerned, two larger follow-up financing agreements are on Fair Value's agenda for 2011. In total, some EUR28m or 28% of financial liabilities are up for renegotiation. Around EUR6.9m will be due in the first half of the year. Fair Value assumes that the loan will be renewed for up to two years. A much bigger part is up for renegotiation at the subsidiary IC 13 in the second half of the year. Here, the follow-up financing agreements have a total volume of roughly EUR17m. Fair Value expects a follow-up financing agreement at a rate of 5% per year and intends to make an unscheduled repayment of 15%.

Capital measures cannot be ruled out

We assume that Fair Value's growth will be driven by active portfolio management and capital measures. With regard to portfolio management, Fair Value is facing some restrictions in connection with the REIT Act. The company said that it planned to make specific capital measures (capital increase through contributions in cash or in kind) if market conditions are favourable.

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 is classified as a REIT, it will distribute a large percentage of profit in the future. We still weight the DDM at 33.3%. For the peer group analysis we used real estate companies with a similar business model due to the lack of REITs in Germany. These include companies which primarily manage office and commercial properties. The fair value per share results from the weighted average of the three valuation methods.

NAV calculation 2009-2012E

	2009	2010E	2011E	2012E
Fair market value of investment properties	137,587	128,650	128,650	128,650
Equity-accounted participations	47,442	48,551	51,251	54,151
Other assets less other liabilities	3,022	-1,021	-3,747	-4,068
Financial liabilities	108,316	99,103	90,116	85,950
Cash and cash equivalents	8,281	11,975	7,149	5,524
Minority interests	15,296	14,494	13,311	11,934
NAV	**72,720**	**74,558**	**79,875**	**86,373**
Number of shares (in m)	9,407	9,407	9,407	9,407
NAV per share	7.73	7.93	**8.49**	**9.18**
Average NAV per share			**8.84**	

Figures in EUR'000 except for NAV per share (in EUR)
Source: Independent Research; Fair Value REIT-AG

NAV per share: EUR8.84; fair value according to DDM: EUR3.53

We have based our valuation of the Fair Value stock on the average NAV for the fiscal years 2011 and 2012. As the balance sheet items have been adjusted, we have calculated a new average NAV per share of EUR8.84 (before: 8.67). The EPRA NAV per share calculated by Fair Value was EUR8.93 as at December 31, 2010.
The DDM implies a new fair value per share of EUR3.53 (before: 3.48) due to the temporal adjustment of the model.

Dividend discount model (DDM)

in EUR	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
DPS	**0.10**	**0.15**	**0.17**	**0.20**	**0.23**	**0.26**	**0.30**	**0.35**	**0.40**	**0.46**
Present values	**0.10**	**0.13**	**0.14**	**0.15**	**0.17**	**0.18**	**0.19**	**0.21**	**0.22**	**0.24**
Sum of present values	1.72									
Terminal value	1.80		in % of total value :	51%						
Fair value per share	**3.53**									

Model parameters DDM:

Risk-free rate of return :	4.00%	Beta :	0.7	Risk premium equity :	4.0%
		Cost of equity :	6.8%	Date :	04/15/11

Source: Independent Research

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**

Peer group comparison				
Company	**P/E**		**EV/Sales**	
	2011E	**2012E**	**2011E**	**2012E**
ALSTRIA OFFICE REIT	16.4	13.7	14.7	13.6
DIC Asset	24.1	19.4	13.0	12.3
Deutsche Euroshop	17.4	15.1	16.3	13.6
Hamborner REIT	30.7	25.3	11.6	9.4
Average	22.2	18.4	13.9	12.2

Source: Independent Research; Bloomberg Share prices as of 04/14/2011

	EPS		**Sales**	
in EUR'000, EPS in EUR	**2011E**	**2012E**	**2011E**	**2012E**
Fair Value REIT-AG	0.67	0.79	13,175	13,761
Enterprise Value			183,222	168,292
Cash and cash equivalents			10,285	
Debt			-99,919	
Fair market capitalisation			93,588	78,658
Number of shares (in '000)			9,407	
Fair value	14.75	14.51	9.95	8.36
Average	14.63		9.16	
Weighting	1/2		1/2	
Fair value per share	**11.89**			

Source: Independent Research

Price target: EUR8.00

Our peer group analysis produced a fair value per share of EUR11.89 (before: 11.94). The combination of the different valuation models leads to an almost unchanged fair value of EUR8.08 (before: 8.02) per share. Accordingly, we are maintaining our price target of EUR8.00 for the Fair Value stock.

Valuation summary			
	NAV	**DDM**	**Peer group**
Fair value per share (EUR)	8.84	3.53	11.89
Weighting	33.3%	33.3%	33.3%
Final fair value per share (EUR)	**8.08**		

Source: Independent Research

[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**

Conclusion

With the help of consolidation effects, Fair Value increased rental income by 15.5% to EUR12.1m (10.5) in 2010. Net rental income rose by 11.8% to EUR9.5m (8.5). As for the expenditure side, it should be pointed out that general administrative expenses declined by 13.7% to EUR2.3m (2.6). With a reported EUR2.9m (-0.7), the operating income was positive again in 2010 for the first time in several years.

Valuation losses narrowed to EUR4.9m (6.8), reaching the 2007 level (EUR5.0m). In relation to Fair Value's share in the portfolio, valuation losses declined to 2% (4%). In our view, it was particularly encouraging that the market value of the direct investments remained stable regardless of the decline in remaining lease terms.

In fiscal year 2010, net income amounted to EUR2.2m (-2.9). Both adjusted net income of EUR5.8m (6.0) and adjusted EPS of EUR0.62 (0.65) significantly exceeded our expectations. The first dividend payment of EUR0.10 per share had already been anticipated.

All in all, we regard the company's operational performance in 2010 as solid. The decline in the occupancy rate to 93.6% (95.5%) was largely accounted for by individual locations. Fair Value has already realised detailed measures in order to reduce vacancy. Apart from the stable trend in rents and cost cuts, the narrowed valuation losses were one of the main elements of the positive overall image in 2010.

Fair Value has issued a very detailed guidance for the next two years. Sales are expected to decrease in 2011 due to real estate sales. The company predicts adjusted net income of EUR4.3m for 2011 and EUR5.1m for 2012. Accordingly, EPS is expected to reach EUR0.46 and EUR0.55, respectively. Fair Value is looking to pay a dividend of at least EUR0.10 per share for each of the next two years.

We expect the valuation result to improve significantly in 2011. Fair Value's growth will presumably be driven by active portfolio management and capital measures. With regard to portfolio management, the company is facing some restrictions in connection with the REIT Act. It plans to make specific capital measures (capital increase through contributions in cash or in kind) if market conditions are favourable.

The combination of the different valuation models leads to an unchanged price target of EUR8.00. The Fair Value stock has increased slightly in the past few weeks. In the past six months, the share price rose significantly. We assume that the share price also benefited from the improved market conditions for real estate stocks. Given the good fundamental data, investors' interest in real estate stocks is bound to increase, which is also indicated by this year's IPOs. We presume that the gap between the share price and the book value of the stock will be further reduced and reaffirm our Buy recommendation.

Fair Value REIT-AG

Selected key data

Unit :	EUR'000						
Fiscal year :	Dec 31	**2007**	**2008**	**2009**	**2010**	**2011E**	**2012E**
Accounting standards :	IFRS						
Key data income statement							
Rental income (EUR'000)		4,326	12,392	10,460	12,081	11,580	12,159
EBITDA margin		neg.	64.5%	54.2%	58.9%	46.5%	51.6%
EBIT margin		neg.	neg.	neg.	23.7%	46.4%	51.5%
Net yield		124.7%	neg.	neg.	18.5%	54.0%	61.2%
Value adjustment ratio		16.8%	78.6%	60.9%	35.1%	0.0%	0.0%
Interest coverage ratio		1.2	0.4	0.2	-0.6	-1.2	-1.4
Profitability ratios							
ROE		5.7%	neg.	neg.	3.0%	7.8%	8.6%
ROI		2.3%	neg.	neg.	1.1%	3.3%	3.9%
Accounting ratios							
Equity ratio		41.1%	38.7%	35.7%	38.0%	41.7%	44.8%
Ratio of equity to non-current assets		44.1%	42.3%	39.2%	42.0%	44.3%	47.2%
Ratio of non-current assets to total assets		93.2%	91.6%	91.0%	90.6%	94.1%	94.9%
Trade accounts receivables/Sales		20.1%	12.1%	12.5%	10.7%	11.7%	11.4%
Key data per share (EUR)							
EPS		2.29	-1.41	-0.31	0.24	0.67	0.79
Free cash flow per share		-24.05	2.66	0.11	1.38	0.54	0.37
Dividend per share		0.00	0.00	0.00	0.10	0.10	0.15
Cash and cash equivalents per share		2.28	1.49	0.88	1.27	0.76	0.59
Book value per share		40.11	8.16	7.73	7.93	8.49	9.18
Valuation ratios							
EV/Sales		29.0	10.7	13.1	10.5	11.0	10.5
EV/EBITDA		neg.	neg.	neg.	42.6	23.6	20.3
EV/EBIT		neg.	neg.	neg.	44.3	23.7	20.3
PER		3.5	neg.	neg.	17.9	7.1	5.9
Price to book value ratio		0.2	0.7	0.5	0.5	0.6	0.5
Price to cash flow ratio		-0.3	neg.	neg.	neg.	neg.	neg.
Price to sales ratio		4.3	4.3	3.5	3.3	3.8	3.6
Dividend yield		0.0%	0.0%	0.0%	2.4%	2.1%	3.2%

Source: Independent Research; Fair Value REIT-AG

Fair Value REIT-AG

Consolidated income statement

Unit :	EUR'000						
Fiscal year :	Dec 31	**2007**	**2008**	**2009**	**2010**	**2011E**	**2012E**
Accounting standards :	IFRS						
Rental income		**4,326**	**12,392**	**10,460**	**12,081**	**11,580**	**12,159**
year-on-year growth		-	186.5%	-15.6%	15.5%	-4.1%	5.0%
Operating income and incidental costs		264	1,303	1,505	2,363	1,595	1,602
Expenses for investment properties		2,038	2,912	3,437	4,909	5,400	5,400
Net rental result		**2,552**	**10,783**	**8,528**	**9,535**	**7,775**	**8,361**
year-on-year growth		-	322.5%	-20.9%	11.8%	-18.5%	7.5%
General administrative expenses		3,502	3,797	2,611	2,252	2,300	2,000
as percentage of rental income		81.0%	30.6%	25.0%	18.6%	19.9%	16.4%
Other operating income and expenses (total)		-135	-351	-84	-69	-100	-100
as percentage of rental income		neg.	neg.	neg.	neg.	neg.	neg.
Result from sale of investment properties		0	1,345	-190	-109	0	0
as percentage of rental income		0.0%	10.9%	neg.	neg.	0.0%	0.0%
Valuation result		-725	-9,734	-6,370	-4,238	0	0
as percentage of rental income		neg.	neg.	neg.	neg.	0.0%	0.0%
Operating income		**-1,810**	**-1,754**	**-727**	**2,867**	**5,375**	**6,261**
as percentage of rental income		neg.	neg.	neg.	23.7%	46.4%	51.5%
Income from participations		**7,638**	**-7,075**	**1,401**	**3,873**	**4,200**	**4,400**
as percentage of rental income		176.6%	neg.	13.4%	32.1%	36.3%	36.2%
Expenses for going public		1,825	0	0	0	0	0
Net interest expenses		-1,491	-4,907	-4,525	-4,765	-4,500	-4,600
as percentage of rental income		neg.	neg.	neg.	neg.	neg.	neg.
Financial result		**334**	**-4,907**	**-4,525**	**-4,765**	**-4,500**	**-4,600**
as percentage of rental income		7.7%	neg.	neg.	neg.	neg.	neg.
Profit (loss) before taxes		**6,162**	**-13,736**	**-3,851**	**1,975**	**5,075**	**6,061**
as percentage of rental income		142.4%	neg.	neg.	16.3%	43.8%	49.8%
Income taxes		0	0	0	2	0	0
Profit (loss) before minority interests		**6,162**	**-13,736**	**-3,851**	**1,977**	**5,075**	**6,061**
Minority interest in the result		-768	435	945	255	1,183	1,377
Net profit (loss)		**5,394**	**-13,301**	**-2,906**	**2,232**	**6,258**	**7,438**
as percentage of rental income		124.7%	neg.	neg.	18.5%	54.0%	61.2%
Number of shares ('000)		2,360	9,407	9,407	9,407	9,407	9,407
EPS (EUR)		**2.29**	**-1.41**	**-0.31**	**0.24**	**0.67**	**0.79**
DPS (EUR)		0.00	0.00	0.00	0.10	0.10	0.15

Source: Independent Research; Fair Value REIT-AG

Fair Value REIT-AG

Consolidated balance sheet

Unit :	EUR'000						
Fiscal year :	Dec 31	**2007**	**2008**	**2009**	**2010**	**2011E**	**2012E**
Accounting standards :	IFRS						
Assets							
Intangible assets		2	2	4	3	3	3
Property, plant and equipment		31	22	12	7	7	7
Investment properties		150,070	130,740	137,587	128,650	128,650	128,650
Properties under construction		566	0	0	0	0	0
Equity-accounted investments		58,909	48,443	47,442	48,551	51,251	54,151
Fiancial assets (non-current)		5,005	2,319	348	269	269	269
Total non-current assets		**214,583**	**181,526**	**185,393**	**177,480**	**180,180**	**183,080**
Non-current assets available for sale		5,700	0	8,237	2,500	0	0
Trade receivables		869	1,502	1,307	1,291	1,356	1,389
Other receivables and assets		3,826	1,176	591	2,717	2,853	2,995
Cash and cash equivalents		5,381	14,039	8,281	11,975	7,149	5,524
Total current assets		**15,776**	**16,717**	**18,416**	**18,483**	**11,357**	**9,909**
Total assets		**230,359**	**198,243**	**203,809**	**195,963**	**191,537**	**192,989**
Equity and liabilities							
Subscribed capital		47,034	47,034	47,034	47,034	47,034	47,034
Share premium		46,167	46,167	46,167	46,167	46,167	46,167
Retained earnings (loss carried forward)		1,462	-11,839	-14,745	-12,513	-7,196	-698
Reserve for changes in value		0	-4,575	-5,446	-5,732	-5,732	-5,732
Treasury shares		0	0	-290	-398	-398	-398
Total equity		**94,663**	**76,787**	**72,720**	**74,558**	**79,875**	**86,373**
Minority interests		18,487	16,505	15,296	14,494	13,311	11,934
Financial liabilities		57,116	78,352	104,004	87,556	78,800	74,860
Other liabilities		494	4,496	5,313	5,227	5,358	5,492
Total non-current liabilities		**76,097**	**99,353**	**124,613**	**107,277**	**97,469**	**92,286**
Provisions		255	334	261	241	241	241
Financial liabilities		55,018	15,905	4,312	11,547	11,316	11,090
Trade payables		2,617	1,359	809	1,083	1,354	1,692
Other current liabilities		1,709	4,505	1,094	1,257	1,282	1,308
Total current liabilities		**59,599**	**22,103**	**6,476**	**14,128**	**14,193**	**14,331**
Total equity and liabilities		**230,359**	**198,243**	**203,809**	**195,963**	**191,537**	**192,989**

Source: Independent Research; Fair Value REIT-AG

Fair Value REIT-AG

Consolidated cash flow statement

Unit : EUR'000 Fiscal year : Dec 31 Accounting standards : IFRS	2007	2008	2009	2010	2011E	2012E
Net profit (deficit)	**5,394**	**-13,301**	**-2,906**	**2,232**	**6,258**	**7,438**
Income tax expense	0	0	0	-8	0	0
Amortisation/depreciation of intangible assets and property, plant and equipment	3	11	26	10	10	10
Profits from the disposal of investment properties	0	-1,345	190	109	0	0
Valuation result	725	9,734	6,370	4,238	0	0
Income from equity-accounted investments	-7,638	7,075	-1,401	-3,873	-4,200	-4,400
Withdrawls from equity-accounted investments	1,418	2,519	1,902	2,758	1,500	1,500
Losses from the sale of subsidiaries	3,080	0	0	0	0	0
Income from the disposal of participating interests	-180	0	0	0	0	0
Income from beneficial acquisition of participations	-3,155	0	0	0	0	0
Income from restructuring of a financial liability	0	-1,469	0	0	0	0
Loss/profit for minority interests	768	-435	-945	-255	-1,183	-1,377
Disbursement to minority interests	-1,371	-1,256	-397	-469	0	0
Result from the valuation of derivative financial instruments	-16	88	108	-113	0	0
Expenses connected to compensation payment received	0	1,880	0	169	0	0
FFO (funds from operations) subtotal	**-972**	**3,501**	**2,947**	**4,798**	**2,385**	**3,171**
Compensation payment received	0	15,438	0	500	0	0
Expenses connected to compensation payment received	0	-1,880	0	-169	0	0
(Increase)/decrease in trade receivables	-612	-633	249	16	-65	-34
(Increase)/decrease in other liabilities	-1,944	3,524	-53	-39	-136	-143
(Decrease)/increase in provisions	188	79	-85	-20	0	0
(Decrease)/increase in trade payables	2,504	-1,258	-639	274	271	338
(Decrease)/increase in other liabilities	-51	2,725	-3,679	-231	156	160
Cash flow from operating activities	**-887**	**21,496**	**-1,260**	**5,129**	**2,611**	**3,493**
Cash and cash equivalents from acquired subsidiaries	12,614	0	0	0	0	0
Payments for the purchase of interests in associated companies	-10,948	-9	-67	-13	0	0
Proceeds from the sale of subsidiaries	0	4,705	0	76	0	0
Cash and cash equivalent reduction from sold subsidiaries	-1,037	0	0	0	0	0
Cash and cash equivalent reduction from participating interests no longer fully consildated but equity-accounted	-4,318	0	0	0	0	0
Income from the disposal of investment properties	0	15,068	403	8,128	0	0
Investments in investment propert./ propert. under construction	-52,331	-13,892	-74	-301	2,500	0
Income (payment) related to non-current assets	0	-2,300	2,050	0	0	0
Investm. in property, plant and equipm. and intangible assets	-36	-2	-18	-4	-10	-10
Income from the sale of property ownership certificates	190	0	0	0	0	0
Cash flow from investment activities	**-55,866**	**3,570**	**2,294**	**7,886**	**2,490**	**-10**
Dividend distribution	0	0	0	0	-941	-941
Capital contribution	16,835	0	-290	-108	0	0
Payments for capital procurement	-1,117	0	0	0	0	0
Receipts from financial liabilities	51,398	46,959	80	0	-8,987	-4,166
Repayment from financial liabilities	-1,758	-63,367	-8,421	-9,213	0	0
Cash flow from financing activities	**65,358**	**-16,408**	**-8,631**	**-9,321**	**-9,927**	**-5,107**
Change in cash and cash equivalents	8,605	8,658	-5,758	3,694	-4,826	-1,624
Cash and cash equivalents - start of period	13	8,618	14,039	8,281	11,975	7,149
Cash and cash equivalents - end of period	**8,618**	**17,276**	**8,281**	**11,975**	**7,149**	**5,524**

Source: Independent Research; Fair Value REIT-AG

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.

Compulsory information required under Section 34b of the German Securities Trading Act (WpHG) and the Financial Analysis Regulation

Key sources of information

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: 04/21/2011

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