

## FAIR VALUE REIT-AG

GERMANY / REAL ESTATE

Primary exchange: Frankfurt  
 Bloomberg symbol: FVI GR  
 ISIN: DE000A0MW975

RATING:	<b>Buy</b>
PRICE TARGET:	<b>€7.80</b>
RETURN POTENTIAL:	<b>84.5%</b>
RISK RATING:	<b>Medium</b>

### INITIATING COVERAGE

**Fair Value REIT-AG is a German real estate investment trust focused on long-term leased office and retail properties in attractive “B” locations and regional centres. The company is characterised by a stable and profitable business model. Beginning in 2012, optimisation of financing costs will lead to an increase in profitability. Based on the company’s portfolio data as of the end of December 2011, we initiate coverage of Fair Value REIT-AG with a €7.80 price target and a Buy recommendation.**

**Attractive portfolio** Fair Value REIT-AG focuses on office and retail properties in good to excellent locations. With regard to property investments, demanding investment criteria maintain the portfolio’s quality. Amongst others, the firm has minimum requirements regarding rental yields and prefers high-quality tenants as well as long-term lease contracts. Currently, Fair Value REIT-AG’s real estate portfolio consists of 73 directly or indirectly held properties in Germany. As of 31 December 2011, market value of Fair Value REIT-AG’s stake in the portfolio amounted to €222m.

**Increasing profitability** Beginning in 2012, optimisation of financing terms is expected to lower financing costs significantly and thus improve the firm’s profitability in a sustainable manner. Moreover, management is confident to further optimise operating and real-estate related costs in Fair Value REIT-AG’s already lean organisation structure.

**Significant discount to NAV** Our combined DCF/NAV valuation model yields a price target of €7.80. Fair Value REIT-AG’s valuation is based on our base case scenario that follows the firm’s 2012-2016 guidance. At the current share price level, the company’s stock is traded with a significant discount to the NAV per share. We also analysed a less conservative scenario to show Fair Value REIT-AG’s hidden potential.

### FINANCIAL HISTORY & PROJECTIONS

	2009	2010	2011	2012E	2013E	2014E
Revenue (€m)	11.97	14.33	13.33	13.51	13.65	13.77
Y-o-y growth	n.a.	19.8%	-7.0%	1.3%	1.1%	0.9%
EBIT (€m)	-0.73	2.87	6.75	6.56	6.79	6.83
EBIT margin	-6.1%	20.0%	50.6%	48.6%	49.7%	49.6%
Net income (€m)	-2.91	2.23	4.59	5.02	5.96	6.24
EPS (diluted) (€)	-0.31	0.24	0.49	0.54	0.64	0.67
EV / Sales (x)	10.3	8.6	9.2	9.1	9.0	9.0
EV / EBIT (x)	n.a.	43.0	18.3	18.8	18.2	18.0
P/E (x)	n.a.	17.7	8.6	7.9	6.6	6.3
DPS (€)	0.00	0.10	0.08	0.10	0.11	0.12
Yield	0.0%	2.4%	1.9%	2.4%	2.6%	2.8%
FCF (€m)	-1.28	5.13	3.58	1.72	2.77	3.13
Equity ratio	35.7%	38.2%	40.5%	41.9%	43.4%	45.1%
Liquid assets (€m)	8.28	11.98	7.73	7.62	7.97	7.78

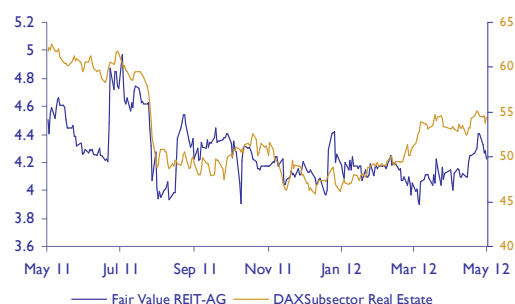
### COMPANY PROFILE

Fair Value REIT-AG is a real estate investment trust. The firm invests directly and indirectly in real estate. The company focuses on long-term leased office and retail properties in attractive “B” locations and regional centres.

### TRADING DATA

Closing price (10.05.12)	€4.23
Shares outstanding	9.33m
Market capitalisation	€39.43m
52-week range	€3.90/4.97
Av. vol. (six months)	5,569

### STOCK OVERVIEW



### COMPANY DATA (as of 31 December 2011)

Liquid assets	€7.73m
Current assets	€11.30m
Intangible assets	€0.18m
Total assets	€191.38m
Current liabilities	€40.41m
Shareholders’ equity	€77.47m

### SHAREHOLDERS

H.F.S.	30.5%
IC	18.1%
IFB	5.4%
Other	7.7%
Free Float	38.4%

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## INVESTMENT CASE

### ATTRACTIVE REAL ESTATE PORTFOLIO

The company focuses on office and retail properties in good to excellent locations. Fair Value REIT-AG has very demanding investment criteria to maintain the portfolio's quality. The firm has minimum requirements regarding rental yields and prefers high-quality tenants as well as long-term lease contracts. Currently, the group's real estate portfolio consists of 73 properties in Germany with a total rentable space of 432,000m<sup>2</sup>. Fair Value REIT-AG holds 31 properties directly. Interests in 19 buildings are held by six subsidiaries, 23 properties are held by six associated companies. As of 31 December 2011, the total portfolio had a market value of €488m. Fair Value REIT-AG's stake in the total portfolio amounted to €222m.

### HIGHER PROFITABILITY THROUGH COST OPTIMISATION...

Even though the company already has a lean organisational structure, cost optimisation will increase Fair Value REIT-AG's profitability in the future. Especially optimisation of financing terms in 2012 and 2013 is expected to lower financing costs significantly (due to lower interest rates) and thus improve the firm's profitability in a sustainable manner.

### ...AND INVESTMENTS IN WELL-KNOWN PROPERTIES

Profitability is also expected to improve due to increased shares in Fair Value REIT-AG's subsidiaries and associated companies as well as through an increased share of directly held buildings in the group's real estate portfolio (reduced administration costs on participation level). Currently, 42 buildings of the group's portfolio are held by subsidiaries and associated companies. Fair Value REIT-AG has minority or majority stakes in these companies. Investments in existing participations by increasing Fair Value REIT-AG's stake in these real estate companies would be cost efficient (no land transfer taxes via share deals) and would limit investment risks as these firms are well known by Fair Value REIT-AG. Furthermore, a transfer of selected properties actually held by participations into direct ownership could reduce administration costs on the participation level as well.

### REALISATION OF HIDDEN RESERVES

Fair Value REIT-AG is a German real estate investment trust (REIT) and thus has to pay no corporation tax and business tax at company level. In return, at least 90% of net income (based on German GAAP) have to be distributed to investors. REITs are limited with regard to selling real estate. However, hidden reserves (according to German GAAP) can be realised through selective property sales.

### ATTRACTIVE VALUATION

At the current share price level, Fair Value REIT-AG's shares are traded with a significant discount to the company's NAV per share. Moreover, the firm's hidden potential is not included in our base case scenario valuation.



## SWOT ANALYSIS

### STRENGTHS

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- **REIT status** Fair Value REIT-AG is a German REIT. The firm thus pays no corporation and business tax at company level. In return, Fair Value REIT-AG has to distribute at least 90% of net income to its shareholders.
- **Lean organisational structure** Fair Value REIT-AG's management focuses on strategic and risk management as well as investor relations. Other operating functions like accounting and property management are outsourced to IC Immobilien Service GmbH, a subsidiary of IC Immobilien Holding AG.
- **Good real estate portfolio** As a result of the company's demanding investment criteria (see corresponding chapter), Fair Value REIT-AG holds an attractive and regionally well-diversified real estate portfolio in Germany.
- **High transparency** Due to German REIT Act regulations (e.g. exclusion of real estate trading), Fair Value REIT-AG's business development is relatively good to predict. In addition to forecasts that are required by law, the firm's management thus also publishes mid-term forecasts.

### WEAKNESSES

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- **Limited organic growth opportunities** Because German REITs have to distribute at least 90% of net income to investors, Fair Value REIT-AG's organic growth opportunities are limited. Since debt financing is also limited (minimum REIT specific equity ratio of at least 45% requirement by law), REITs have to grow mainly through capital increases.
- **Share traded below par value** At the current share price level, Fair Value REIT-AG's shares trade below their par value. A capital increase to pursue the firm's growth strategy is thus not possible at the moment.
- **Dependency on key personnel** To a large extent, Fair Value REIT-AG's successful development in the past years (e.g. ability to pay dividends) is a result of Frank Schaich being the company's CEO. Mr Schaich has more than 25 years of experience in real estate markets. He has extensive know-how in syndicating, financing, and placing closed-end real estate funds as well as in asset and portfolio management.



## OPPORTUNITIES

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- **Well-known investment opportunities** Fair Value REIT-AG has majority or minority stakes in more than 40 properties that are held by subsidiaries and associated companies. For the firm, those buildings are investment opportunities with relatively low risk (e.g. term of lease and quality of tenants is already known). Since investments in these properties would be share deals, transaction costs would also be lower due to the omission of associated costs (for example payment of real estate transfer tax).
- **Lower financing costs** Repayment of financial liabilities and lower interest rates on rearranged debt will lower the firm's financing costs and thus increase profitability.
- **Significant discount to NAV** At the current share price level, Fair Value REIT-AG's shares trade with a significant discount to its NAV per share. Due to the remarkable gap between share price and NAV per share, there is a high probability of an increasing share price.

## THREATS

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- **Impairment tests** An anew downturn of the German real estate market could drag down the market value of Fair Value REIT-AG's properties, narrowing the gap between share price and NAV per share in an unfavourable manner.
- **Unfavourable interest rate development** Debt financing could become more expensive in case of an unfavourable development of interest rates and bank margins, thus burdening the company's profitability.
- **Loss of REIT status** Attractiveness to shareholders could decrease if Fair Value REIT-AG would lose its REIT status (e.g. equity requirements are not met any longer).



## VALUATION

We have a price target of €7.80 on the Fair Value REIT-AG stock. We derive this fair value estimate from our combined DCF valuation model and NAV valuation model (50/50).

### TWO SCENARIOS

Our price target is based on our **base case** scenario for Fair Value REIT-AG. To a large extent, this conservative scenario is based on the firm's guidance for FYs 2012E to 2016E. Our best case scenario is less conservative and unlocks the firm's hidden potential.

### BASE CASE SCENARIO - DCF MODEL

In order to determine Fair Value REIT-AG's Weighted Average Cost of Capital (WACC), we use our proprietary multi-factor risk model, which takes company-specific risk factors into account, such as management strength, balance sheet and financial risk, competitive position and company size. We assign a medium risk rating to the company.

Our WACC calculation of 9.6% is based on a risk-free rate of 3.0%, a market risk premium of 4.0% and a terminal effective tax rate of 0%. In our DCF model we use a planning period until 2026 (table below only displays figures until 2019 due to layout reasons) and a terminal sales growth rate of 1.0%.

Our DCF analysis suggests a fair market value of €87.29m for Fair Value REIT-AG, or €9.40 per share (based on 9.33m shares outstanding).

DCF valuation model								
All figures in EUR '000	2012F	2013F	2014F	2015M	2016M	2017M	2018M	2019M
Net sales	13,507	13,654	13,773	13,821	14,035	14,244	14,449	14,649
NOPLAT	6,565	6,787	6,834	6,346	7,181	7,288	7,393	7,496
Net operating cash flow	6,565	6,787	6,834	6,346	7,181	7,288	7,393	7,496
- Total investments (CAPEX and WoCa)	-2,950	-3,030	-2,998	-3,180	-3,101	-3,142	-3,181	-3,219
Thereof: capital expenditures	-3,025	-3,015	-3,009	-3,058	-3,100	-3,140	-3,180	-3,218
Free cash flows (FCF)	3,615	3,757	3,836	3,166	4,080	4,146	4,212	4,276
PV of FCF's	3,410	3,235	3,015	2,271	2,671	2,478	2,298	2,129
All figures in thousands								
PV of FCFs in explicit period	32,562							
PV of FCFs in terminal period	10,361							
Enterprise value (EV)	42,923							
+ Net cash / - net debt	-83,302							
+ Investments	127,671							
Shareholder value	87,292							
Fair value per share in EUR	9.40							
WACC	9.6%							
Cost of equity	14.2%							
Pre-tax cost of debt	5.8%							
Tax rate	0.0%							
After-tax cost of debt	5.8%							
Share of equity capital	45.0%							
Share of debt capital	55.0%							
Fair value per share in EUR	9.40							

WACC	Terminal growth rate						
	-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%
5.6%	7.39	9.18	11.23	12.83	14.12	15.17	16.05
6.6%	7.46	8.91	10.35	11.52	12.50	13.33	14.05
7.6%	7.52	8.67	9.71	10.59	11.35	12.01	12.59
8.6%	7.55	8.44	9.22	9.90	10.49	11.02	11.49
9.6%	7.53	8.23	8.83	9.36	9.83	10.25	10.63
10.6%	7.42	8.04	8.51	8.93	9.30	9.64	9.95
11.6%	7.13	7.87	8.24	8.57	8.87	9.15	9.40
12.6%	6.45	7.71	8.00	8.27	8.52	8.74	8.95



## BASE CASE SCENARIO – NET ASSET VALUE ANALYSIS

Our NAV analysis for the current fiscal year is based on Fair Value REIT-AG's calculation of its "balance sheet NAV". Our NAV analysis suggests a market value of €81.56m for Fair Value REIT-AG, or €8.75 per share (based on 9.33m shares outstanding).

Net Asset Value valuation model	2010A	2011A	2012E
<b>Balance sheet</b>			
Market value of properties (including properties available for sale)	131,150	130,227	130,579
Equity-accounted participations	48,551	50,748	53,652
Miscellaneous assets minus miscellaneous liabilities	9,757	3,257	2,824
Minority interests	-14,494	-14,736	-15,707
Financial liabilities	-99,103	-91,027	-88,855
Other liabilities	-1,303	-997	-931
<b>NAV</b>	<b>74,558</b>	<b>77,472</b>	<b>81,562</b>
Shares outstanding	9,326	9,326	9,326
<b>NAV per share</b>	<b>8.00</b>	<b>8.31</b>	<b>8.75</b>

Shares of almost all listed German real estate companies are traded at a discount to their NAV per share (see table below). In order to consider this industry-specific factor in our valuation model, we determined a market discount to calculate a *fair* NAV for Fair Value REIT-AG's share. Considering the market discount of roughly 30%, Fair Value REIT-AG's NAV per share is €6.20.

Peer Group discount to NAV			
Company	NAV per share*	Closing price**	Discount
Alstria Office REIT-AG	11.32	8.18	-27.7%
Deutsche Euroshop AG	27.65	28.00	1.3%
DIC Asset AG	14.93	6.34	-57.5%
Hamborner REIT-AG	8.77	7.52	-14.3%
POLIS Immobilien AG	13.58	9.40	-30.8%
VIB Vermögen AG	12.22	8.07	-34.0%
Average			-27.2%
Median			-29.3%

\* as of Dec 31, 2011 \*\* as of May 10, 2012

Source: Bloomberg, Company data



## BEST CASE SCENARIO - DCF MODEL

Based on slight changes to the above-mentioned valuation parameters (balance sheet equity ratio of 40% instead of 45%; thus WACC of 9.1% instead of 9.6%), our best case DCF model suggests a fair market value of €170.9m. In our best case valuation, we assume that Fair Value REIT-AG uses its authorised capital amounting to €21.25m in the current fiscal year (issuance of 4.25m new shares at €5.00). Consequently, the number of outstanding shares increases to 13.58m. However, despite the dilutive effect our best case DCF model yields a fair market value of €12.60 per share.

The best case scenario is based on a higher equity position following the capital increase. As a result, Fair Value REIT-AG can also increase the amount of financial debt to finance growth. However, regarding leverage, the company is limited by the REIT Act regulations and has to maintain a REIT equity ratio (balance sheet equity plus minority interest in subsidiaries divided by immovable assets) of more than 45%.

As a result of investing these additional liquid funds (proceeds from capital increase and financial debt), most of Fair Value REIT-AG's free cash flows are negative in the explicit period. To a large extent, the present value of free cash flows after the explicit period (terminal value) is thus decisive for the company's best case enterprise value.

A detailed explanation of our best case scenario forecasts is given in the "estimates" section.

DCF valuation model									
All figures in EUR '000	2012F	2013F	2014F	2015M	2016M	2017M	2018M	2019M	
Net sales	13,507	16,979	21,929	26,671	31,503	32,205	37,942	38,685	
NOPLAT	6,191	9,412	12,068	14,409	17,388	17,905	21,378	21,623	
Net operating cash flow	6,191	9,412	12,068	14,409	17,388	17,905	21,378	21,623	
- Total investments (CAPEX and WoCa)	-13,676	-28,681	-19,600	-22,990	-29,509	-3,688	-29,097	-3,920	
Thereof: capital expenditures	-13,752	-28,411	-19,535	-22,850	-29,391	-3,675	-28,958	-3,907	
Free cash flows (FCF)	-7,486	-19,268	-7,531	-8,581	-12,120	14,217	-7,719	17,703	
PV of FCF's	-7,079	-16,696	-5,980	-6,243	-8,079	8,684	-4,320	9,079	
All figures in thousands									
PV of FCFs in explicit period	2,111								
PV of FCFs in terminal period	124,437								
Enterprise value (EV)	126,548								
+ Net cash / - net debt	-83,302								
+ Investments	127,671								
Shareholder value	170,917								
Fair value per share in EUR	12.60								
Terminal growth rate									
WACC	9.1%								
Cost of equity	14.2%								
Pre-tax cost of debt	5.8%								
Tax rate	0.0%								
After-tax cost of debt	5.8%								
Share of equity capital	40.0%								
Share of debt capital	60.0%								
Fair value per share in EUR	12.60								
		Terminal growth rate							
		-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	
5.1%	30.92	32.29	33.96	36.03	38.67	42.16	46.97		
6.1%	23.69	24.41	25.25	26.27	27.50	29.03	30.98		
7.1%	18.63	19.02	19.46	19.98	20.58	21.31	22.19		
8.1%	14.97	15.18	15.41	15.67	15.97	16.32	16.74		
9.1%	12.24	12.35	12.46	12.59	12.74	12.90	13.09		
10.1%	10.17	10.21	10.26	10.32	10.38	10.45	10.53		
11.1%	8.56	8.57	8.58	8.60	8.62	8.63	8.65		
12.1%	7.25	7.26	7.27	7.27	7.28	7.29	7.29		





## BEST CASE SCENARIO – NET ASSET VALUE ANALYSIS

Our NAV analysis suggests a fair market value of €102.57m, or €7.56 per share (based on the above mentioned 13.58m outstanding shares following the capital increase). Considering the market discount of roughly 30%, Fair Value REIT-AG's NAV per share is €5.35.

Fair Value REIT-AG's NAV development in the current fiscal year is mainly characterised by the capital increase – especially with regard to NAV per share development (dilution). However, in the best case scenario, additional value will be recognised throughout the whole explicit planning period as a result of the capital increase. In our view, the significance of our best case scenario NAV analysis based on the firm's 2012E NAV is thus limited.

Net Asset Value valuation model	2010A	2011A	2012E
<b>Balance sheet</b>			
Market value of properties (including properties available for sale)	131,150	130,227	136,004
Equity-accounted participations	48,551	50,748	51,509
Miscellaneous assets minus miscellaneous liabilities	9,757	3,257	12,635
Minority interests	-14,494	-14,736	-7,711
Financial liabilities	-99,103	-91,027	-88,942
Other liabilities	-1,303	-997	-931
<b>NAV</b>	<b>74,558</b>	<b>77,472</b>	<b>102,565</b>
Shares outstanding	9,326	9,326	13,576
<b>NAV per share</b>	<b>8.00</b>	<b>8.31</b>	<b>7.56</b>



## REAL ESTATE INVESTMENT TRUSTS IN GERMANY

A real estate investment trust or REIT is a corporate entity investing in real estate. REITs do not have to pay corporation tax and business tax at company level. In return, at least 90% of net income (based on German GAAP) have to be distributed to investors. However, the dividends are taxable at shareholder level. The most important requirements and Fair Value REIT-AG's latest key indicators are shown in the following table.

Fair Value REIT-AG's key REIT criteria 2011			
Criteria	REIT Act	Requirement	Reported
Free float	§ 11	≥ 15%	36.4%
Asset requirements	§ 12, para. 2a	≥ 75%	94.9%
Income requirements	§ 12, para. 3a	≥ 75%	100.0%
Minimum distribution to shareholders	§ 13	≥ 90%	97.6%
Restriction of real estate trading	§ 14	≤ 50%	19.1%
Minimum equity requirement	§ 15	≥ 45%	51.0%

Source: Fair Value REIT-AG

## BUSINESS MODEL

Fair Value REIT-AG is a real estate investment trust headquartered in Munich. The firm invests directly and indirectly (i.e. acquisition of equity stakes in not publicly listed companies) in real estate. Investments are made in cash or through non-cash capital contributions (i.e. Fair Value REIT-AG shares). The groups' properties are held in Fair Value REIT-AG and its subsidiaries. Profit and loss of associated companies (where Fair Value REIT-AG holds minority interests in) are shown separately in the group's income statement.

Fair Value REIT-AG: Group structure		
Fully consolidated subsidiaries		Interest*
GP Value Management GmbH	("GPVM")	100.00%
BBV 3 Geschäftsführungs-GmbH & Co. KG	("FV03")	100.00%
BBV 6 Geschäftsführungs-GmbH & Co. KG	("FV06")	100.00%
BBV 9 Geschäftsführungs-GmbH & Co. KG	("FV09")	100.00%
BBV 10 Geschäftsführungs-GmbH & Co. KG	("FV10")	100.00%
BBV 14 Geschäftsführungs-GmbH & Co. KG	("FV14")	100.00%
IC Fonds & Co. Büropark Teltow KG	("IC 07")	76.74%
IC Fonds & Co. Forum Neuss KG	("IC 03")	71.58%
IC Fonds & Co. München Karlsfeld KG	("IC 01")	56.29%
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG	("BBV 06")	56.18%
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG	("BBV 03")	54.02%
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG	("IC 13")	50.04%

\* Fair Value REIT-AG's stake as of 31 Dec 2011

Source: Fair Value REIT-AG



Fair Value REIT-AG: Group structure		
Associated companies		Interest*
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG	("BBV 14")	45.12%
IC Fonds & Co. SchmidtBank-Passage KG	("IC 12")	40.34%
BBV Immobilien-Fonds Erlangen GbR	("BBV 02")	41.05%
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG	("IC 15")	38.94%
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG	("BBV 10")	38.43%
BBV Immobilien-Fonds Nr. 9 GmbH & Co. KG	("BBV 09")	25.17%

\* Fair Value REIT-AG's stake as of 31 Dec 2011

Source: Fair Value REIT-AG

## INVESTMENT APPROACH

Fair Value REIT-AG focuses on long-term leased office and retail properties in attractive “B” locations and regional centres. The firm also invests in mixed-used commercial properties with partial retail use in good to excellent locations. With regard to the acquisition of minority stakes in other real estate companies, the group focuses on investments in profitable real estate partnerships (including closed-end real estate funds).

**Investment locations** The company concentrates on investments in secondary cities (“B” locations) and regional centres with more than 100,000 inhabitants. Germany’s metropolitan regions (“A” locations) Berlin, Dusseldorf, Cologne, Frankfurt/Main, Munich and Stuttgart are also investment locations for Fair Value REIT-AG. In general, the firm prefers to invest in Germany’s “old” federal states (former West Germany).

**Kinds of use** Fair Value REIT-AG focuses on office and retail properties. Investments in mixed-use commercial properties are also possible.

**Investment criteria** The firm’s real estate investments range between €5m and €30m. Fair Value REIT-AG only invests in properties that generate a net initial yield of at least 6% (based on all-in costs) in “A” locations or 7% in “B” locations.

Numerous additional investment criteria regarding e.g. occupation (occupation level more than 50%), tenant structure (high-quality tenants preferred), terms of lease (mid- to long-term), year of construction (recently built properties preferred) and infrastructure (for example public transportation connection) have also to be met.



## REAL ESTATE PORTFOLIO

Currently, Fair Value REIT-AG's portfolio consists of 73 properties. The buildings are located in 12 out of 16 German federal states. The total rentable space amounts to 432,000m<sup>2</sup>.

Fair Value REIT-AG holds 31 properties directly (rentable space around 43,000m<sup>2</sup>). Interests in 19 buildings with a rentable space of approximately 120,000m<sup>2</sup> are held by six subsidiaries. The remaining 23 properties with a rentable space of roughly 269,000m<sup>2</sup> are held by six associated companies.

As of 31 December 2011, the total portfolio (including all above mentioned real estate) had a market value of €488m. Fair Value REIT-AG's stake in the total portfolio amounted to €222m.

Regional property distribution (in % of market values)		Tenant structure (in % of contractual rent)	
Schleswig-Holstein	23	Sparkasse Südholstein	15.5
Mecklenburg-West Pomerania	14	Metro Group	10.4
North Rhine-Westphalia	13	Edeka Group	10.0
Brandenburg	11	BBV Holding AG	6.0
Lower Saxony	8	Kaufland Group	5.2
Thuringia	7	Schweizerhof Hotel	5.0
Saxony	7	Commerzbank Group	3.7
Saxony-Anhalt	6	HPI Germany	3.4
Hesse	4	Federal Employment Agency	2.4
Bavaria	4	Energiebau	2.3
Berlin	3	Other	36.1
Rhineland-Palatinate	<1		

Occupancy rate (in % of potential rent)		Weighted average lease terms (in years)	
2007	97	2007	6.9
2008	95	2008	6.6
2009	96	2009	6.3
2010	94	2010	6.2
2011	94	2011	6.0
Ø2007-2011	95	Ø2007-2011	6.4

Remaining terms of the leases in % of contractual rents		Distribution by type of use (in % of potential rent)	
Contract expiry in year		Retail	44
2012	6.5	Office	42
2013	22.6	Other	14
2014	7.1		
2015	8.3		
2016	3.5		
2017	8.3		
2018	4.2		
2019	6.7		
2020	3.7		
>2020	24.5		
Indefinite	4.8		

Source: Fair Value REIT-AG



## LATEST DEVELOPMENT AND OUTLOOK

### LATEST DEVELOPMENT

Fair Value REIT-AG generated net sales of €13.4m (FY10: €14.44m) in FY 2011. Net rental income came in at €8.8m (FY10: €9.5m). EBIT increased to €6.7m (FY10: €2.9m) - due mainly to a considerably improved valuation result y/y as part of the market valuation of the firm's real estate portfolio. Income from investments in associated companies totalled €3.3m (FY10: €3.9m). The decrease is a result of valuation losses at these companies following write-downs on some buildings. Consolidated net income (IFRS) for FY 2011 came in at €4.6m (FY10: €2.2m) or €0.49 (FY10: €0.24) per share.

Due to the disposal of real estate, funds from operations (net income adjusted for changes in market value and other one-off effects) decreased to €5.5m (FY10: €5.8m) or €0.59 (FY10: €0.62) per share.

NAV per share increased to €8.31 (end of 2010: €8.00). At 31 December 2011, Fair Value REIT-AG had an equity ratio of 50.8% (December 31, 2010: 49.6%).

Under HGB, retained earnings reported in the non-consolidated financial statements decreased to €0.8m (FY10: €1.0m) due to the weak income contribution of investments in associated companies. Thus, the company will be able to pay a dividend of merely €0.08 per share (guidance for 2011: at least €0.10 per share).

### GUIDANCE

For FY 2012, Fair Value REIT-AG predicts an increase in sales of 1% y/y to €13.5m. The operating result is expected to come in at €6.6m. Funds from operations are forecast to reach €4.8m or €0.52 per share.

Fair Value REIT-AG's guidance for FYs 2012E to 2016E (expected development according to EPRA and HGB) is shown in the following two tables.

Fair Value REIT Guidance 2012-2016					
EPRA earnings / FFO forecast (in €m)					
	2012E	2013E	2014E	2015E	2016E
<b>Net sales</b>	13.5	13.7	13.7	13.7	13.8
Real estate-related expenses	4.9	4.8	4.9	5.2	4.6
<b>Net rental income</b>	8.6	8.9	8.9	8.5	9.2
G&A expenses	2.0	2.1	2.1	2.1	2.1
<b>Operating result</b>	6.6	6.8	6.8	6.4	7.1
Income from participations	3.9	4.5	4.9	5.5	5.6
Net interest expenses	4.3	4.1	4.0	4.0	3.8
Minority interests	1.3	1.4	1.4	1.1	1.4
<b>EPRA earnings</b>	4.8	5.8	6.3	6.8	7.5
<b>EPRA earnings per share (in €)</b>	0.52	0.62	0.67	0.72	0.79

Source: Fair Value REIT-AG



<b>Fair Value REIT Guidance 2012-2016</b>					
<b>Individual financial statement of FV REIT AG (German GAAP, in €m)</b>					
	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
<b>Net sales</b>	<b>3.9</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>	<b>4.2</b>
Real estate-related expenses	1.9	1.8	1.8	1.8	1.8
<b>Net rental income</b>	<b>2.0</b>	<b>2.2</b>	<b>2.2</b>	<b>2.3</b>	<b>2.4</b>
G&A expenses	1.5	1.5	1.6	1.6	1.6
<b>Operating result</b>	<b>0.5</b>	<b>0.7</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>
Income from participations	1.8	2.6	2.5	2.5	2.9
Net interest expenses	2.2	2.1	2.1	2.0	1.9
<b>Net income from operating activities</b>	<b>0.1</b>	<b>1.2</b>	<b>1.0</b>	<b>1.2</b>	<b>1.8</b>
(Minimum) Dividend (in €m)	0.1	1.1	0.9	1.1	1.6
Shares outstanding (m)	9.326	9.326	9.326	9.326	9.326
(Minimum) DPS (in €)	0.01	0.12	0.10	0.12	0.17

Source: Fair Value REIT-AG

The first table shows the group's guidance regarding Funds from Operations (FFO) development in accordance with the European Public Real Estate Association's (EPRA) accounting principles. The second table shows how Fair Value REIT-AG's individual financial statements in accordance with German GAAP (HGB) are expected to develop in the next five years.

Management's assumptions are based on the current real estate portfolio and exclude exceptional items.



## ESTIMATES

Given our “two scenarios” approach for Fair Value REIT-AG, we have different estimates regarding the company’s future development. While our base case scenario is following the group’s detailed guidance for FYs 2012E to 2016E, our best case scenario shows the firm’s hidden potential.

### BASE CASE SCENARIO

Due mainly to annual adjustments to contractual rents, we expect sales to increase by 1.3% y/y to €13.51m in 2012. Based on real estate-related expenses amounting to €4.92m, net rental income will come in at €8.59m. Despite lower G&A costs of €2.05m, EBIT will decrease to €6.56m - due to the before mentioned increase in real estate-related expenses (+7.4% y/y). Like in previous years, we assume that the result from equity-accounted investments of €3.88m will be offset by the company’s financing costs (net financial result of €-4.45m). We expect net income to come in at €5.02m or €0.54 per share in 2012.

Due to the repayment of financial debt (net cash flows: €-0.11m; free cash flow: €1.72m), we expect liquid funds to decline slightly to €7.62m in 2012. Net debt will thus decline to €81.24m. As a result of the positive income development, we expect the company’s equity position to increase to €81.56m.

In 2013, we forecast an increase in sales of 1.1% y/y to €13.65m. Based on real estate-related expenses (€4.86m) and G&A costs (€2.07m) at the prior year’s level, EBIT is expected to increase to €6.79m. Following the rearrangement of financial debt in 2012, we forecast an improvement in the company’s net financial result to €-4.17m in 2013. Due to an increase in the result from equity-accounted investments (€4.50m), net income is expected to come in at €5.96m or €0.64 per share.

Based on the positive income development, free cash flow is expected to increase to €2.77m. Due to net cash flows amounting to €0.35m, Fair Value REIT-AG’s liquidity will improve to €7.97m. Net debt will further decrease to €79.40m. We expect the firm’s equity position to increase to €86.48m at the end of 2013.

Our forecasts for sales and operating expenses in subsequent years are similar to our 2012E and 2013E forecasts. We predict slight sales growth and a gradual increase in profitability due mainly to continued cost control and an increase in results from equity-accounted investments.



## BEST CASE SCENARIO

In our best case scenario, we assume that Fair Value REIT-AG uses its authorised capital of €21.25m in Q3 2012. 4.25m new shares are issued at €5.00. Due to the improved equity position, Fair Value REIT-AG is also able to increase its financial debt. Theoretically, Fair Value REIT-AG has more than €60m fresh capital without putting its REIT status at risk. The company has thus the chance to fuel future growth through investments in directly and indirectly held properties. We believe that the group will focus on highly profitable direct investments.

In our opinion, Fair Value REIT-AG will use the fresh cash to increase its stakes in subsidiaries and associated companies at first. Since these properties are well-known to the management, typical transaction risks (for example with regard to profitability of the newly acquired properties) are limited. Moreover, those share deals are less costly due to the omission of real estate transfer tax. We calculated the transaction volumes based on the company's investment criteria and also considered our peer group market discount of 30% (see "valuation" section).

Our 2012E sales forecast is similar to our base case sales forecast (€13.51m) since we assume that Fair Value REIT-AG will use proceeds from the capital increase to increase its stake in already consolidated subsidiaries first. We included the costs associated to the capital increase (roughly €0.4m) in the firm's G&A expenses of €2.42m. Thus, our EBIT forecast of €6.19m is below our base case EBIT forecast for 2012. The financial result (€-4.45m) and the result from equity-accounted investments (€3.88m) are also similar to our base case estimates. Based on lower minorities following the increased stake in subsidiaries, net income will come in at €5.20m or €0.38 per share.

Due to capital expenditures of €13.75m, free cash flow will be negative in 2012 (€-9.38m). However, as a result of the capital increase, net cash flows will amount to €10.13m. Thus, cash and cash equivalents will increase to €17.86m. Fair Value REIT-AG's equity position will improve to €102.56m due to the capital injection.

In 2013, we expect sales to increase to €16.98m due to the takeover of a previously associated BBV company. Real estate-related expenses of €5.24m and G&A costs of €2.82m are thus higher than in our 2013E base case model. However, EBIT of €9.41m is significantly higher than in our base case scenario due to the top-line growth and the sale of one building in Cologne. While we predict an improvement of the firm's net financial result to €-3.88m following the rearrangement of financial debt in 2012, the result from equity-accounted companies is forecast to decrease to €3.29m due to the takeover. Net income will thus come in at €8.33m in 2013. Due to the higher number of outstanding shares, EPS of €0.61 is below our base case EPS forecast for 2013.





As a result of the transaction, free cash flow will be negative in 2013 (€-21.17m). Because of debt financing in the amount of €13.51m (net), net cash flows will come in at €-8.52m in 2013. Liquid funds will thus decrease to €9.34m. Financing of the acquisition will cause an increase in financial debt (short- & long-term) to €102.46m. However, with an estimated equity ratio of 49.5% (REIT equity ratio of 54.3%) at the end of 2013, Fair Value REIT-AG is able to continue its growth strategy in subsequent years.

Rearrangement and repayment of financial debt is important in this context. Taking the currently low financing conditions into account, we modelled a gradual increase in financing costs. With regard to REIT Act requirements, we included a “buffer” in our financial modelling. For example, the company’s REIT equity ratio never falls below 50% and we only modelled the sale of two properties (fiscal years 2013 and 2014). In our financial forecast for the explicit valuation period (until FY 2026), we included further acquisitions in the fiscal years 2014 to 2016, 2018 and 2021 to 2024.

However, due to the above mentioned investments, Fair Value REIT-AG’s free cash flow is negative in the respective fiscal years. Consequently, Fair Value REIT-AG’s higher best case scenario EV is a result of the high present value of terminal value free cash flows.



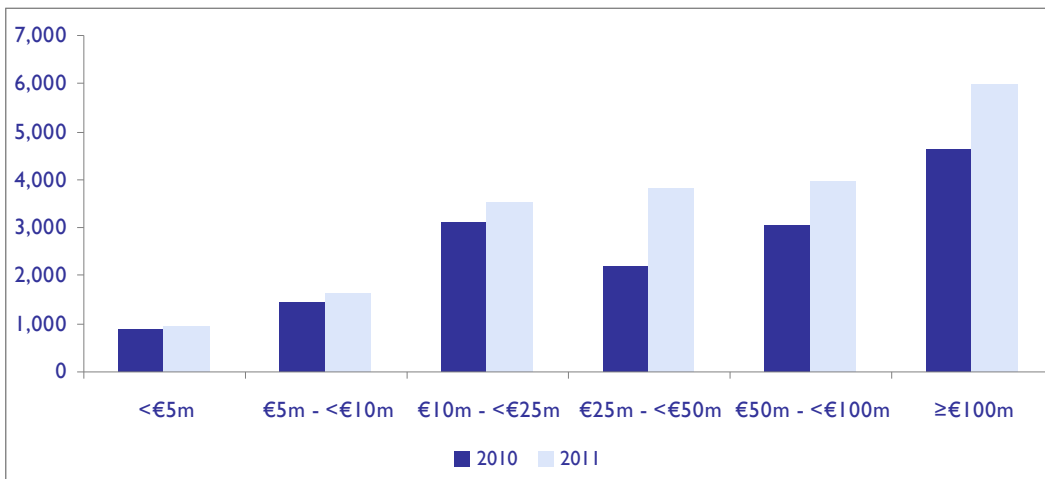
## REAL ESTATE MARKET IN GERMANY

According to BNP Paribas, turnover of the German real estate investment market increased by 20% y/y to €23.5bn in 2011. Retail properties contributed roughly 46% to all commercial real estate investments, followed by investments in office buildings (30% of transaction volume). Logistics properties accounted for 5% of total turnover, hotels had a 4% share in real estate transaction volume.

2011's market activity was driven by single property transactions. Single property deals increased by 30% y/y to €19.9bn. Due mainly to lacking quality of offered portfolios, portfolio transactions decreased by 14% y/y to €3.7bn.

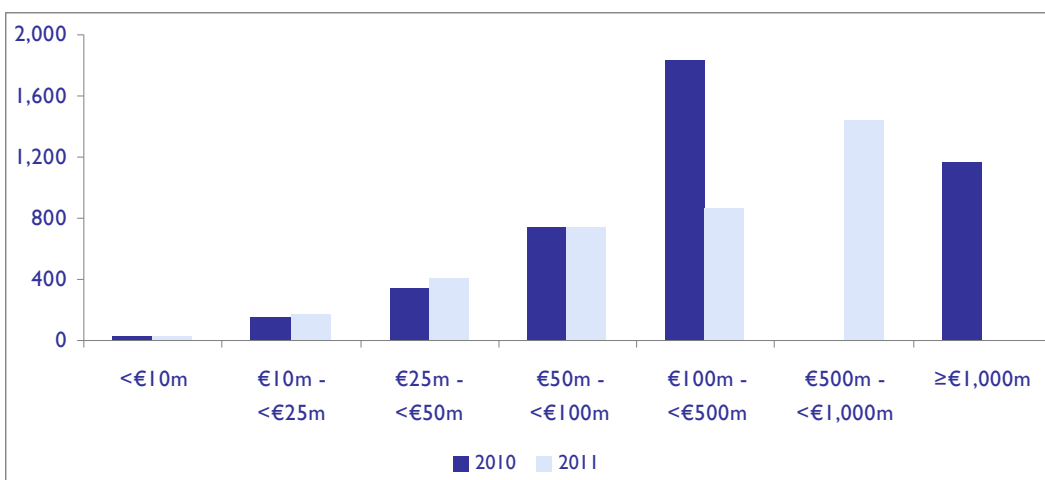
Following the steady decrease since 2009, yields began to stabilize in the second half of 2011 (ranging between 4% and 7% - subject to type of use).

### Single investments according to € categories (in €m)



Source: BNP Paribas Real Estate

### Portfolio investments according to € categories (in €m)



Source: BNP Paribas Real Estate

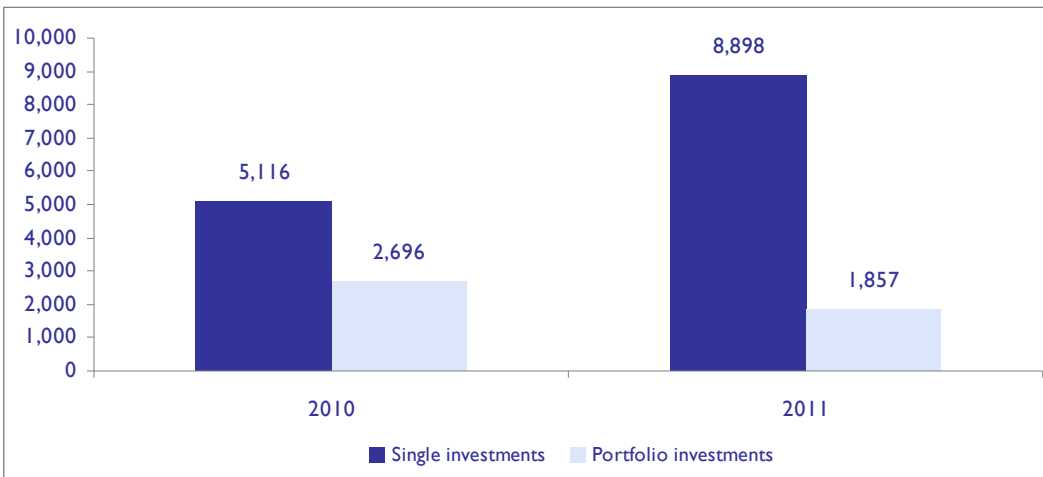


**GERMAN RETAIL MARKET**

Demand for retail properties continued to increase in 2011 and thus remained at a high level. Demand was driven by the good overall economic development. Moreover, the German retail market is the biggest in Europe and - according to BNP’s retail property report – an “oasis of stability” for many store operators.

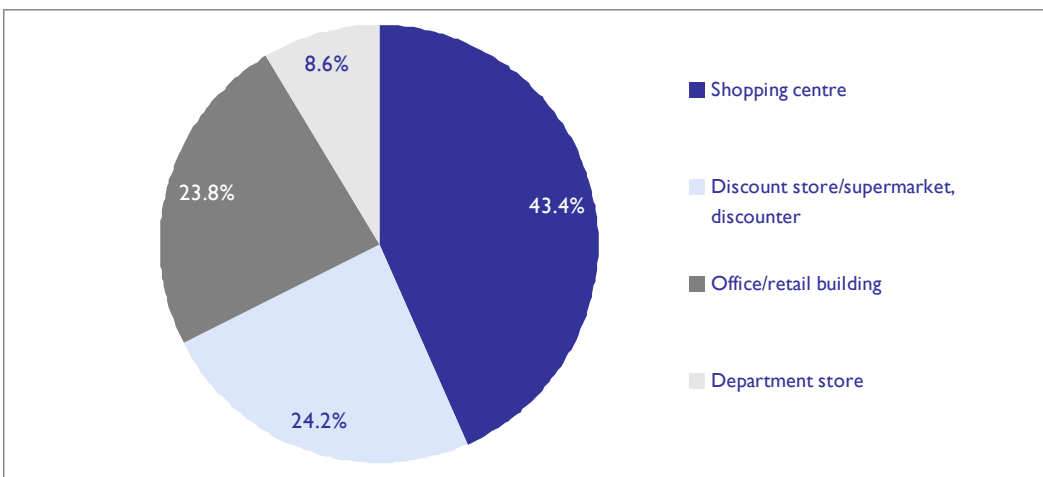
Prime rents in the top retail areas (i.e. Berlin, Cologne, Dusseldorf, Frankfurt/Main, Hamburg, Leipzig and Munich) rose by an average of 5%. The biggest increase was in Frankfurt/Main (+11% y/y to €300 per m<sup>2</sup>), whereas development in Cologne was relatively low at 2% y/y (to €265 per m<sup>2</sup>). While top and average rents in most inner-city areas also increased, rents in “B” locations remained under pressure.

**Retail investments in Germany in 2010 and 2011 (in €m)**



Source: BNP Paribas Real Estate

**Retail investment according to type of property in 2011 (in %)**



Source: BNP Paribas Real Estate

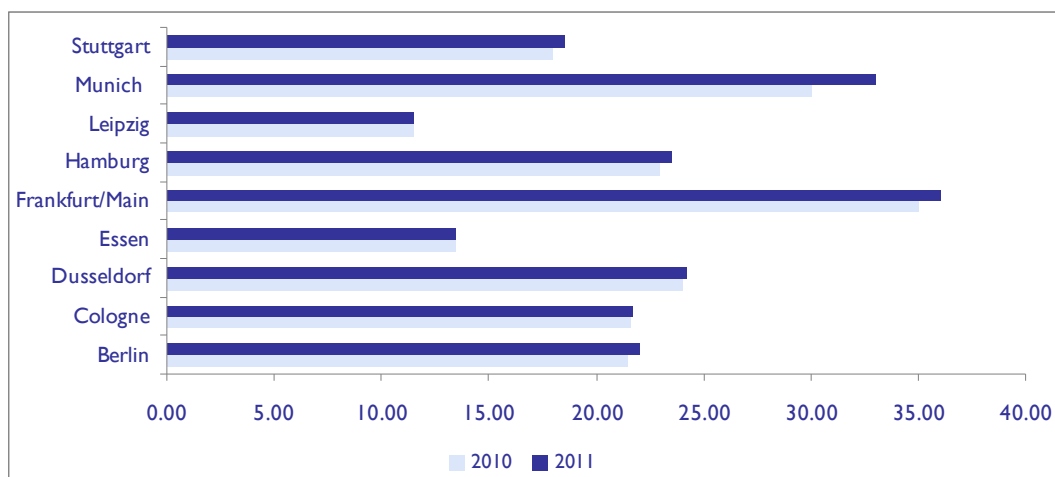


## GERMAN OFFICE MARKET

In 2011, Germany's nine most important office locations (Berlin, Cologne, Dusseldorf, Essen, Frankfurt/Main, Hamburg, Leipzig, Munich and Stuttgart) reported an increase in office space turnover of 18% y/y to 3.67m m<sup>2</sup>. Development of the country's office market was mainly driven by Munich's strong year-over-year growth of 47% y/y to 883,000m<sup>2</sup>. While most other important office locations reported moderate growth rates (e.g. Hamburg: +6% y/y), Dusseldorf is the only city that showed declining office property take-up (-5.5% y/y to 362,000m<sup>2</sup>).

With a decrease of 6% y/y to 9.5m m<sup>2</sup>, the downward trend in office space supply continued in 2011. Consequently, vacancy also continued to decline (-5% y/y to 8.7m m<sup>2</sup>) - driven by the vacancy decrease in modern office buildings (-14% y/y to 2.6m m<sup>2</sup>). As a result, rents for high-grade office space increased. Prime rents across all important office locations rose by 3% y/y on average.

### Top rents in 2010 and 2011 (in €)



Source: BNP Paribas Real Estate



## MANAGEMENT

Frank Schaich became CEO of Fair Value REIT-AG in September 2007. Mr Schaich has more than 25 years of experience in real estate markets. Before joining Fair Value REIT-AG, he held various executive positions in IC Immobilien Group from 1988. Beginning in 1993, Frank Schaich was Managing Director and CEO of several companies within IC group. Moreover, he was responsible for IC's real estate funds under management. During his career, Mr Schaich built-up extensive experience in syndicating, financing, and placing closed-end real estate funds as well as in asset and portfolio management and investor relations.

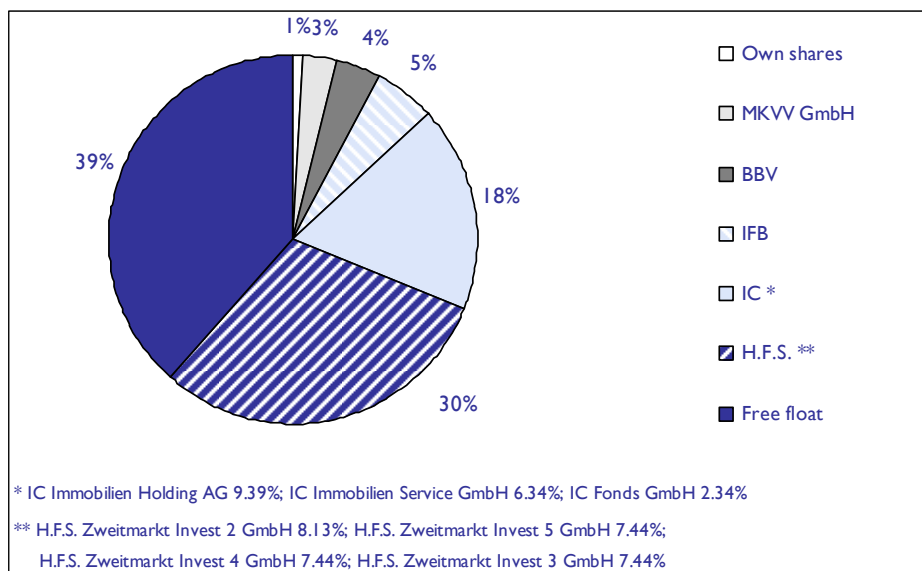
## SUPERVISORY BOARD

Prof. Dr. Heinz Rehkugler is chairman of Fair Value REIT-AGs supervisory board. He is professor for real estate investments at Steinbeis University, Berlin, and scientific director of the Center for Real Estate Studies at DIA Freiburg and Steinbeis University.

Christian Hopfer is deputy chairman of the supervisory board. Mr Hopfer held various positions at IBM Germany, the Realkredit- und Finanzierungsgesellschaft Berlin AG, coop AG, SEB AG and SchmidtBank.

Dr. Oscar Kienzle is member of Fair Value REIT-AG's supervisory board. Amongst others, Dr. Kienzle is chairman of the supervisory board of IC Immobilien Holding AG and founder of IC GmbH.

## SHAREHOLDER STRUCTURE



Source: Fair Value REIT-AG



## INCOME STATEMENT ANALYSIS – BASE CASE

All figures in EUR '000	2009A	2010A	2011A	2012E	2013E	2014E
<b>Net sales</b>	<b>11,965</b>	<b>14,333</b>	<b>13,334</b>	<b>13,507</b>	<b>13,654</b>	<b>13,773</b>
Real estate-related expenses	3,437	4,798	4,580	4,918	4,857	4,929
<b>Net rental income</b>	<b>8,528</b>	<b>9,535</b>	<b>8,754</b>	<b>8,589</b>	<b>8,797</b>	<b>8,844</b>
G&A	2,611	2,252	2,310	2,046	2,066	2,090
Other operating income (expense)	-6,644	-4,416	304	22	56	79
<b>Operating income (EBIT)</b>	<b>-727</b>	<b>2,867</b>	<b>6,748</b>	<b>6,565</b>	<b>6,787</b>	<b>6,834</b>
Result from equity-accounted investments	1,401	3,873	3,258	3,880	4,495	4,880
Net financial result	-4,525	-4,765	-4,522	-4,452	-4,165	-4,266
<b>Pre-tax income (EBT)</b>	<b>-3,851</b>	<b>1,975</b>	<b>5,484</b>	<b>5,993</b>	<b>7,117</b>	<b>7,448</b>
Income taxes	0	-2	0	0	0	0
Minority interests	945	255	-890	-971	-1,153	-1,207
<b>Net income / loss</b>	<b>-2,906</b>	<b>2,232</b>	<b>4,594</b>	<b>5,022</b>	<b>5,964</b>	<b>6,241</b>
<b>Diluted EPS (in €)</b>	<b>-0.31</b>	<b>0.24</b>	<b>0.49</b>	<b>0.54</b>	<b>0.64</b>	<b>0.67</b>
<b>EBITDA</b>	<b>-727</b>	<b>2,867</b>	<b>6,748</b>	<b>6,565</b>	<b>6,787</b>	<b>6,834</b>
<b>Ratios</b>						
Net rental income margin	71.3%	66.5%	65.7%	63.6%	64.4%	64.2%
EBIT margin	-6.1%	20.0%	50.6%	48.6%	49.7%	49.6%
Net margin	-24.3%	15.6%	34.5%	37.2%	43.7%	45.3%
Tax rate	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%
<b>Expenses as % of revenues</b>						
G&A	25.0%	18.6%	21.4%	18.6%	18.5%	18.4%
<b>Y-Y Growth</b>						
Revenues	n.a.	19.8%	-7.0%	1.3%	1.1%	0.9%
Operating income	n.a.	n.m.	135.4%	-2.7%	3.4%	0.7%
Net income/ loss	n.a.	n.m.	105.8%	9.3%	18.8%	4.6%



## BALANCE SHEET ANALYSIS – BASE CASE

All figures in EUR '000	2009A	2010A	2011A	2012E	2013E	2014E
<b>Assets</b>						
<b>Current assets, total</b>	<b>18,416</b>	<b>18,483</b>	<b>11,304</b>	<b>10,081</b>	<b>10,419</b>	<b>10,221</b>
Cash and cash equivalents	8,281	11,975	7,725	7,620	7,970	7,781
Receivables	1,307	1,291	1,284	1,266	1,254	1,245
Other current assets	8,765	5,146	2,220	1,120	1,120	1,120
<b>Non-current assets, total</b>	<b>185,393</b>	<b>177,480</b>	<b>180,078</b>	<b>184,434</b>	<b>188,768</b>	<b>193,096</b>
Investment property (incl. PP&E)	137,599	128,657	129,133	130,585	133,185	134,628
Goodwill & other intangibles	4	3	180	180	180	180
Equity-accounted investments	47,442	48,551	50,748	53,652	55,386	58,271
Other assets	348	269	17	17	17	17
<b>Total assets</b>	<b>203,809</b>	<b>195,963</b>	<b>191,382</b>	<b>194,515</b>	<b>199,187</b>	<b>203,317</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>6,476</b>	<b>14,128</b>	<b>40,405</b>	<b>41,457</b>	<b>4,792</b>	<b>2,567</b>
Short-term debt	4,312	11,547	38,217	39,025	2,276	0
Accounts payable	809	1,083	1,007	1,064	1,038	1,040
Current provisions	261	241	250	250	250	250
Other current liabilities	1,094	1,257	931	1,118	1,229	1,277
<b>Long-term liabilities, total</b>	<b>109,317</b>	<b>92,783</b>	<b>58,769</b>	<b>55,789</b>	<b>91,053</b>	<b>91,053</b>
Long-term debt	104,004	87,556	52,810	49,830	85,094	85,094
Other liabilities	5,313	5,227	5,959	5,959	5,959	5,959
<b>Minority interests</b>	<b>15,296</b>	<b>14,494</b>	<b>14,736</b>	<b>15,707</b>	<b>16,860</b>	<b>18,066</b>
<b>Shareholders' equity</b>	<b>72,720</b>	<b>74,558</b>	<b>77,472</b>	<b>81,562</b>	<b>86,482</b>	<b>91,630</b>
<b>Total consolidated equity and debt</b>	<b>203,809</b>	<b>195,963</b>	<b>191,382</b>	<b>194,515</b>	<b>199,187</b>	<b>203,317</b>
<b>Ratios</b>						
Current ratio	2.84	1.31	0.28	0.24	2.17	3.98
Quick ratio	2.84	1.31	0.28	0.24	2.17	3.98
Financial leverage	2.80	2.63	2.47	2.38	2.30	2.22
Book value per share	7.78	8.00	8.31	8.75	9.27	9.83
Net cash	-100,035	-87,128	-83,302	-81,236	-79,400	-77,313
Return on equity (ROE)	-4.0%	3.0%	5.9%	6.2%	6.9%	6.8%



## CASH FLOW ANALYSIS – BASE CASE

All figures in EUR '000	2009A	2010A	2011A	2012E	2013E	2014E
<b>EBIT</b>	<b>-7,097</b>	<b>-1,371</b>	<b>7,058</b>	<b>6,565</b>	<b>6,787</b>	<b>6,834</b>
Depreciation and amortisation	0	0	0	0	0	0
<b>EBITDA</b>	<b>-7,097</b>	<b>-1,371</b>	<b>7,058</b>	<b>6,565</b>	<b>6,787</b>	<b>6,834</b>
Changes in working capital	-4,207	331	1,284	75	-15	12
Other adjustments	10,044	6,169	-4,562	-1,892	-989	-705
<b>Operating cash flow</b>	<b>-1,260</b>	<b>5,129</b>	<b>3,780</b>	<b>4,749</b>	<b>5,783</b>	<b>6,140</b>
CAPEX	-18	-4	-199	-3,025	-3,015	-3,009
<b>Free cash flow</b>	<b>-1,278</b>	<b>5,125</b>	<b>3,581</b>	<b>1,723</b>	<b>2,768</b>	<b>3,131</b>
<b>Debt financing, net</b>	<b>-8,341</b>	<b>-9,213</b>	<b>-8,076</b>	<b>-2,172</b>	<b>-1,486</b>	<b>-2,276</b>
<b>Equity financing, net</b>	<b>-290</b>	<b>-108</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other changes in cash	4,151	7,890	245	343	-933	-1,044
<b>Net cash flows</b>	<b>-5,758</b>	<b>3,694</b>	<b>-4,250</b>	<b>-105</b>	<b>350</b>	<b>-188</b>
Cash, start of the year	14,039	8,281	11,975	7,725	7,620	7,970
<b>Cash, end of the year</b>	<b>8,281</b>	<b>11,975</b>	<b>7,725</b>	<b>7,620</b>	<b>7,970</b>	<b>7,781</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.a.	n.m.	-26.3%	25.6%	21.8%	6.2%
Free cash flow	n.a.	n.m.	-30.1%	-51.9%	60.6%	13.1%





## INCOME STATEMENT ANALYSIS – BEST CASE

All figures in EUR '000	2009A	2010A	2011A	2012E	2013E	2014E
<b>Net sales</b>	<b>11,965</b>	<b>14,333</b>	<b>13,334</b>	<b>13,507</b>	<b>16,979</b>	<b>21,929</b>
Real estate-related expenses	3,437	4,798	4,580	4,918	5,243	7,126
<b>Net rental income</b>	<b>8,528</b>	<b>9,535</b>	<b>8,754</b>	<b>8,589</b>	<b>11,736</b>	<b>14,803</b>
G&A	2,611	2,252	2,310	2,420	2,820	3,237
Other operating income (expense)	-6,644	-4,416	304	22	496	502
<b>Operating income (EBIT)</b>	<b>-727</b>	<b>2,867</b>	<b>6,748</b>	<b>6,191</b>	<b>9,412</b>	<b>12,068</b>
Result from equity-accounted investments	1,401	3,873	3,258	3,880	3,288	2,303
Net financial result	-4,525	-4,765	-4,522	-4,452	-3,875	-4,443
<b>Pre-tax income (EBT)</b>	<b>-3,851</b>	<b>1,975</b>	<b>5,484</b>	<b>5,619</b>	<b>8,825</b>	<b>9,928</b>
Income taxes	0	-2	0	0	0	0
Minority interests	945	255	-890	-419	-500	-563
<b>Net income / loss</b>	<b>-2,906</b>	<b>2,232</b>	<b>4,594</b>	<b>5,200</b>	<b>8,325</b>	<b>9,365</b>
<b>Diluted EPS (in €)</b>	<b>-0.31</b>	<b>0.24</b>	<b>0.49</b>	<b>0.38</b>	<b>0.61</b>	<b>0.69</b>
<b>EBITDA</b>	<b>-727</b>	<b>2,867</b>	<b>6,748</b>	<b>6,191</b>	<b>9,412</b>	<b>12,068</b>
<b>Ratios</b>						
Net rental income margin	81.5%	78.9%	81.0%	78.1%	82.8%	79.6%
EBIT margin	-7.0%	23.7%	62.4%	56.3%	66.4%	64.9%
Net margin	-27.8%	18.5%	42.5%	47.3%	58.8%	50.3%
Tax rate	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%
<b>Expenses as % of revenues</b>						
G&A	25.0%	18.6%	21.4%	22.0%	19.9%	17.4%
<b>Y-Y Growth</b>						
Revenues	n.a.	19.8%	-7.0%	1.3%	25.7%	29.2%
Operating income	n.a.	n.m.	135.4%	-8.3%	52.0%	28.2%
Net income/ loss	n.a.	n.m.	105.8%	13.2%	60.1%	12.5%



## BALANCE SHEET ANALYSIS – BEST CASE

All figures in EUR '000	2009A	2010A	2011A	2012E	2013E	2014E
<b>Assets</b>						
<b>Current assets, total</b>	<b>18,416</b>	<b>18,483</b>	<b>11,304</b>	<b>20,317</b>	<b>12,121</b>	<b>13,348</b>
Cash and cash equivalents	8,281	11,975	7,725	17,856	9,335	10,114
Receivables	1,307	1,291	1,284	1,266	1,592	2,039
Other current assets	8,765	5,146	2,220	1,120	1,120	1,120
<b>Non-current assets, total</b>	<b>185,393</b>	<b>177,480</b>	<b>180,078</b>	<b>187,716</b>	<b>216,950</b>	<b>237,300</b>
Investment property (incl. PP&E)	137,599	128,657	129,133	136,010	177,928	215,093
Goodwill & other intangibles	4	3	180	180	180	180
Equity-accounted investments	47,442	48,551	50,748	51,509	38,825	22,010
Other assets	348	269	17	17	17	17
<b>Total assets</b>	<b>203,809</b>	<b>195,963</b>	<b>191,382</b>	<b>208,033</b>	<b>229,072</b>	<b>250,648</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>6,476</b>	<b>14,128</b>	<b>40,405</b>	<b>41,882</b>	<b>5,288</b>	<b>3,577</b>
Short-term debt	4,312	11,547	38,217	39,025	2,276	0
Accounts payable	809	1,083	1,007	1,064	1,120	1,503
Current provisions	261	241	250	250	250	250
Other current liabilities	1,094	1,257	931	1,543	1,642	1,824
<b>Long-term liabilities, total</b>	<b>109,317</b>	<b>92,783</b>	<b>58,769</b>	<b>55,876</b>	<b>106,140</b>	<b>121,140</b>
Long-term debt	104,004	87,556	52,810	49,917	100,181	115,181
Other liabilities	5,313	5,227	5,959	5,959	5,959	5,959
<b>Minority interests</b>	<b>15,296</b>	<b>14,494</b>	<b>14,736</b>	<b>7,711</b>	<b>8,211</b>	<b>8,774</b>
<b>Shareholders' equity</b>	<b>72,720</b>	<b>74,558</b>	<b>77,472</b>	<b>102,564</b>	<b>109,432</b>	<b>117,157</b>
<b>Total consolidated equity and debt</b>	<b>203,809</b>	<b>195,963</b>	<b>191,382</b>	<b>208,033</b>	<b>229,072</b>	<b>250,648</b>
<b>Ratios</b>						
Current ratio	2.84	1.31	0.28	0.49	2.29	3.73
Quick ratio	2.84	1.31	0.28	0.49	2.29	3.73
Financial leverage	2.80	2.63	2.47	2.03	2.09	2.14
Book value per share	7.78	8.00	8.31	7.56	8.06	8.63
Net cash	-100,035	-87,128	-83,302	-71,086	-93,122	-105,067
Return on equity (ROE)	-4.0%	3.0%	5.9%	5.1%	7.6%	8.0%



## CASH FLOW ANALYSIS – BEST CASE

All figures in EUR '000	2009A	2010A	2011A	2012E	2013E	2014E
<b>EBIT</b>	<b>-7,097</b>	<b>-1,371</b>	<b>7,058</b>	<b>6,191</b>	<b>9,412</b>	<b>12,068</b>
Depreciation and amortisation	0	0	0	0	0	0
<b>EBITDA</b>	<b>-7,097</b>	<b>-1,371</b>	<b>7,058</b>	<b>6,191</b>	<b>9,412</b>	<b>12,068</b>
Changes in working capital	-4,207	331	1,284	75	-270	-64
Other adjustments	10,044	6,169	-4,562	-1,892	-1,906	-3,459
<b>Operating cash flow</b>	<b>-1,260</b>	<b>5,129</b>	<b>3,780</b>	<b>4,375</b>	<b>7,236</b>	<b>8,545</b>
CAPEX	-18	-4	-199	-13,752	-28,411	-19,535
<b>Free cash flow</b>	<b>-1,278</b>	<b>5,125</b>	<b>3,581</b>	<b>-9,377</b>	<b>-21,174</b>	<b>-10,991</b>
<b>Debt financing, net</b>	<b>-8,341</b>	<b>-9,213</b>	<b>-8,076</b>	<b>-2,085</b>	<b>13,514</b>	<b>12,724</b>
<b>Equity financing, net</b>	<b>-290</b>	<b>-108</b>	<b>0</b>	<b>21,250</b>	<b>0</b>	<b>0</b>
Other changes in cash	4,151	7,890	245	343	-862	-955
<b>Net cash flows</b>	<b>-5,758</b>	<b>3,694</b>	<b>-4,250</b>	<b>10,131</b>	<b>-8,522</b>	<b>779</b>
Cash, start of the year	14,039	8,281	11,975	7,725	17,856	9,335
<b>Cash, end of the year</b>	<b>8,281</b>	<b>11,975</b>	<b>7,725</b>	<b>17,856</b>	<b>9,335</b>	<b>10,114</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.a.	n.m.	-26.3%	15.7%	65.4%	18.1%
Free cash flow	n.a.	n.m.	-30.1%	n.m.	n.m.	n.m.

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	11 May 2012	€4.27	Buy	€7.80

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