

Fair Value REIT-AG

Date: 11/12/2012

Recommendation:	Buy	as of	-
before:	-		
Target price (EUR)	7.50		
Price (Xetra) (EUR)	4.50		
11/09/12 5:30 PM			
Share price potential	67%		

Company data	
Sector	Financial services/REIT
Market segment	Prime Standard
ISIN	DE000A0MW975
Reuters	FVIG.DE
Bloomberg	FVI

Share data	
Shares (m)	9.4
Free float	38.4%
Market cap. (EURm)	42.3
∅ trading volume	2,977.4
52W High	10/02/12 EUR5.05
52W Low	07/16/12 EUR3.35

Events	
Results Q4 2012	03/27/2013
Press conference	03/27/2013

Performance		
	Absolute	Relative to: DAX
1M	-9.1%	-8.2%
3M	11.1%	7.7%
6M	5.9%	-2.8%
12M	7.1%	-9.4%

Index weighting	
Prime Fin. Services	0.11%

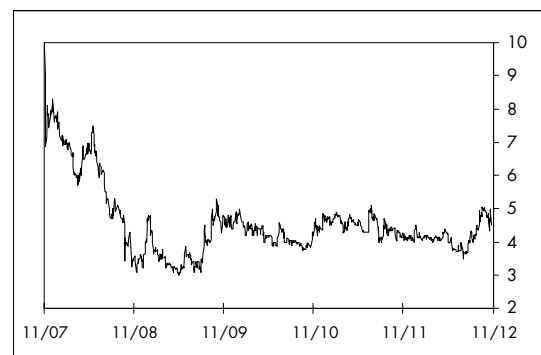
Highlights

- ⇒ Q3 results were in line with our expectations. In 9M 2012, FFO reached EUR4.3m (4.2), which corresponds to approximately 80% of our full-year FFO earnings forecast (EPRA) of EUR5.4m.
- ⇒ With an increase of 11% over the past three months, the Fair Value REIT stock performed very well (outperforming relevant small cap indices as well as other German REIT companies). Nonetheless, the Fair Value REIT shares are still cheap, trading at a 41% discount to our fair value estimate and a 48% discount to the (balance sheet) NAV stated as at September 30, 2012.
- ⇒ Following the publication of Q3 results, we reaffirm our Buy recommendation for the Fair Value REIT stock. We also hold on to our price target (NAV valuation) of EUR7.50.
- ⇒ Presumably, profit growth will accelerate in 2013 thanks to an increase in net interest income (positive impact on interest of up to 300-400 basis points expected in the course of renewal; more than 50% of loans of the associated companies are to be renewed).

	2008	2009	2010	2011	2012E	2013E
Rental income	12.4	10.5	12.1	10.8	11.1	11.2
Growth rental income	186.5%	-15.6%	15.5%	-10.5%	2.7%	0.9%
Operating income	-1.8	-0.7	2.9	6.7	5.3	6.1
Operating margin	-14.2%	-7.0%	23.7%	62.4%	47.3%	54.5%
Net income	-13.3	-2.9	2.2	4.6	4.9	5.9
Net margin	-107.3%	-27.8%	18.5%	42.5%	44.1%	53.1%
EPS	-1.41	-0.31	0.24	0.49	0.53	0.64
DPS	0.00	0.00	0.10	0.08	0.10	0.12
FFO earnings	5.7	6.1	5.7	5.5	5.3	6.6
Net fin. debt/EBITDA	n/a	n/a	30.3	12.3	14.4	11.8
Net gearing	1.0	1.4	1.2	1.1	0.9	0.8
Inter. coverage (EBIT)	n/a	n/a	0.6	1.5	1.1	1.4
Free cash flow (FCF)	17.9	-3.6	-2.8	2.8	-0.7	1.9
FCF per share	1.91	-0.38	-0.30	0.30	-0.07	0.21
NAV per share	8.16	7.78	8.00	8.31	8.75	9.29
NAV discount	31.0%	50.0%	46.9%	46.3%	48.6%	51.6%
P/E	neg.	neg.	17.7	9.1	8.6	7.1
P/B	0.7	0.5	0.5	0.5	0.5	0.5
Dividend yield	0.0%	0.0%	2.4%	1.8%	2.2%	2.7%

Figures in EURm except EPS, DPS as well as FCF and NAV per share (EUR), P/E based on average share prices

Source: Independent Research, Fair Value REIT-AG



Source: Bloomberg

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Company guidance re-affirmed

Balance sheet quality has improved

DPS 2012E unchanged at EURO.10

Highlights (cont'd)

- ⇒ The company did not raise its EUR5.2m FFO earnings target (again) as real estate related expenses are expected to increase in Q4 compared to the previous quarters (our forecast for Q4 2012E: EUR1.4m vs. an average EUR1.2m in the previous quarters) due to new rental agreements.
- ⇒ The company made further progress on its real estate portfolio: occupancy rate: 95.1% (end of Q2 2012: 95.0%; end of Q4 2011: 93.8%). With an equity ratio (as defined in the German REIT Act) of 52.8% (+180 basis points YTD) and an LTV ratio of an estimated 56% (end of 2011: 59%), balance sheet quality has improved again. In our opinion, the risk/reward profile of the company is very attractive (solid tenant structure (savings bank portfolio); long-term rental contracts: average remaining term of rental agreements: 5.5 years; high occupancy rate).
- ⇒ However, there is still uncertainty regarding the dividend target. In order to be able to distribute EURO.10 per share for 2012 as planned, the company has to make a profit (under commercial law) of about EUR1m. It is expected that this target will be reached by cost cutting, property disposals and dividends from participations. Based on the recoverability of the company's real estate portfolio and the favourable market environment for real estate transactions, we believe that Fair Value REIT can still meet its dividend target.

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Valuation

Fair value: EUR7.67 per share (including NAV discount)

Our valuation of the Fair Value REIT share is based on a NAV calculation, which is the common method for real estate companies. We have calculated the value of the company with the help of the average NAV of fiscal years 2012 and 2013. Accordingly, the average NAV amounts to EUR9.02 (before: 8.99) per share. As of September 30, 2012 the balance sheet NAV was EUR8.61 (December 31, 2011: 8.31) per share and the EPRA NAV (after adjusting for market value of derivative financial instruments) was EUR9.61 (December 31, 2011: 9.27) per share. Presuming a NAV discount of 15%, which can be derived from the peer group analysis, we have calculated a fair value of EUR7.67 (before: 7.64) per share. Accordingly, we reaffirm our previous price target of EUR7.50 for the Fair Value REIT share.

NAV analysis				
	2010	2011	2012E	2013E
Market value of investment properties	128,650	129,127	123,677	123,677
Equity-accounted participations	48,551	50,748	53,648	57,648
Other assets less other liabilities	-1,021	-4,365	-3,938	-5,707
Financial liabilities	-99,103	-91,027	-84,000	-80,355
Cash and cash equivalents	11,975	7,725	7,925	8,216
Minority interests	-14,494	-14,736	-15,685	-16,838
NAV	74,558	77,472	81,627	86,642
Number of shares ('000)	9,326	9,326	9,326	9,326
NAV per share	8.00	8.31	8.75	9.29
Average NAV per share				9.02
NAV discount				15%
Fair value per share				7.67

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

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Company profile

Focus on office and retail properties

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 is focusing on office and retail properties in certain regional locations in Germany. Fair Value REIT is following a two-pronged strategy. It acquires interests in selected closed-end real estate funds on the one hand, and it makes direct investments in the German real estate market on the other. As of September 30, 2012 the market value of all properties held (including associated companies: 69 properties with a lettable area of more than 428,500 sqm) totalled EUR485m. Fair Value REIT's share in the market value of the entire portfolio (directly held real estate plus properties held through participations (pro rata)) was EUR220m. The occupancy rate was 95.1% (December 31, 2011: 93.8%) as of September 30, 2012 and the annualised contractual rent was EUR18.3m.

Fair Value REIT-AG came into being in 2007 when „IC Grundbesitzgesellschaft 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: Key figures REIT

Section REIT Act	Criterion	Reference value	Requirements	Fair Value REIT 09/30/2012
§ 11	Free float	Voting rights	at least 15%	38.4%
§ 12, para. 2a	Asset requirement	Immovable assets/total assets	at least 75%	95.7%
§ 12, para. 3a	Revenue requirement	Revenues from immovable assets	at least 75%	100.0%
§ 13	Minimum distribution to shareholders	Retained earnings according to German Commercial Code	at least 90%	97.6%
§ 14	Exclusion of real estate trading	Proceeds from sale of properties within 5 years	at most 50%	19.1%
§ 15	Minimum equity requirement	Equity (incl. minority interests) in % of immovable assets	at least 45%	52.8%

P Tax transparency: No taxation of income on REIT level (corporate tax), but taxation on the shareholder level

P REIT portfolio can contain domestic and foreign real estate (exception: residential real estate built before January 1, 2007)

Source: Fair Value REIT-AG

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Consolidated income statement

Unit : Fiscal year : Accounting standards :	EUR'000 Dec. 31 IFRS	2008	2009	2010	2011	2012E	2013E
Rental income		12,392	10,460	12,081	10,807	11,100	11,200
Operating income and incidental costs		1,303	1,505	2,363	2,552	2,500	2,500
Expenses for investment properties		2,912	3,437	4,909	4,605	4,900	5,000
Net rental result		10,783	8,528	9,535	8,754	8,700	8,700
General administrative expenses		3,797	2,611	2,252	2,310	2,400	2,500
Other operating income and expenses (total)		-351	-84	-69	-31	-100	-100
Result from sale of investment properties		1,345	-190	-109	25	0	0
Valuation result		-9,734	-6,370	-4,238	310	-950	0
Operating income		-1,754	-727	2,867	6,748	5,250	6,100
Income from participations		-7,075	1,401	3,873	3,258	5,400	5,500
Financial result		-4,907	-4,525	-4,765	-4,522	-4,800	-4,500
Profit (loss) before taxes		-13,736	-3,851	1,975	5,484	5,850	7,100
Income taxes		0	0	2	0	0	0
Profit (loss) before minority interests		-13,736	-3,851	1,977	5,484	5,850	7,100
Minority interests		435	945	255	-890	-949	-1,152
Net profit (loss)		-13,301	-2,906	2,232	4,594	4,901	5,948
Number of shares ('000)		9,407	9,407	9,326	9,326	9,326	9,326
EPS (EUR)		-1.41	-0.31	0.24	0.49	0.53	0.64
DPS (EUR)		0.00	0.00	0.10	0.08	0.10	0.12

Source: Independent Research; Fair Value REIT-AG

Consolidated income statement (as percentage of rental income)

Unit : Fiscal year : Accounting standards :	% Dec. 31 IFRS	2008	2009	2010	2011	2012E	2013E
Rental income		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating income and incidental costs		10.5%	14.4%	19.6%	23.6%	22.5%	22.3%
Expenses for investment properties		23.5%	32.9%	40.6%	42.6%	44.1%	44.6%
Net rental result		87.0%	81.5%	78.9%	81.0%	78.4%	77.7%
General administrative expenses		30.6%	25.0%	18.6%	21.4%	21.6%	22.3%
Other operating income and expenses (total)		-2.8%	-0.8%	-0.6%	-0.3%	-0.9%	-0.9%
Result from sale of investment properties		10.9%	-1.8%	-0.9%	0.2%	0.0%	0.0%
Valuation result		-78.6%	-60.9%	-35.1%	2.9%	-8.6%	0.0%
Operating income		-14.2%	-7.0%	23.7%	62.4%	47.3%	54.5%
Income from participations		-57.1%	13.4%	32.1%	30.1%	48.6%	49.1%
Financial result		-39.6%	-43.3%	-39.4%	-41.8%	-43.2%	-40.2%
Profit (loss) before taxes		-110.8%	-36.8%	16.3%	50.7%	52.7%	63.4%
Income taxes		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit (loss) before minority interests		-110.8%	-36.8%	16.4%	50.7%	52.7%	63.4%
Minority interests		3.5%	9.0%	2.1%	-8.2%	-8.6%	-10.3%
Net profit (loss)		-107.3%	-27.8%	18.5%	42.5%	44.1%	53.1%

Source: Independent Research; Fair Value REIT-AG

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Consolidated balance sheet

Unit : Fiscal year : Accounting standards :	EUR'000 Dec. 31 IFRS	2008	2009	2010	2011	2012E	2013E
Intangible assets		2	4	3	180	180	180
Property, plant and equipment		22	12	7	6	6	6
Investment properties		130,740	137,587	128,650	129,127	123,677	123,677
Properties under construction		0	0	0	0	0	0
Equity-accounted investments		48,443	47,442	48,551	50,748	53,648	57,648
Financial assets (non-current)		2,319	348	269	17	17	17
Total non-current assets		181,526	185,393	177,480	180,078	177,528	181,528
Non-current assets available for sale		0	8,237	2,500	1,100	1,500	0
Trade receivables		1,502	1,307	1,291	1,284	1,316	1,349
Other receivables and assets		1,176	591	2,717	1,195	1,255	1,317
Cash and cash equivalents		14,039	8,281	11,975	7,725	7,925	8,216
Total current assets		16,717	18,416	18,483	11,304	11,996	10,882
Total assets		198,243	203,809	195,963	191,382	189,524	192,410
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)		-11,839	-14,745	-12,513	-8,850	-4,695	320
Reserve for changes in value		-4,575	-5,446	-5,732	-6,481	-6,481	-6,481
Treasury shares		0	-290	-398	-398	-398	-398
Total equity		76,787	72,720	74,558	77,472	81,627	86,642
Minority interests		16,505	15,296	14,494	14,736	15,685	16,838
Financial liabilities		78,352	104,004	87,556	52,810	65,500	62,225
Other liabilities		4,496	5,313	5,227	5,959	6,257	6,413
Total non-current liabilities		99,353	124,613	107,277	73,505	87,442	85,476
Provisions		334	261	241	250	250	250
Financial liabilities		15,905	4,312	11,547	38,217	18,500	18,130
Trade payables		1,359	809	1,083	1,007	755	944
Other current liabilities		4,505	1,094	1,257	931	950	969
Total current liabilities		22,103	6,476	14,128	40,405	20,455	20,293
Total equity and liabilities		198,243	203,809	195,963	191,382	189,524	192,410

Source: Independent Research; Fair Value REIT-AG

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Consolidated balance sheet (as percentage of balance sheet total)

Unit : Fiscal year : Accounting standards :	%						
	Dec. 31						
	IFRS						
		2008	2009	2010	2011	2012E	2013E
Intangible assets		0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Property, plant and equipment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment properties		65.9%	67.5%	65.7%	67.5%	65.3%	64.3%
Properties under construction		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity-accounted investments		24.4%	23.3%	24.8%	26.5%	28.3%	30.0%
Financial assets (non-current)		1.2%	0.2%	0.1%	0.0%	0.0%	0.0%
Total non-current assets		91.6%	91.0%	90.6%	94.1%	93.7%	94.3%
Non-current assets available for sale		0.0%	4.0%	1.3%	0.6%	0.8%	0.0%
Trade receivables		0.8%	0.6%	0.7%	0.7%	0.7%	0.7%
Other receivables and assets		0.6%	0.3%	1.4%	0.6%	0.7%	0.7%
Cash and cash equivalents		7.1%	4.1%	6.1%	4.0%	4.2%	4.3%
Total current assets		8.4%	9.0%	9.4%	5.9%	6.3%	5.7%
Total assets		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subscribed capital		23.7%	23.1%	24.0%	24.6%	24.8%	24.4%
Share premium		23.3%	22.7%	23.6%	24.1%	24.4%	24.0%
Retained earnings (loss carried forward)		-6.0%	-7.2%	-6.4%	-4.6%	-2.5%	0.2%
Reserve for changes in value		-2.3%	-2.7%	-2.9%	-3.4%	-3.4%	-3.4%
Treasury shares		0.0%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%
Total equity		38.7%	35.7%	38.0%	40.5%	43.1%	45.0%
Minority interests		8.3%	7.5%	7.4%	7.7%	8.3%	8.8%
Financial liabilities		39.5%	51.0%	44.7%	27.6%	34.6%	32.3%
Other liabilities		2.3%	2.6%	2.7%	3.1%	3.3%	3.3%
Total non-current liabilities		50.1%	61.1%	54.7%	38.4%	46.1%	44.4%
Provisions		0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
Financial liabilities		8.0%	2.1%	5.9%	20.0%	9.8%	9.4%
Trade payables		0.7%	0.4%	0.6%	0.5%	0.4%	0.5%
Other current liabilities		2.3%	0.5%	0.6%	0.5%	0.5%	0.5%
Total current liabilities		11.1%	3.2%	7.2%	21.1%	10.8%	10.5%
Total equity and liabilities		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Independent Research; Fair Value REIT-AG

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Consolidated cash flow statement

Unit : EUR'000						
Fiscal year : Dec. 31	2008	2009	2010	2011	2012E	2013E
Accounting standards : IFRS						
Net profit (deficit)	-13,301	-2,906	2,232	4,594	4,901	5,948
Income tax expense	0	0	-8	-4	0	0
Amortisation/depreciation of intangible assets and PPE	11	26	10	23	24	24
Profits from the disposal of investment properties	-1,345	190	109	25	0	0
Valuation result	9,734	6,370	4,238	-310	950	0
Income from equity-accounted investments	7,075	-1,401	-3,873	-3,258	-5,400	-5,500
Withdrawals from equity-accounted investments	2,519	1,902	2,758	1,328	2,500	1,500
Income from restructuring of a financial liability	-1,469	0	0	0	0	0
Loss/profit for minority interests	-435	-945	-255	890	949	1,152
Disbursement to minority interests	-1,256	-397	-469	-652	-570	0
Result from the valuation of derivative financial instruments	88	108	-113	-140	450	0
Expenses connected to compensation payment received	1,880	0	169	0	0	0
Compensation payment received	15,438	0	500	2,000	0	0
Expenses connected to compensation payment received	-1,880	0	-169	0	0	0
(increase)/decrease in trade receivables	-633	249	16	7	-32	-33
(increase)/decrease in other liabilities	3,524	-53	-39	-222	-60	-63
(decrease)/increase in provisions	79	-85	-20	9	0	0
(decrease)/increase in trade payables	-1,258	-639	274	-76	-252	189
(decrease)/increase in other liabilities	2,725	-3,679	-231	-434	317	175
Cash flow from operating activities	21,496	-1,260	5,129	3,780	3,777	3,392
Payments for purchase of interests in associated companies	-9	-67	-13	-20	-53	-64
Proceeds from the sale of subsidiaries	4,705	0	76	0	0	0
Income from the disposal of investment properties	15,068	403	8,128	3,033	4,500	1,550
Investments in investment properties/properties under construction	-13,892	-74	-301	-1,825	0	0
Income (payment) related to non-current assets	-2,300	2,050	0	0	0	0
Investments in PPE and intangible assets	-2	-18	-4	-199	-10	-10
Cash flow from financing activities	3,570	2,294	7,886	989	4,437	1,476
Dividend distribution	0	0	0	-932	-746	-933
Capital contribution	0	-290	-108	-11	0	0
Proceeds from financial liabilities	46,959	80	0	0	0	0
Repayment from financial liabilities	-63,367	-8,421	-9,213	-8,076	-7,268	-3,645
Cash flow from financing activities	-16,408	-8,631	-9,321	-9,019	-8,014	-4,578
Change in cash and cash equivalents	8,658	-5,758	3,694	-4,250	200	291
Cash and cash equivalents - start of period	5,381	14,039	8,281	11,975	7,725	7,925
Cash and cash equivalents - end of period	14,039	8,281	11,975	7,725	7,925	8,216

Source: Independent Research; Fair Value REIT-AG

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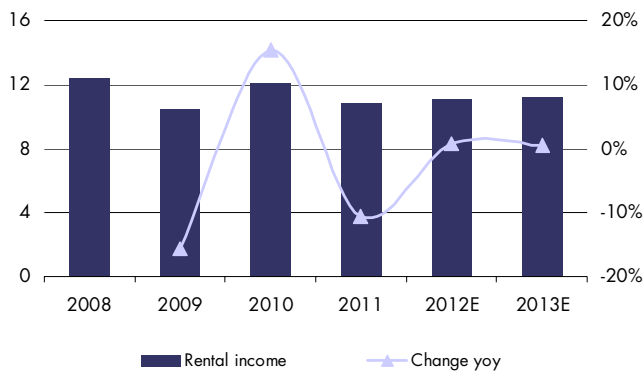
Selected key figures incl. peer group companies

Criteria	alstria office REIT	Prime Office REIT	Hamborner REIT	Fair Value REIT
Number of properties (December 31, 2010)	70	14	61	75
Number of properties (December 31, 2011)	80	14	69	73
Number of employees (December 31, 2011)	50	9	28	4
Proportionate market value as of December 31, 2010 (EURm)	1,348	970	376	223
Proportionate market value as of December 31, 2011 (EURm)	1,529	972	504	222
Change in proportionate market value (%)	13.4	0.2	34.1	-0.2
Ø sec. remain. term of rental agreem. (years; as of 31/12/11)	7.7	6.8	n/a	6.0
Income based occupancy rate (%; December 31, 2011)	91.4	96.1	98.0	93.8
Rental income 2011 (EURm)	99.8	75.3	32.2	10.8
EBIT 2011 (EURm)	53.0	58.7	17.1	6.7
Net income 2011 (EURm)	27.5	17.6	7.9	4.6
Equity ratio according to REIT Act (September 30, 2012)	49.5%	41.5%	67.4%	52.8%
Funds from operations (FFO) 2011 (EURm)	34.7	21.8	16.0	5.5
FFO per share 2011 (EUR)	0.48	0.62	0.47	0.59
FFO yield 2011	5.3%	19.2%	6.7%	13.1%
EPRA NAV as of September 30, 2012 (EURm)	818.5	464.4	370.9	89.6
EPRA NAV per share as of September 30, 2012 (EUR)	10.37	8.94	8.15	9.61
EPRA NAV discount (%)	12%	64%	14%	53%
NAV as of September 30, 2012 (EURm)	819.6	398.5	276.3	80.3
NAV per share as of September 30, 2012 (EUR)	10.38	7.67	6.07	8.61
NAV discount (%)	12%	58%	-15%	48%
Current market cap (November 9, 2012)	719.5	167.8	317.3	42.3
EV/EBIT 2012E	18.6	13.6	24.9	22.5
EV/EBIT 2013E	17.6	17.9	21.3	18.7
P/E 2012E	15.7	11.5	38.1	8.6
P/E 2013E	13.5	49.7	34.9	7.1
Dividend yield 2012E	5.3%	6.1%	5.8%	2.2%
Dividend yield 2013E	5.7%	3.1%	6.5%	2.7%

Source: Independent Research; company information

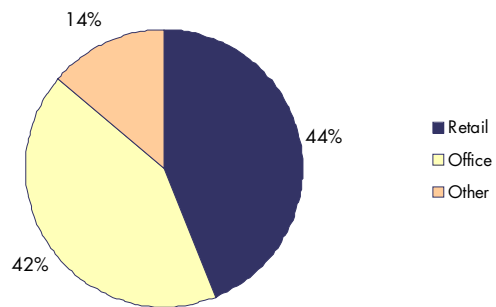
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Rental income (EURm)



- ⇒ Decline in rental income due to disposal of properties and expiry of "over-rent" contracts
- ⇒ Rental income stabilised at around EUR11m

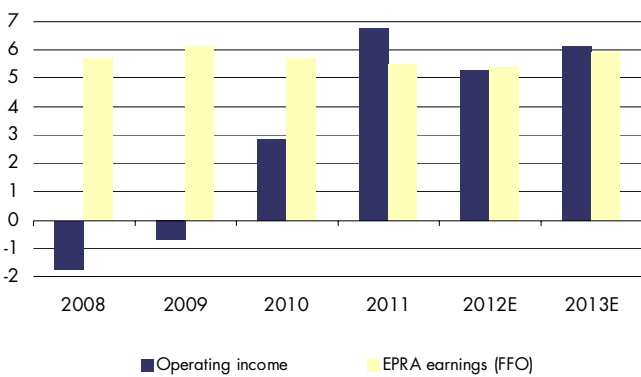
Real estate portfolio* (as of December 31, 2011)



*in % of potential rent

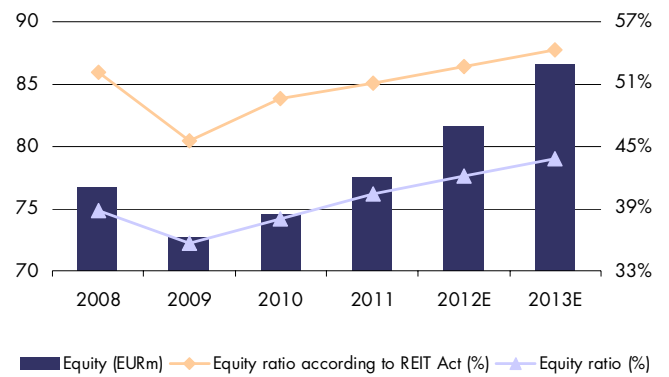
- ⇒ Portfolio dominated by retail and office properties
- ⇒ Other activities: logistics properties, hotels
- ⇒ Regional focus on Schleswig-Holstein and North Rhine-Westphalia

Earnings development (EURm)



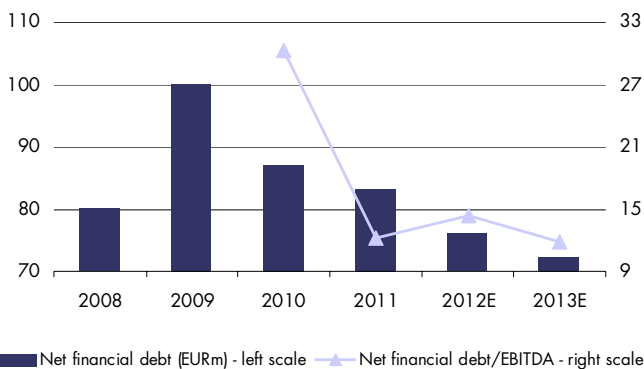
- ⇒ Significant increase in (operating) profit; 2008 and 2009 operating profits weighed down by real estate valuations and interest rate hedges
- ⇒ FFO has been more or less stable since 2008 (range: EUR5.5m-6.1m)

Equity ratio - according to balance sheet and REIT Act



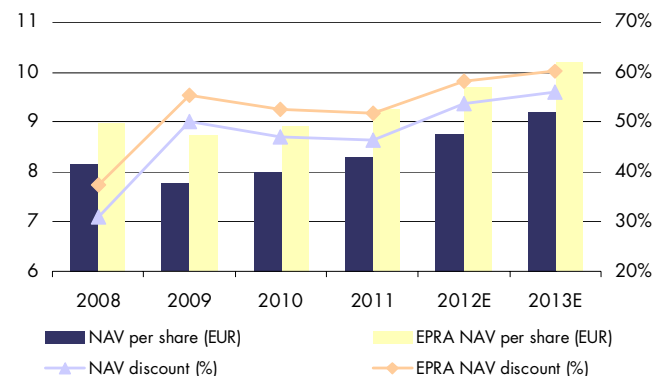
- ⇒ Equity ratios show positive trend since 2009
- ⇒ Equity ratio according to REIT Act of 53.6% (2012E) significantly exceeds the 45% minimum requirement; very good capital ratio compared to peer group

Net financial debt



- ⇒ Reduction in net financial debt since 2009; net financial debt 2012E: EUR76m
- ⇒ At 12.3 (2011), the net financial debt/EBITDA ratio is in the mid of the peer group range (cf. Hamborner REIT: 7.5; alstria office REIT: 16.1).

NAV and NAV discount



- ⇒ Fair Value share is trading at a high discount to NAV and EPRA NAV
- ⇒ Current discount is 48% to NAV and 53% to EPRA NAV

Source: Independent Research; Fair Value REIT-AG

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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.

Quite apart from the valuation method applied, there is a very real risk that the share price target may not be reached in the anticipated period of time. Risks include unforeseen changes in competitive pressure or in demand for the issuer's products. Such fluctuations in demand may arise as a result of changes of a technological nature, the overall level of economic activity or in some cases as a result of changes in moral concepts. Changes in tax law, in exchange rates and, in certain business segments, in regulations are other factors which can influence valuations. The above discussion of valuation methods and risk factors makes no claim to be exhaustive.

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Timing conditions of planned updates:**Analyses of shares:**

Independent Research GmbH maintains a list of issuers for whom company-based financial analyses („Coverage list of share analyses“) are published. The criterion for the inclusion or removal of an issuer from this list is governed primarily by the company's inclusion in an index (DAX®, EuroStoxx 50SM, and Stoxx Europe 50SM). In addition, selected issuers from the mid and small cap segment or from the US markets are included. In such cases the inclusion or removal of these issuers from the coverage list is at the sole discretion of Independent Research GmbH. If deemed appropriate by the analysts, Independent Research GmbH will release a short expert commentary or studies concerning the companies on the coverage list. As a rule, such research products will be published following the release of financial figures of a company under coverage. Moreover, every day company-specific events such as ad hoc announcements or important news relating to individual companies on the coverage list are evaluated. The decision as to which issuers are covered by such publications is at the sole discretion of Independent Research GmbH. Moreover, fundamental analyses are prepared for the issuers included on the coverage list. The decision as to which issuers are covered by such publications is at the sole discretion of Independent Research GmbH.

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Emittent	Conflicts of interest
Fair Value REIT-AG	5, 6

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- 3) look after financial instruments of the issuer in a market through the placement of buying or selling orders.
- 4) have concluded an agreement with issuers within the last twelve months, which are either themselves or through their financial instruments the object of a financial analysis, covering services related to investment banking transactions or have received a service or a promise of services in such an agreement.
- 5) made this financial analysis available to the issuer prior to publication without the Valuation/Forecasts section and subsequently amended it.
- 6) have concluded an agreement with the issuers which are either themselves or through their financial instruments the object of the financial analysis regarding the preparation of the financial analysis.

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As at: 11/12/2012

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