

Fair Value REIT-AG

Date: 08/13/2012

Recommendation:	Buy	as of	-
before:	-		
Target price (EUR)	7.50		
Price (Xetra) (EUR)	4.05		
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Share price potential	85%		

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

Share data	
Shares (m)	9.407
Free float	38.4%
Market cap. (EURm)	38.1
∅ trading volume	2,482.0
52W High	08/31/11 EUR4.69
52W Low	07/16/12 EUR3.35

Events	
Results Q3 2012	11/08/2012

Performance		
	Absolute	Relative to: DAX
1M	7.7%	1.7%
3M	-4.7%	-9.7%
6M	-1.5%	-4.4%
12M	0.0%	-13.6%

Index weighting	
Prime Fin. Services	0.11%

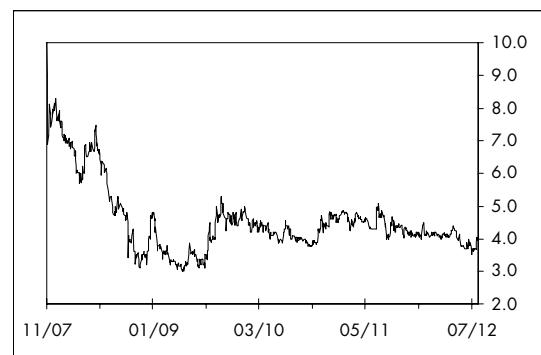
Highlights

- ⇒ Q2 results show some operational improvement in the company's real estate portfolio (regarding direct investments, subsidiaries and associated companies). The occupancy rate increased significantly to 95.0% (end of Q1 2012: 94.2%; end of Q4 2011: 93.8%).
- ⇒ On the other hand, results were weighed down by a valuation loss following the sale of a commercial property in Alzey (EUR0.65m; property sale to a local investor for owner occupation after renewed rental contract).
- ⇒ In our view, the high valuation discount of 53% to NAV and 58% to EPRA NAV is exaggerated. We assume that the NAV discount will gradually decline provided that the positive cost effects (especially regarding the interest expenses) will have an even bigger impact and recoverability of the real estate portfolio will be confirmed by means of successful (opportunistic) property disposals.
- ⇒ Therefore, we reaffirm our Buy recommendation for the Fair Value REIT share after the company's Q2 results. Our price target (NAV valuation) remains unchanged at EUR7.50.

	2008	2009	2010	2011	2012E	2013E
Rental income	12.4	10.5	12.1	10.8	10.9	11.0
Growth rental income	186.5%	-15.6%	15.5%	-10.5%	0.9%	0.5%
Operating income	-1.8	-0.7	2.9	6.7	6.4	6.4
Operating margin	-14.2%	-7.0%	23.7%	62.4%	58.3%	58.4%
Net income	-13.3	-2.9	2.2	4.6	4.9	5.2
Net margin	-107.3%	-27.8%	18.5%	42.5%	45.3%	47.4%
EPS	-1.41	-0.31	0.24	0.49	0.53	0.56
DPS	0.00	0.00	0.10	0.08	0.10	0.12
FFO earnings	5.7	6.1	5.7	5.5	5.4	5.9
Net fin. debt/EBITDA	n/a	n/a	30.3	12.3	12.2	11.6
Net gearing	1.0	1.4	1.2	1.1	0.9	0.9
Inter. coverage (EBIT)	n/a	n/a	0.6	1.5	1.5	1.5
Free cash flow (FCF)	17.9	-3.6	-2.8	2.8	3.4	4.2
FCF per share	1.91	-0.38	-0.30	0.30	0.36	0.45
NAV per share	8.16	7.78	8.00	8.31	8.76	9.21
NAV discount	31.0%	50.0%	46.9%	46.3%	53.8%	56.0%
P/E	neg.	neg.	17.7	9.1	7.6	7.3
P/B	0.7	0.5	0.5	0.5	0.5	0.4
Dividend yield	0.0%	0.0%	2.4%	1.8%	2.5%	3.0%

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: Fair Value REIT-AG, Bloomberg

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Highlights (cont'd)

Positive impact on interest result to increase from 2013

⇒ The first positive effects on interest expenses can be observed as well (net interest expenses adjusted for market value changes to interest hedging transactions with an impact on earnings: -7% qoq). The positive effects on interest expenses will increase significantly from 2013 on, when more than 50% of the financial liabilities of the associated companies are up for renewal (Fair Value's share, 2013: EUR75m; positive impact on interest rates: up to 300-400 basis points).

⇒ We assume that there will be no further one-off item in the remainder of the year. Therefore, we are maintaining our 2012 earnings forecast (IFRS) of EURO.53 per share (H1 2012: EURO.22 per share; impact of EURO.07 per share connected with property sale in Alzey).

Company guidance raised

⇒ The fact that the company has raised its FFO target to EUR5.2m (before: 4.8) or, respectively, EURO.56 (before: 0.52) per share indicates the conservative policy of company forecasts (real estate-related operating expenses lower than expected). In our opinion, the company is likely to increase its FFO target again in the course of the year (our 2012E FFO forecast: EUR5.4m or, respectively, EURO.58 per share).

DPS 2012E unchanged at EURO, 10

⇒ We also reaffirm our 2012 dividend forecast of EURO.10 per share, which would correspond to a dividend yield of 2.5%. Following the disposal of three savings bank branches at the end of July, we assume that Fair Value REIT will sell further properties in the course of the year (extensive hidden reserves in financial statements under commercial law).

Attractive risk/reward profile

⇒ In our opinion, the risk/reward profile of the company is very attractive (equity ratio according to REIT Act: 52.2%; solid tenant structure (savings bank portfolio); long-term rental contracts (5.7 years); high occupancy rate).

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Valuation

Fair value: EUR7.64 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. On that basis, the average NAV remains unchanged at EUR8.99 per share. As of June 30, 2012, the NAV was EUR8.51 (December 31, 2011: 8.31) per share and the EPRA NAV after adjusting for market value of derivative financial instruments was EUR9.53 (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 EUR7.64 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	128,477	128,477
Equity-accounted participations	48,551	50,748	52,148	54,598
Other assets less other liabilities	-1,021	-4,365	-5,792	-6,183
Financial liabilities	99,103	91,027	87,622	84,365
Cash and cash equivalents	11,975	7,725	10,152	10,102
Minority interests	14,494	14,736	15,694	16,700
NAV	74,558	77,472	81,668	85,930
Number of shares ('000)	9,326	9,326	9,326	9,326
NAV per share	8.00	8.31	8.76	9.21
Average NAV per share			8.99	
NAV discount			15%	
Fair value per share			7.64	

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 June 30, 2012, the market value of all properties held (including associated companies: 71 properties with a lettable area of more than 430,000 sqm) totalled EUR486m. 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 EUR221m. The occupancy rate was 95.0% (December 31, 2011: 93.8%) as of June 30, 2012, and the annualised contractual rent was EUR18.5m.

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 06/30/2012
§ 11	Free float	Voting rights	Min. 15%	38.4%
§ 12, para. 2a	Asset requirement	Immovable assets/total assets	Min. 75%	94.7%
§ 12, para. 3a	Revenue requirement	Revenues from immovable assets	Min. 75%	100.0%
§ 13	Minimum distribution to shareholders	Retained earnings according to German Commercial Code	Min. 90%	97.6%
§ 14	Exclusion of real estate trading	Proceeds from sale of properties within 5 years	Max. 50%	19.1%
§ 15	Minimum equity requirement	Equity (incl. minority interests) in % of immovable assets	Min. 45%	52.2%

P Tax transparency: No taxation of income on REIT level (corporate tax), but taxation on the shareholder's 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 :	EUR'000						
Fiscal year :	Dec. 31	2008	2009	2010	2011	2012E	2013E
Accounting standards :	IFRS						
Rental income		12,392	10,460	12,081	10,807	10,900	10,950
Operating income and incidental costs		1,303	1,505	2,363	2,552	2,500	2,550
Expenses for investment properties		2,912	3,437	4,909	4,605	4,900	4,900
Net rental result		10,783	8,528	9,535	8,754	8,500	8,600
General administrative expenses		3,797	2,611	2,252	2,310	2,050	2,100
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	0	0
Operating income		-1,754	-727	2,867	6,748	6,350	6,400
Income from participations		-7,075	1,401	3,873	3,258	3,900	3,950
Financial result		-4,907	-4,525	-4,765	-4,522	-4,350	-4,150
Profit (loss) before taxes		-13,736	-3,851	1,975	5,484	5,900	6,200
Income taxes		0	0	2	0	0	0
Profit (loss) before minority interests		-13,736	-3,851	1,977	5,484	5,900	6,200
Minority interests		435	945	255	-890	-958	-1,006
Net profit (loss)		-13,301	-2,906	2,232	4,594	4,942	5,194
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	0.56
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 :	Dec. 31	2008	2009	2010	2011	2012E	2013E
Accounting standards :	IFRS						
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%	22.9%	23.3%
Expenses for investment properties		23.5%	32.9%	40.6%	42.6%	45.0%	44.7%
Net rental result		87.0%	81.5%	78.9%	81.0%	78.0%	78.5%
General administrative expenses		30.6%	25.0%	18.6%	21.4%	18.8%	19.2%
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%	0.0%	0.0%
Operating income		-14.2%	-7.0%	23.7%	62.4%	58.3%	58.4%
Income from participations		-57.1%	13.4%	32.1%	30.1%	35.8%	36.1%
Financial result		-39.6%	-43.3%	-39.4%	-41.8%	-39.9%	-37.9%
Profit (loss) before taxes		-110.8%	-36.8%	16.3%	50.7%	54.1%	56.6%
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%	54.1%	56.6%
Minority interests		3.5%	9.0%	2.1%	-8.2%	-8.8%	-9.2%
Net profit (loss)		-107.3%	-27.8%	18.5%	42.5%	45.3%	47.4%

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	128,477	128,477
Properties under construction		0	0	0	0	0	0
Equity-accounted investments		48,443	47,442	48,551	50,748	52,148	54,598
Financial assets (non-current)		2,319	348	269	17	17	17
Total non-current assets		181,526	185,393	177,480	180,078	180,828	183,278
Non-current assets available for sale		0	8,237	2,500	1,100	0	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	10,152	10,102
Total current assets		16,717	18,416	18,483	11,304	12,722	12,769
Total assets		198,243	203,809	195,963	191,382	193,550	196,047
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	-4,654	-392
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	81,668	85,930
Minority interests		16,505	15,296	14,494	14,736	15,694	16,700
Financial liabilities		78,352	104,004	87,556	52,810	50,170	47,661
Other liabilities		4,496	5,313	5,227	5,959	6,108	6,261
Total non-current liabilities		99,353	124,613	107,277	73,505	71,971	70,621
Provisions		334	261	241	250	250	250
Financial liabilities		15,905	4,312	11,547	38,217	37,453	36,704
Trade payables		1,359	809	1,083	1,007	1,259	1,573
Other current liabilities		4,505	1,094	1,257	931	950	969
Total current liabilities		22,103	6,476	14,128	40,405	39,911	39,496
Total equity and liabilities		198,243	203,809	195,963	191,382	193,550	196,047

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%	66.4%	65.5%
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%	26.9%	27.8%
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%	93.4%	93.5%
Non-current assets available for sale		0.0%	4.0%	1.3%	0.6%	0.0%	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%	0.6%	0.7%
Cash and cash equivalents		7.1%	4.1%	6.1%	4.0%	5.2%	5.2%
Total current assets		8.4%	9.0%	9.4%	5.9%	6.6%	6.5%
Total assets		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subscribed capital		23.7%	23.1%	24.0%	24.6%	24.3%	24.0%
Share premium		23.3%	22.7%	23.6%	24.1%	23.9%	23.5%
Retained earnings (loss carried forward)		-6.0%	-7.2%	-6.4%	-4.6%	-2.4%	-0.2%
Reserve for changes in value		-2.3%	-2.7%	-2.9%	-3.4%	-3.3%	-3.3%
Treasury shares		0.0%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%
Total equity		38.7%	35.7%	38.0%	40.5%	42.2%	43.8%
Minority interests		8.3%	7.5%	7.4%	7.7%	8.1%	8.5%
Financial liabilities		39.5%	51.0%	44.7%	27.6%	25.9%	24.3%
Other liabilities		2.3%	2.6%	2.7%	3.1%	3.2%	3.2%
Total non-current liabilities		50.1%	61.1%	54.7%	38.4%	37.2%	36.0%
Provisions		0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
Financial liabilities		8.0%	2.1%	5.9%	20.0%	19.4%	18.7%
Trade payables		0.7%	0.4%	0.6%	0.5%	0.7%	0.8%
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%	20.6%	20.1%
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 : Fiscal year : Accounting standards :	EUR'000 Dec. 31 IFRS	2008	2009	2010	2011	2012E	2013E
Net profit (deficit)		-13,301	-2,906	2,232	4,594	4,942	5,194
Income tax expense		0	0	-8	-4	0	0
Amortisation/depreciation of intangible assets and PPE		11	26	10	23	23	23
Profits from the disposal of investment properties		-1,345	190	109	25	0	0
Valuation result		9,734	6,370	4,238	-310	650	0
Income from equity-accounted investments		7,075	-1,401	-3,873	-3,258	-3,900	-3,950
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	958	1,006
Disbursement to minority interests		-1,256	-397	-469	-652	-569	0
Result from the valuation of derivative financial instruments		88	108	-113	-140	160	0
Expenses connected to compensation payment received		1,880	0	169	0	0	0
FFO (funds from operation) subtotal		3,501	2,947	4,798	2,496	4,764	3,773
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	315
(decrease)/increase in other liabilities		2,725	-3,679	-231	-434	168	172
Cash flow from operating activities		21,496	-1,260	5,129	3,780	5,092	4,164
Payments for purchase of interests in associated companies		-9	-67	-13	-20	-13	-13
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	0	0
Investments in investment properties/properties under construction		-13,892	-74	-301	-1,825	1,750	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	1,727	-23
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	-3,646	-3,258
Cash flow from financing activities		-16,408	-8,631	-9,321	-9,019	-4,392	-4,190
Change in cash and cash equivalents		8,658	-5,758	3,694	-4,250	2,427	-49
Cash and cash equivalents - start of period		5,381	14,039	8,281	11,975	7,725	10,152
Cash and cash equivalents - end of period		14,039	8,281	11,975	7,725	10,152	10,102

Source: Independent Research; Fair Value REIT-AG

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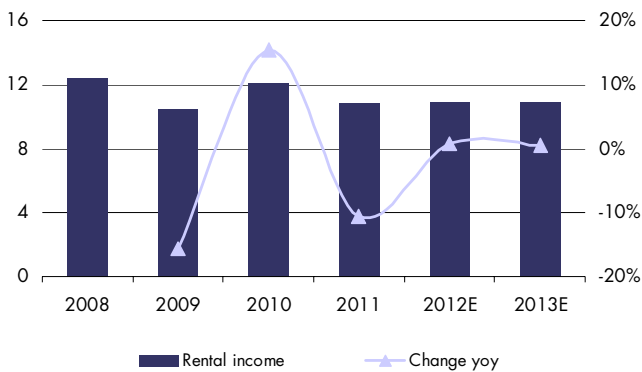
Selected key figures incl. peer group companies

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 (June 30, 2012)	48.8%	41.1%	53.0%	52.2%
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%	17.7%	6.7%	14.6%
EPRA NAV as of June 30, 2012 (EURm)	810.0	459.7	294.1	88.9
EPRA NAV per share as of June 30, 2012 (EUR)	10.27	8.86	8.62	9.53
EPRA NAV discount (%)	12%	61%	18%	58%
NAV as of June 30, 2012 (EURm)	810.5	398.1	202.9	79.3
NAV per share as of June 30, 2012 (EUR)	10.28	7.66	5.95	8.51
NAV discount (%)	12%	54%	-18%	52%
Current market cap (August 10, 2012)	711.2	181.5	319.8	38.1
EV/EBIT 2012E	18.3	13.0	29.1	18.1
EV/EBIT 2013E	17.3	17.9	24.9	17.5
P/E 2012E	14.8	28.6	37.6	7.6
P/E 2013E	12.2	neg.	33.8	7.3
Dividend yield 2012E	5.3%	2.2%	4.5%	2.5%
Dividend yield 2013E	5.8%	1.0%	4.9%	3.0%

Source: Independent Research; company information

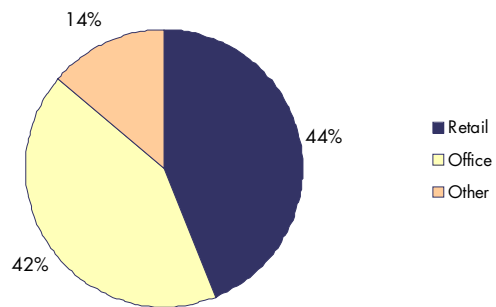
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Rental income (EURm)



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

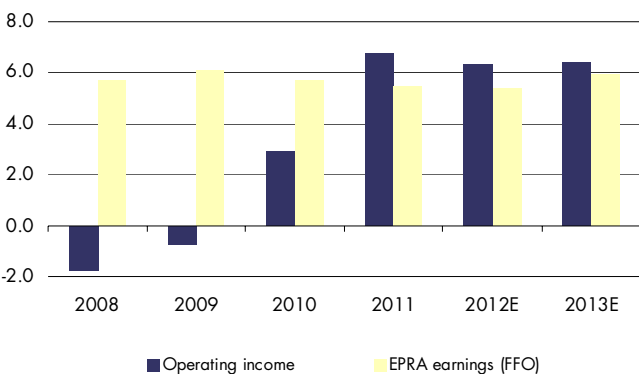
Real estate portfolio* (as of December 31, 2011)



*in % of potential rent

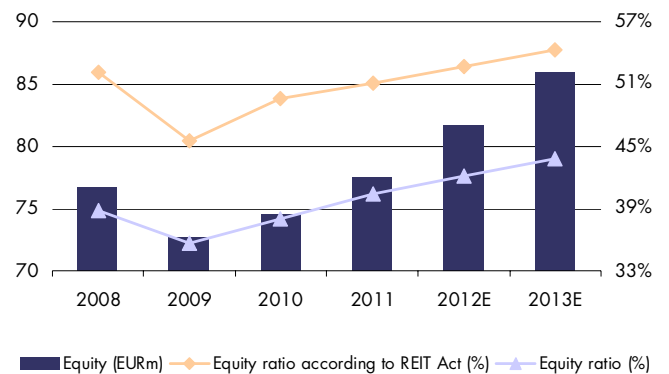
- ⇒ Portfolio dominated by retail and office properties
- ⇒ Other activities: logistics properties, hotels
- ⇒ Regional focus on Schleswig-Holstein and North Rhine-Westphalia

Earnings development (EURm)



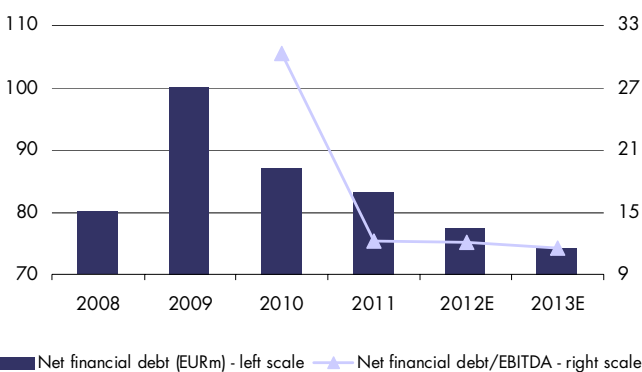
- ⇒ Significant increase in (operating) profit; 2008 and 2009 operating profits weighed down by real estate valuations and interest rate hedges
- ⇒ FFO has been more or less stable during the period (range: EUR5.5m-6.1m)

Equity ratio - according to balance sheet and REIT Act



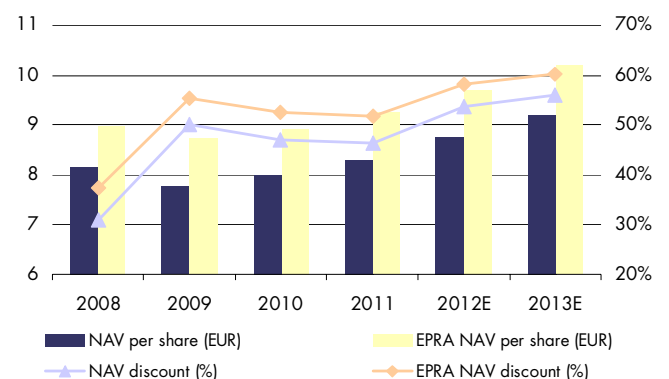
- ⇒ Equity ratios show positive trend since 2009
- ⇒ Equity ratio according to REIT Act of 52.7% (2012E) significantly exceeds the 45% minimum requirement; very good capital ratio compared to peer group

Net financial debt



- ⇒ Reduction in net financial debt since 2009; net financial debt 2012E: EUR78m
- ⇒ 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 53% to NAV and 58% to EPRA NAV

Quelle: 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:**

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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: 08/13/2012

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