

fair value
REIT

Rolling Up German Real Estate

Financial Results 2008 and I/2009

Presentation at REIT Week, New York

Frank Schaich, CEO
Fair Value REIT-AG
June 4, 2009

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1. Fair Value – an overview

SNAPSHOT

- > **Focus** on the acquisition, management, leasing and sale of commercial properties in Germany
- > **Direct and indirect investments** primarily in office, light industrial / logistics and retail properties in German secondary cities and regional centers (“hidden champions”)
- > **First German UPREIT**: Participation in closed-end funds provides unique market access (volume: € 140 bn)
- > **Broadly diversified real estate portfolio** in regional and sectoral perspectives
- > **Lean, cost-effective structures** through outsourcing of property management, accounting and asset management



Neumünster (€ 15.3 million)



Rostock (€ 61.4 million)



Pinneberg (€ 2.4 million)

2. German market for commercial real estate

GERMAN MACROECONOMIC TRENDS

- > **Biggest player in Europe:** 82 million inhabitants and GDP of € 2,321 billion make Germany biggest market in EU (no. 3 worldwide)
- > **Robust growth** of real GDP in 2008 (+1.3%)
- > **First quarter 2009** strongly affected by “financial crisis” (-6.7%)
- > **Employment remains relatively stable:** unemployment rate currently at 8.6% in April 2009 (+0.5% compared to 2008), partly caused by short-time work
- > **Strong exports:** Trade surplus even exceeding Chinese numbers

COMMERCIAL REAL ESTATE

- > **Excellent geographical position** in the heart of Europe has led to increase in demand for logistics / light industrial premises
- > **Economic structure characterized by middle sized companies,** often located in secondary cities
- > **Rental markets** have come under pressure due to ongoing recession
- > **Investment markets** fell substantially, leading to decrease in purchase prices
- > **Healthy price levels** in German real estate market in contrast to other European countries such as UK, Spain or Ireland



Conditions for long term positive economic development remain intact

3. Strategy

DIRECT INVESTMENTS

- > **Investment focus:** Office and logistics premises in secondary cities and regional centers
- > **Volumes:** € 5 – € 50 million
- > **Vehicle:** REIT structure currently allows for use of exit tax privilege

PARTICIPATIONS (CLOSED-END FUNDS)

- > **Combination** of contribution in kind (roll up, UPREIT) and acquisition against payment of cash
- > **Motivation:** Market potential (€ 140 billion), low transaction costs, purchase price in total below NAV
- > **Investment criteria:** Attractive growth and return perspectives



Growth through use of acquisition advantages



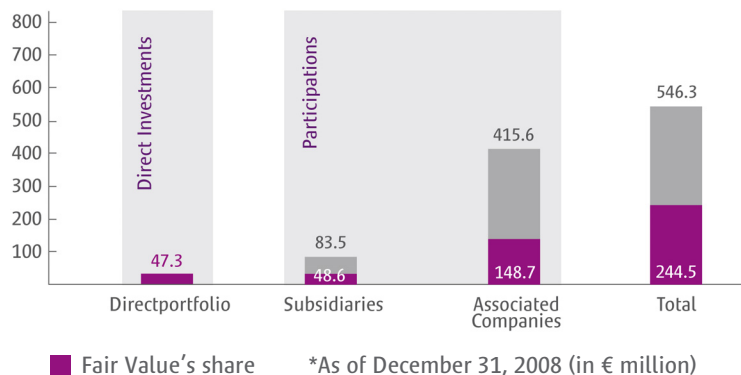
Target structure: 50% direct investments and 50% participations



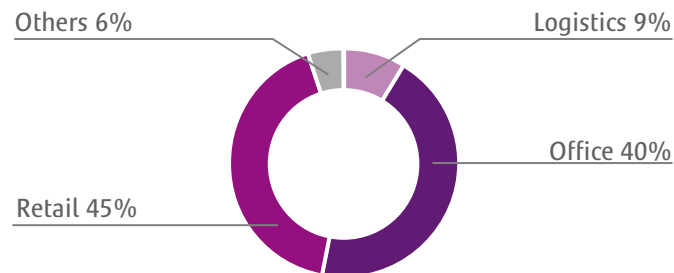
Target portfolio: Office around 50% of rental income, around 25% logistics and retail each

4. Real estate portfolio

PORTFOLIO STRUCTURE – MARKET VALUES*



PORTFOLIO SPLIT BY SECTORS*



*According to potential rent as of March 31, 2009

- > Direct Investments and Participations
- > **€ 546.3 million** market value of overall portfolio
- > **€ 244.5 million** Fair Value's share of market value
- > Total of 80 properties with a total rental area of **456,957 m² / 4,918,644 sf** (overall)
- > **Funds Portfolio:** Interests in 13 closed-end real estate funds comprising diversified asset base (rental area: **413,650 m² / 4,452,491 sf**)
- > **Direct Investments:** Portfolio of bank branches in the Hamburg metropolitan area (rental area: **42,948 m² / 462,288 sf**)
- > Well-balanced structure according to sectors

▶ Broad diversification of real estate portfolio

4. Real estate portfolio

PORTFOLIO SPLIT BY REGION



- > Present in almost all parts of Germany
- > Broad regional diversification
- > Focus on medium-sized cities
- > **80%** of market values as of 12/2008 and **56%** of contractual rents as of 12/2008 in towns < 250.000 inhabitants
- > Advantage: relatively low volatility concerning changes in rents and values

▶ **High rental yields combined with relatively low risk profile**

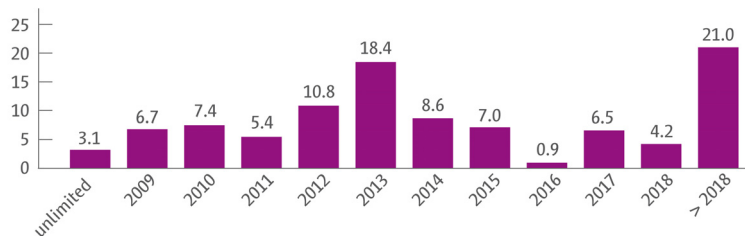
4. Real estate portfolio

POTENTIAL RENTAL RETURN IN %*



*Based on proportionate market values as of March 31, 2009

REMAINING TERMS IN %*



*Leased expiry schedule of proportional contractual rent as of March 31, 2009

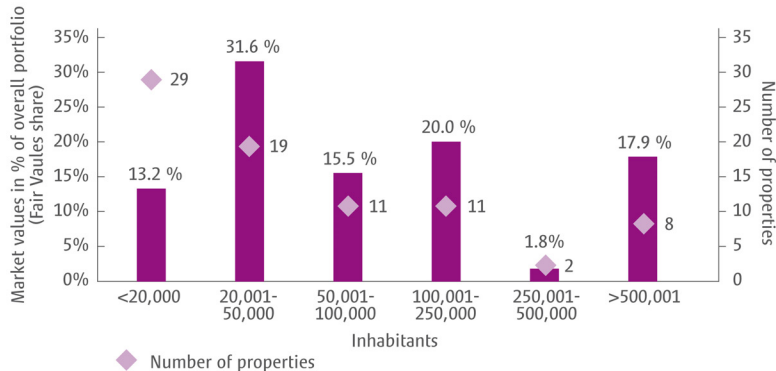
- > **€ 21.0 million** Fair Value's share of potential rent
- > **95.2% occupancy** (on potential rent) provides for sustained earnings strength
- > First Quarter 2009: Rental successes through due to new lettings, prolongations and renewals of rental agreements
- > **8.6%** return on Fair Value's share of market value
- > **6.7 years** average residual term of leases underscore stability of rental income



Attractive and predictable rental income

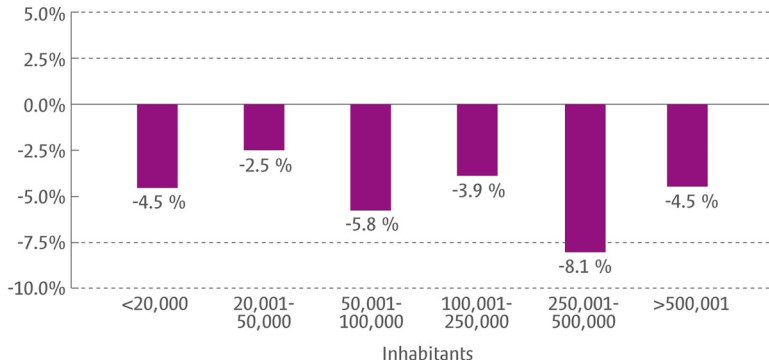
5. 2008 in retrospective

OBJECTS / MARKET VALUES ACCORDING TO TOWN SIZE*



- > Distribution of premises according to town size mirrors investment strategy
- > Market value of portfolio totals **€ 244.5 million** as of Dec. 31, 2008 (Fair Value's share)
- > Valuation loss (balanced) of € 17.5 million
- > Reason: increased discount and capitalization rates
- > Market values in secondary cities relatively stable

CHANGE ACCORDING TO TOWN SIZE*



Proportionate valuation loss of 6.4%

*as of December 31, 2008 after considering Fair Value's share

5. 2008 in retrospective

SALE OF AIRPORT OFFICE II, DUSSELDORF

- > Acquisition of „Airport Office Building“ located at Dusseldorf Airport in October 2007
- > Total investment: **€ 14.0 million**
- > Attractive location in direct proximity of the terminal building
- > Completion in July 2008, fully let in September 2008
- > Contractual rents **9%** above original plans
- > Successful sale for **€ 15.3 million** as of year end
- > Recorded capital gains of **€ 1 million** after sales costs

▶ **20% return on equity employed**



5. 2008 in retrospective

OFFICE BUILDING TELTOW (SUBSIDIARY IC 07)

- > Termination of a general lease compensated by cash inflow of **€ 15.4 million**
- > Present value compensation for **“over rent”**
- > Corresponding valuation loss of **€ 17.7 million** also due to adjustment of net rental space from gross to net of approx. 10,000 m²
- > Financial liabilities reduced to **53%** of new market value of € 7.5 million
- > Occupancy **increased** from 61% of potential rent (12/2008) to **63%** (3/2009)



Compensation payment strengthens cash position and provides for direct control of letting

6. Financial results 2008

CONSOLIDATED INCOME STATEMENT*

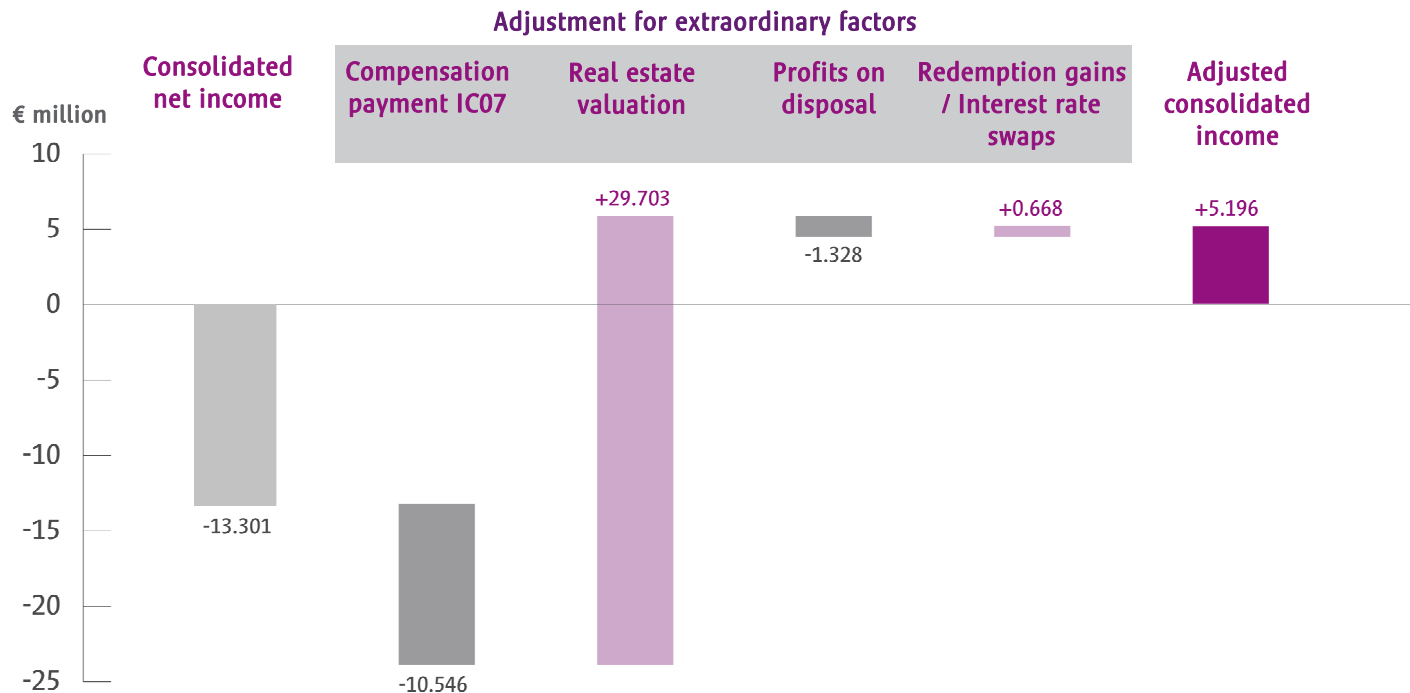
€ thousand	Fiscal year	
	2009	2008
Rental income	12,392	4,326
Income from operating and incidental costs	1,534	321
Leasehold payments	(231)	(57)
Real-estate related operating expenses	(2,912)	(2,038)
Net rental result	10,783	2,552
General administrative expenses	(3,797)	(3,502)
Other operating income and expenses (balanced)	(351)	(135)
Net income from the sale of investment properties	1,345	0
Valuation result	(9,734)	(725)
Operating result	(1,754)	(1,810)
Income from participations	(7,075)	7,638
Minority interests	435	(768)
Net interest expenses	(4,907)	(1,491)
Financial result	(4,472)	(4,084)
Consolidated net income (loss)	(13,301)	1,744
Earnings per share (€)	(1.41)	0.74

- > Segment revenues to the amount of **€ 13.9 million** recorded; thereof **€ 10.0 million** from fully consolidated majority participations in closed-end real estate funds, additional **€ 3.9 million** stem from Fair Value's direct portfolio
- > Net rental income totaled € 10.8 million
- > General administrative expenses of € 3.8 million include services fees of € 0.9 million for compensation payment received
- > Consolidated valuation loss amounted to € 9.7 million (including compensation payment)
- > Income from participations of - € 7.1 million include valuation changes
- > Consolidated net loss for 2008 of **€ 13.3 million** strongly affected by extraordinary effects

*Previous year not comparable due to start of operating business in Q4/2007

6. Financial results 2008

ADJUSTED CONSOLIDATED EARNINGS EXCEED GUIDANCE BY € 1.5 MILLION



- > Consolidated income before extraordinary effects total **€ 5.2 million** (or **€ 0.55 per share**), guidance exceeded by € 1.5 million
- > Reasons: Reduction of interest expenses, costs saved or postponed

6. Financial results 2008

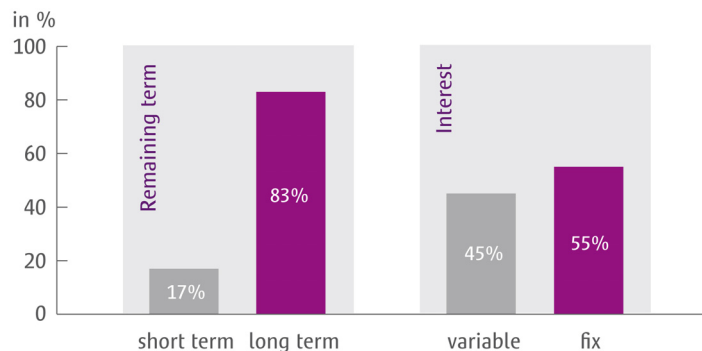
FUNDS FROM OPERATIONS

€ thousand	Fiscal year 2008
Consolidated net loss	(13,301)
Amortization of intangible assets and depreciation of property, plant and equipment	11
Profits from the disposal of investment properties	(1,345)
Valuation result	9,734
Income from equity-accounted investments	7,075
Withdrawals from equity-accounted investments	2,519
Income from restructuring a financial liability	(1,469)
Loss for minority interests	(435)
Disbursement to minority interests	(1,256)
Result from the valuation of derivative financial instruments	88
Income from restructuring financial derivatives	(1,472)
Expenses connected to compensation payment received	1,880
FFO (funds from operations)	3,501
FFO per share (in €)	0.37

- > Income from equity-accounted investments of € 7.1 million no cash position
- > Withdrawals from equity-accounted investments of € 2.5 million
- > Loss for minority interests of accounted for approximately € 0.4 million
- > Additional income from restructuring financial derivatives of € 1.5 million
- > As a result, Fair Value achieved funds from operations) of **€ 3.5 million** in fiscal year 2008
- > **FFO per share of € 0.37** reflects Fair Value's earnings strength
- > Cash flow from operating activities of **€ 21.5 million** mainly due to compensation payment received

6. Financial results 2008

FINANCIAL LIABILITIES GROUP*



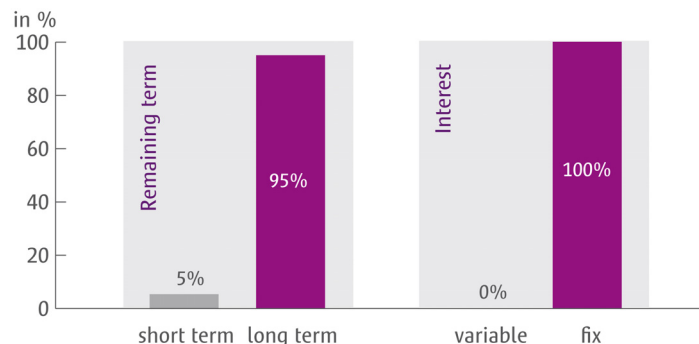
> Equity ratio according to §15 REIT-G: **52%** of immovable assets

> Cash & cash equivalents of **€ 14.0 million** (previous year: € 5.4 million)

> High degree of liabilities with fixed interest rates

> Long remaining terms of loan agreements

FINANCIAL LIABILITIES ASS. COMPANIES



* Single entity and subsidiaries



**Solid equity basis,
high cash position,
long term debt financing**

7. Financial results I/2009

ASSOCIATED COMPANIES (at equity)

€ thousand	First Quarter 2009
Rental income	9.075
Income from operating and incidental costs	917
Real estate related expenses	(1.812)
Net rental result	8.180
General administrative expenses	(474)
Other operating income and expenses (balanced)	(17)
Valuation result	(1.091)
Operating result	6.632
Other interest expense	(3,978)
Valuation of derivative financial instruments recognized in income	(1,917)
Net interest expenses	(5.895)
Net profit	737
Reversal of difference from market valuation of financial liabilities (Sep. 30, 2007)	209
Economic result	946
Fair Value's share (Income from participations)	500

- > Total rental income of **€ 9.1 million** recorded by associated companies
- > Net rental result of € 8.2 million achieved
- > Valuation result totals - € 1.1 million
- > Operating result adds up to € 6.6 million
- > Net interest expense of - €5,9 million (incl. valuation of interest swaps of € 1.9 million)
- > Net profit of **€ 0.7 million** generated
- > Economic result amounts to **€ 0.9 million**
- > After considering Fair Value's share in funds, profits of **€ 0.5 million** were consolidated in group's financial result

7. Financial results I/2009

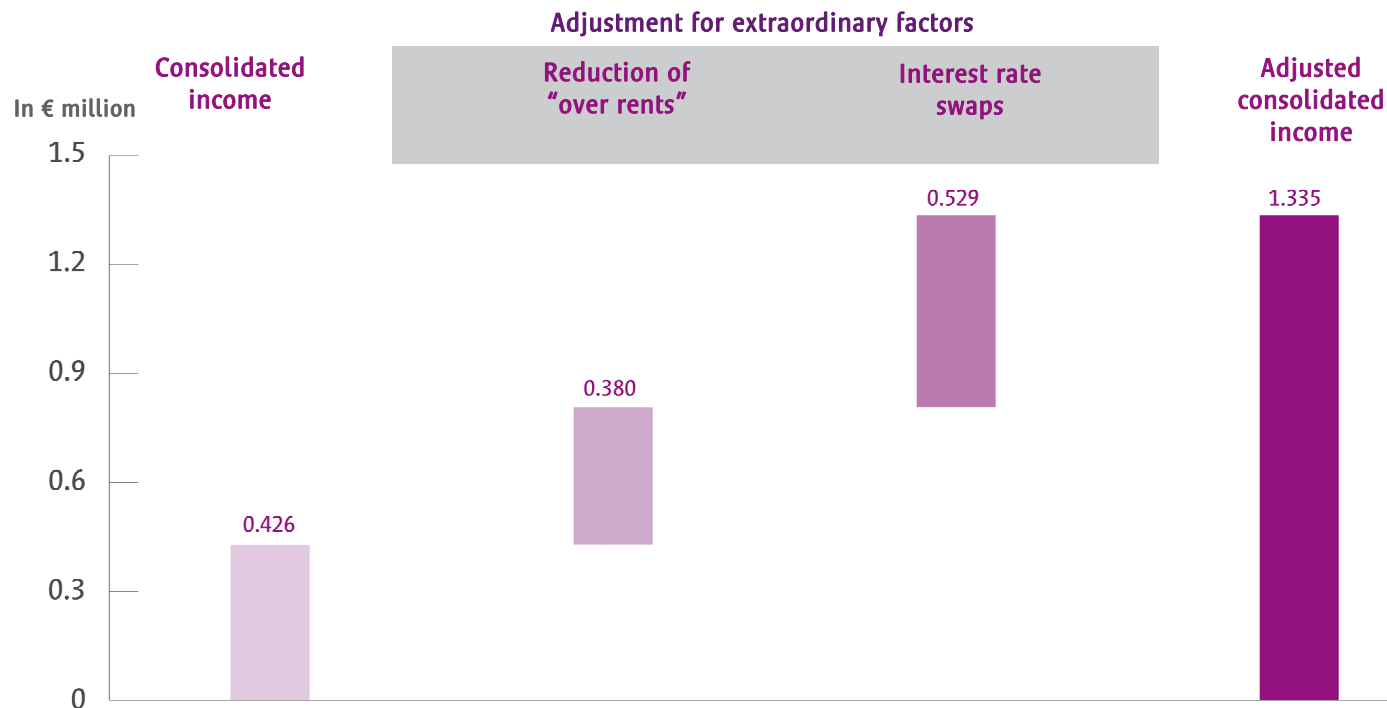
CONSOLIDATED INCOME STATEMENT

€ thousand	First Quarter	
	2009	2008
Rental income	2,565	2,947
Income from operating and incidental costs	272	380
Leasehold payments	(57)	(57)
Real estate related operating expenses	(926)	(510)
Net rental result	1,854	2,760
General administrative expenses	(571)	(614)
Other operating income and expenses	(1)	12
Valuation result	(10)	(295)
Operating result	1,272	1,863
Income from participations	500	419
Minority interests in the result	(204)	(250)
Net interest expense	(1,142)	(1,684)
Financial result	(1,346)	(1,934)
Consolidated net income	426	348
Earnings per share (€)	0.05	0.04

- > Rental income totals **€ 2.6 million**
- > Reduction compared to previous year due to termination of general lease in subsidiary IC 07 against compensation payment
- > Increased real estate related operating expenses due to higher maintenance and energy costs as well as shifts in the settlement of operating costs
- > Net rental result amounts to **€ 1.8 million**
- > General administrative expenses reduced by **7%**
- > Income from participations includes earnings from minority participations
- > Financial result improved by **€ 0.6 million**
- > Consolidated net income of **€ 0.4 million** influenced by extraordinary effects

7. Financial results I/2009

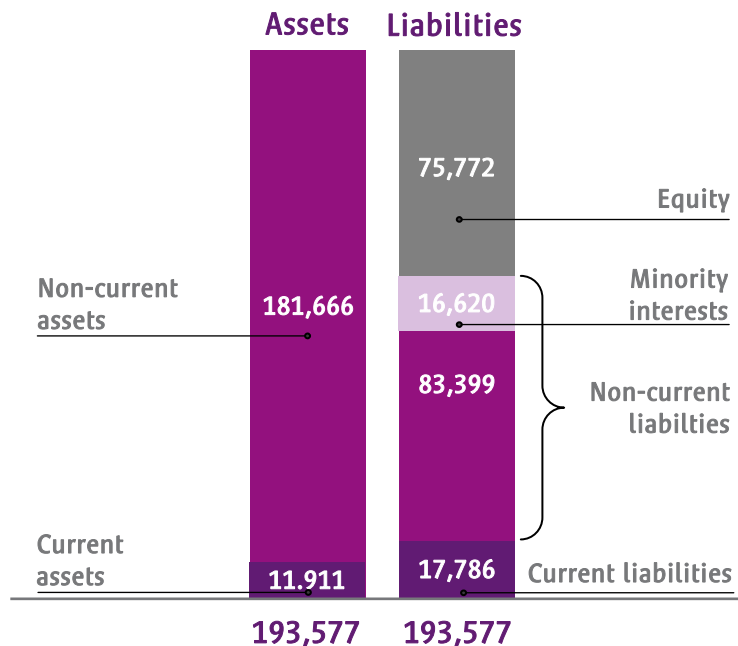
ADJUSTED CONSOLIDATED EARNINGS SLIGHTLY ABOVE GUIDANCE



- > Adjusted consolidated income of **€ 1.3 million** (or **€ 0.14 per share**) slightly above guidance
- > Reasons: Interest expense further reduced, income basis extended through rental successes

7. Financial results I/2009

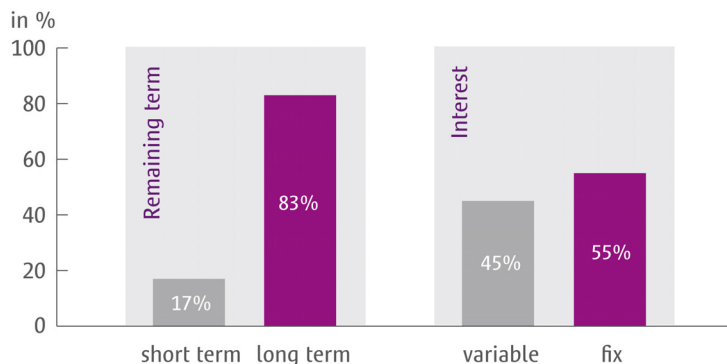
CONSOLIDATED BALANCE SHEET



- > Total assets amount to **€ 193.6 million** (December 31, 2008: € 198.2 million)
- > **94%** of total assets are non-current; thereof **72%** related to investments properties and **27%** related to equity-accounted investments in associated companies
- > Equity ratio according to §15 REIT-G **51.5%** of immovable assets
- > Financial liabilities of **€ 94.0 million** as of balance sheet date, thereof 17% due within one year
- > Net Asset Value (NAV) per share of **€ 8.05** as of March 31, 2009 remained fairly stable (December 31, 2008: € 8.16)

7. Financial results I/2009

CONSOLIDATED FINANCIAL LIABILITIES*



* Single entity and subsidiaries as of 03/2009

- > Cash and cash equivalents of **€ 10.4 million** as of March 31, 2009 (previous year: € 5.2 million)
- > On Group level 14% of financial liabilities (or € 13.5 million) expiring in 2009
- > After balance sheet date respective loan extended for 2 years including reduction to € 7.5 million
- > Financing tasks for current fiscal year already accomplished
- > Long term financial liabilities of **97%** in future



Strong equity base, high amount of cash, long term debt financing

8. Outlook 2009 / 2010

PERSPECTIVES AND OPPORTUNITIES

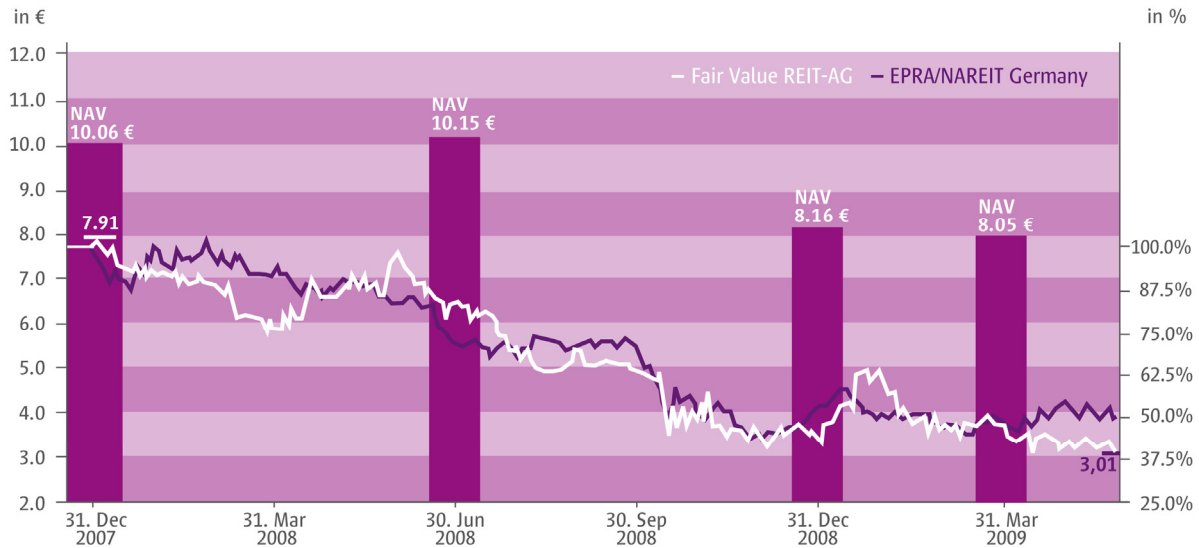
- > High occupancy level and long remaining terms of rental contracts
- > Solid base of equity and liquidity
- > Long term debt financing achieved
- > Sound base for further growth
- > **Forecast 2009: € 2.7 – 3.0 million** consolidated net income (IFRS) based on current portfolio and anticipated valuation loss of **€ 1.5 million** included
- > **Forecast 2010: Consolidated net income (IFRS) of € 3.2 – 4.0 million** based on current portfolio and anticipated valuation loss of **€ 1.6 million** included



9. Fair Value's share

NAV vs. SHARE PRICE

Share price



The EPRA / NAREIT Germany-Index is published by the EPRA European Public Real Estate Association and currently consists of the following listed real estate companies: Alstria Office, Colonia Real Estate, DIC Asset, Deutsche Wohnen, Deutsche Euroshop, Gagfah, Patrizia Immobilien, Vivacon.

10. Summary

- > Highly diversified portfolio of German commercial real estate properties focused on secondary cities and regional centers
- > New asset class: Fair Value is the first (and so far only) UPREIT in Germany
- > USP in an enormous market (size: € 140 billion)
- > Good timing allows for realization of potential value gains – for the company and its shareholders
- > Experienced management and cost efficient organizational structures



Annex - Management

MANAGEMENT BOARD



Frank Schaich
CEO/CFO

Manfred Heiler
CIO

Tried-and-tested experience and expertise of all areas of the real estate business

Frank Schaich

- > 27 years of experience in international real estate (Germany, Canada, USA, Poland, The Netherlands)
- > Employed by IC Real Estate Group for over 19 years, mostly in executive positions
- > Member of the Managing Board of IC Immobilien Holding AG since 2002 (IPO 2006)
- > Chief Executive Officer of Fair Value since September 17, 2007

Manfred Heiler

- > 34 years of experience in international real estate (Germany, France, Luxemburg, Poland, Austria, Canada, USA)
- > Executive positions in several real estate companies (Commerz Real Immobilien, Dr. Höcherl Gewerbebau, Thurn und Taxis)
- > Member of Fair Value's Managing Board since December 1, 2007

Annex – Key data

Overview of key data

Sector	Real estate (REIT)
WKN (German Securities Code) / ISIN:	A0MW97 / DE000A0MW975
Stock exchange symbol	FVI
Share capital	€ 47,034,410.00
Number of shares (no-par value bearer shares)	9,406,882
Proportion per share in the share capital	€ 5,-
Initial listing	November 16, 2007
High / low I/2009	€ 4.80 / € 3.01
Market capitalization on March 31, 2009	€ 31.3 million
Market segment	Prime Standard
Stock exchanges	Prime Standard: Frankfurt, XETRA OTC: Stuttgart, Berlin-Bremen, Dusseldorf, Munich
Designated Sponsor	WestLB / DZ Bank
Indices	RX REIT All Shares-Index RX REIT-Index

Annex – Shareholder structure

Shareholder structure

