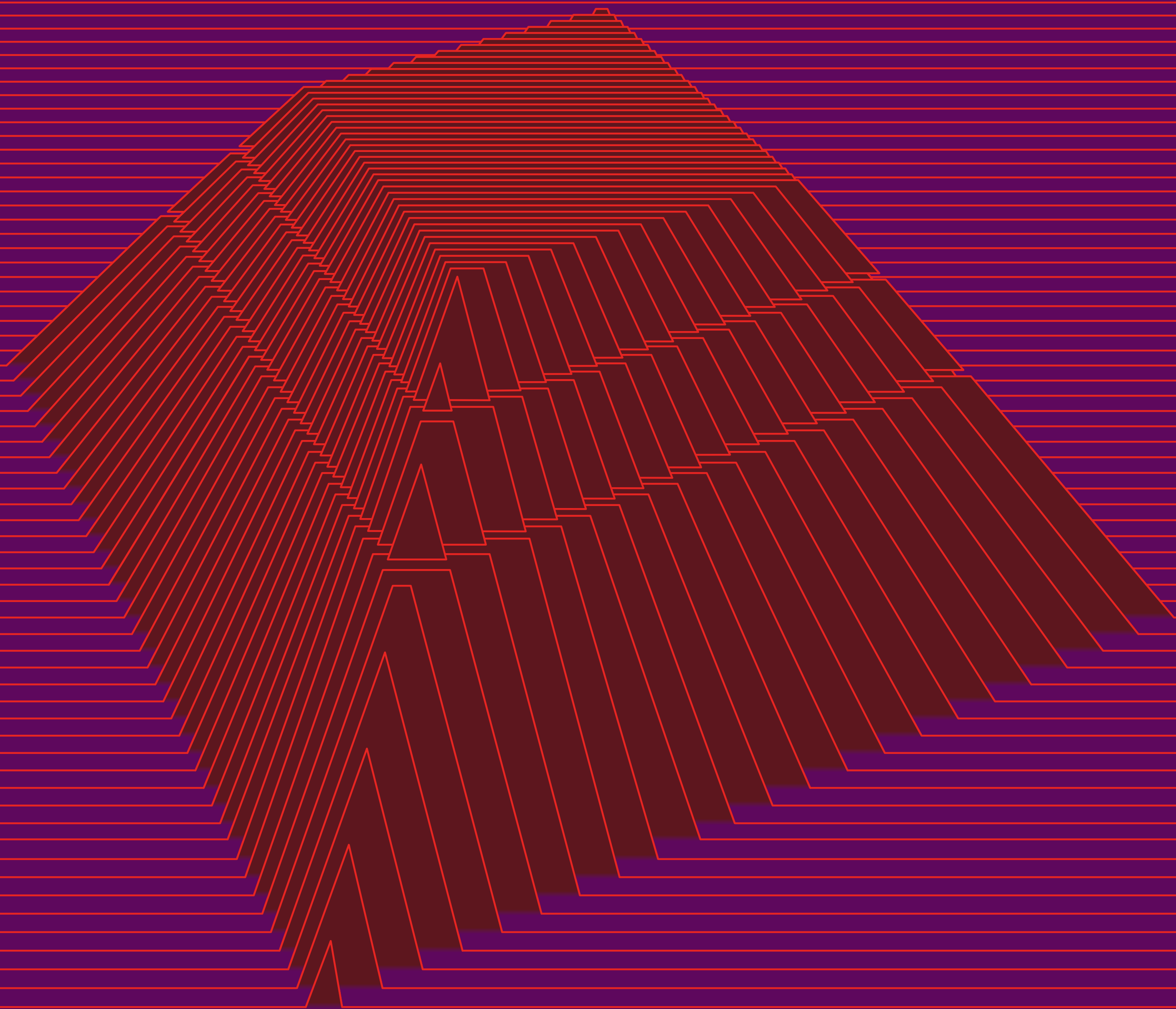
fair value
REIT

Annual Report 2011

Solid base



Key Figures

Key figures of Fair Value Group

Revenues and earnings		12/31/2011	12/31/2010
Rental revenues	in € thousand	10,807	12,081
Net rental result	in € thousand	8,754	9,535
EBIT	in € thousand	6,748	2,867
Consolidated net income	in € thousand	4,594	2,232
Earnings per share	in €	0.49	0.24
Adjusted consolidated net income (EPRA-Earnings)	in € thousand	5,533	5,757
EPRA-Earnings per share	in €	0.59	0.62

Assets and capital		12/31/2011	12/31/2010
Non-current assets	in € thousand	180,078	177,480
Current assets	in € thousand	11,304	18,483
Total assets	in € thousand	191,382	195,963
Equity/Net asset value (NAV)	in € thousand	77,472	74,558
Equity ratio	in %	40.5	38.0
Immovable assets	in € thousand	180,975	179,701
Equity within the meaning of Section 15 of the REIT act	in € thousand	92,208	89,052
Equity ratio within the meaning of Section 15 of the REIT act (minimum 45%)	in %	51.0	49.6

Real estate investments[1]		12/31/2011	12/31/2010
Number of properties	amount	73	75
Market value of properties[2]	in € million	222	225
Contractual rent	in € million	18.4	18.4
Potential rent	in € million	19.7	19.7
Occupancy	in %	93.8	93.6
Remaining term of rental agreements	years	6.0	6.2
Contractual rental yield before costs	in %	8.3	8.2

[1] Relating to Fair Value's proportionate portfolio. For further information see pages 6–17.
[2] Based on the market valuation dated December 31, 2011

Further key figures

		12/31/2011	12/31/2010
Number of shares in circulation	in pieces	9,325,572	9,325,572
Net asset value (NAV) per share	in € thousand	8.31	8.00
EPRA-NAV per share	in € thousand	9.27	8.93
Number of employees (including Management Board)		4	3

Group Management Report

Consolidated Financial Statements

Compliance

Letter to Shareholders

Frank Schaich, CEO

Dear Shareholders, Ladies and Gentlemen,

Since Fair Value REIT-AG's listing on the stock exchange in 2007, we have been able to report stable operating earnings every year. Constantly high occupancy rates of around 95%, a solid equity base averaging 50% of our real estate portfolio, falling interest expenses for variable interest loans as well as high repayment volumes were and remain to be the basis for our stability even in uncertain times. 2011 was another very successful financial year, although we were unable to achieve all of our goals.

Financial year 2011: Consolidated net income doubles

The consolidated net income of € 4.6 million was over twice the amount recorded in the previous year (€ 2.2 million). This was particularly due to the higher market valuation of our real estate. The consolidated net income figure adjusted for valuation effects totalled € 5.5 million and was slightly down on the previous year figure of € 5.8 million.

The Group balance sheet equity ratio rose from 38% in the previous year to 40% of total assets. The REIT equity ratio came in at 51% of real estate assets after 50% in the previous year, substantially higher than the legally required minimum level of 45%. Net asset value per share rose by 4% from € 8.00 in the previous year to € 8.31 on the balance sheet date.

Net income pursuant to HGB on a par with the previous year

Net income pursuant to HGB was on a level with the previous year in 2011, coming in at € 0.7 million. The distribution of profits by associated companies required for distributing the target dividend of at least € 0.10 per share was however not completely realised. At the Annual General Meeting on May 14, 2012, we will therefore propose distributing a dividend of € 0.08 per share from the retained earnings of Fair Value REIT-AG for the year 2011.

Sustainably increasing earnings over the five-year forecast

Our newly introduced five-year forecast of prospective business development based on an unchanged real estate portfolio anticipates sustainable increases in EPRA earnings/FFO, particularly as interest expenses are expected to fall.

In 2012 and 2013, a total of around 62% of the Group's financial liabilities are due for renegotiating interest conditions, and this figure is around 75% at associated companies. Given the current historically low interest rate levels, we are anticipating substantial potential savings despite generally increasing bank margins. We are expecting FFO of € 4.8 million or € 0.52 per share in 2012. The forecast then predicts that FFO will rise to € 5.8 million in 2013 and up to € 7.5 million by 2016.

We are confident of being able to use these general conditions to raise the profile of the Fair Value share on the capital market.

Munich, March 26, 2012
The Management Board

Frank Schaich

A REIT – Higher Return for Investors

REIT stands for Real Estate Investment Trust.

REITs are well established in many countries worldwide and represent a widely recognised form of indirect property investment.

In Germany, they consist of listed companies that largely invest in property as well as in property participations.

High Flexibility
Listed Property-Shares

REIT shares can be rapidly and easily bought and resold on the stock exchange.

High Payout Ratio
90% Profit Dividends

German REITs have a payout ratio fixed by law of at least 90% of the net income according to German commercial law.

%

High Profitability after Tax
No Income Tax at Company Level

German REITs are not subject to corporation tax and business tax. Only the dividends are taxable at shareholder level, and even then at a maximum tax rate of 25% plus Solidarity surcharge. Companies and non-resident shareholders can, under certain conditions, limit the tax rate to 15%.

§

High Level of Security
Security through Equity Strength

German REITs have to show an equity ratio of 45% of their real estate assets on each balance sheet date.

Solid base

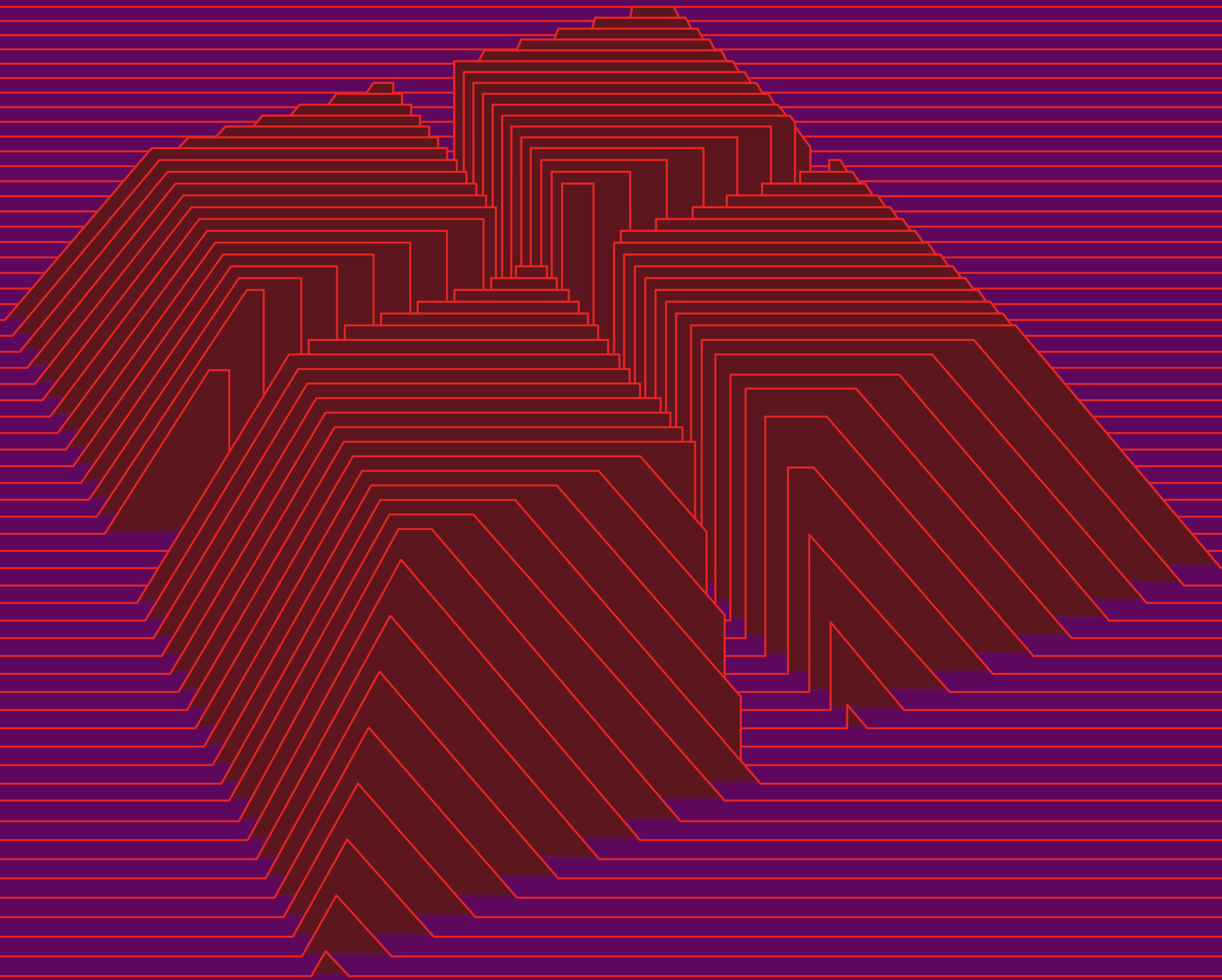
Fair Value REIT-AG invests in German commercial real estate. The investment focus is on office and retail properties in regional locations. The broad regional and sectoral diversification of our portfolio, the high creditworthiness of our tenants and our proactive asset management provide us with a solid base.

The occupancy rate of our real estate has stood at an average of 95% over the last five years, while the average maturity of our leases has remained constant at more than six years.

This position forms a solid base for the upcoming extension of our property loans in a banking environment characterised by historically low interest rates. We are anticipating an increase in the profitability of the Company and therefore a sustained strength of dividend potential for the years ahead.

This development supports our target of increasing the investment volume and equity base of Fair Value REIT-AG in an effort to make our share more attractive to investors.

Stability through diversification



Stability through diversification

Our real estate portfolio is diversified and geographically well distributed. Diversification increases independency from economically unfavourable developments in individual regions and real estate sectors. Our investment focus are retail properties and office buildings. Tenants with a good credit rating form the basis for stable earnings.

Regional distribution of the properties

in % of market values

The real estate portfolio of Fair Value REIT-AG is characterised by a high number of properties with strong regional diversification owned either directly or through participations. On the balance sheet date, the overall portfolio consisted of 73 properties with a total lettable area of approximately 432,000 m^2 and a market value of € 488 million. The proportionate Fair Value REIT-AG share of this portfolio totalled € 222 million.

This broad range of investment assets increases independency on regional and sector developments and forms the basis for stable occupancy rates and rental income of the portfolio.

The focus of Fair Value's investment activities is on medium-sized cities and regional centres. In view of the economic structure of Germany with its concentration on medium-sized companies, these locations provide a more stable rental market and value development over the long term than the major population centres, which are more affected by economic cycles.

Distribution by type of use

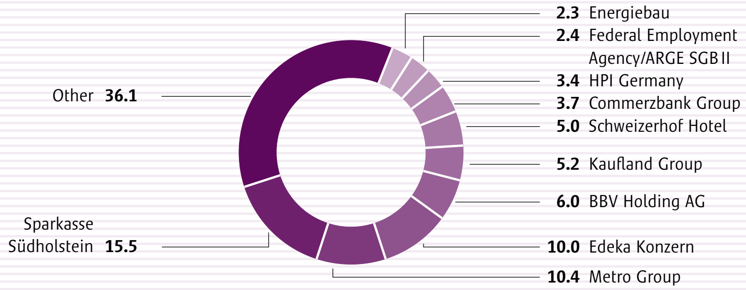
in % of potential rent

The real estate portfolio generates 86% of Fair Value's share of the total potential rent of € 19.7 million with real estate in the retail (44%) and office (42%) segments. Fair Value REIT-AG will continue to focus its future investments on these two types of use.

Other uses are comprised of four logistics properties and two hotel premises.

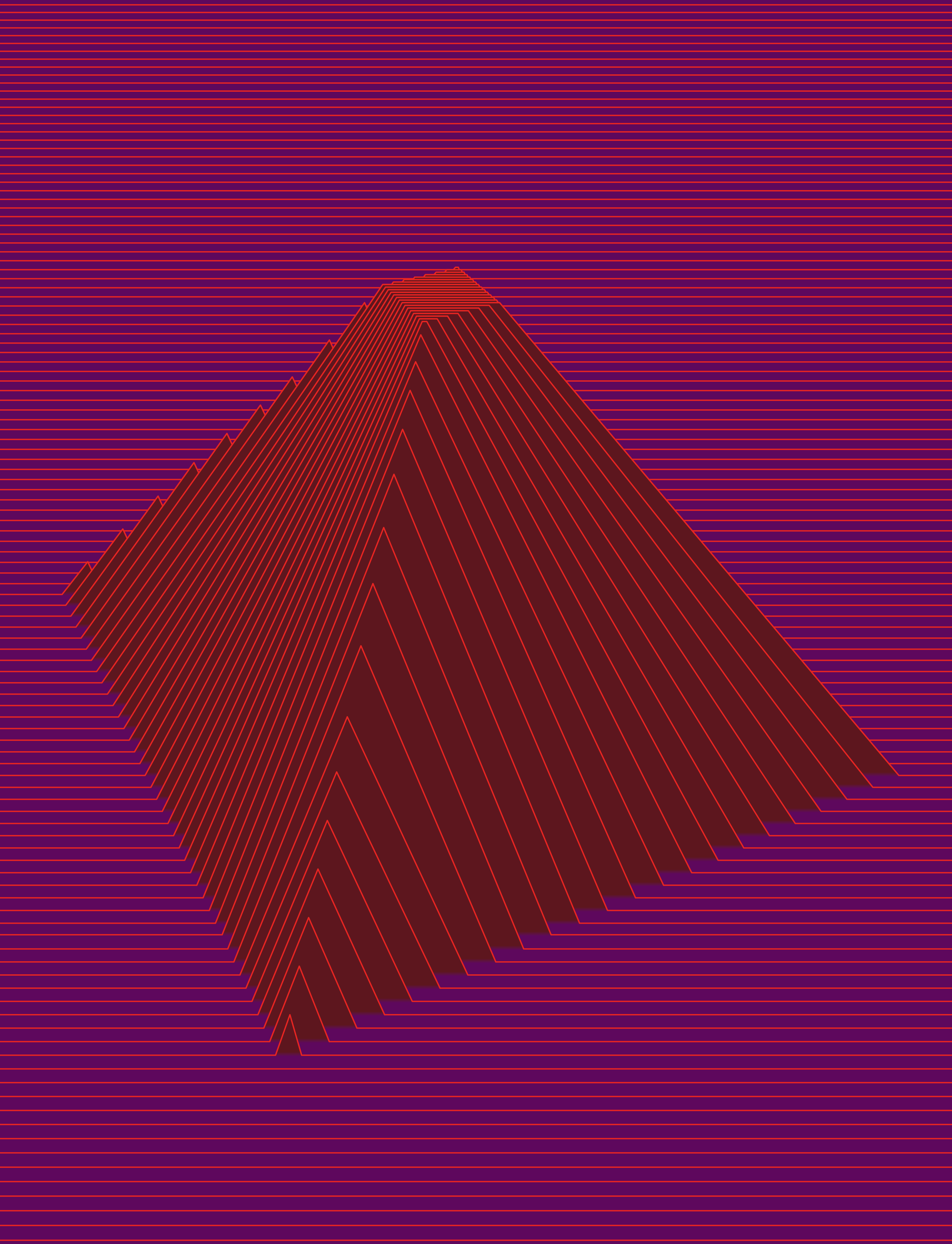
Tenant structure

in % of contractual rent



The largest single tenant, with about 16% of the proportionate contractual rent totalling € 18.4 million, is Sparkasse Südholstein, which has long-term lease agreements for 31 properties used for banks and offices. Large retailers, such as Metro, Edeka and Kaufland Groups, jointly representing approximately 26%, are further major tenants in 11 portfolio properties. The ten largest tenants occupy a total of 51 properties and make up 64% of the proportionate contractual rent. This broad distribution of the tenant structure further reinforces the risk diversification of Fair Value REIT-AG.

Stable occupancy rate of 95%

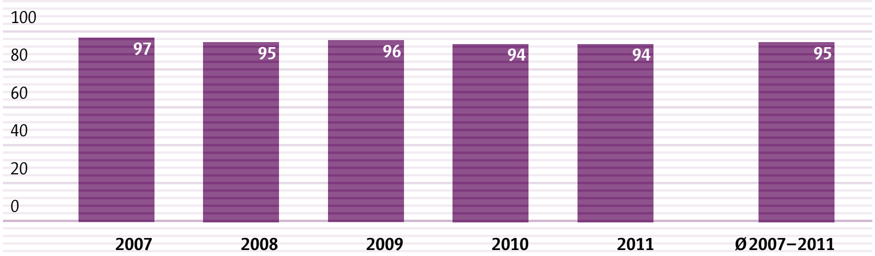


Stable occupancy rate

Long remaining lease terms – on average more than six years – and an average occupancy rate of 95% over five years: The Fair Value Group stands on stable foundations. Low tenant turnover and predictable rental income are the result of successful tenant retention and good property standards.

Occupancy rate

in % of potential rent

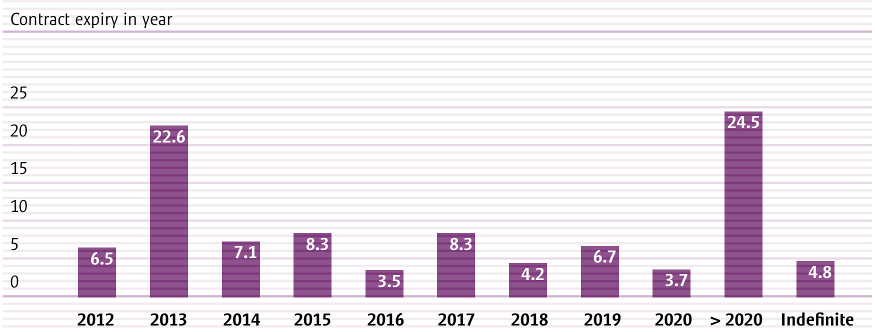


The occupancy rate of the proportionate Fair Value portfolio at the end of 2011 remained high and on a par with the previous year at 94% of the proportionate potential rent (€ 19.7 million). Over the past five years, our portfolio had an average occupancy of 95% even in the context of a challenging market environment. This stability is a cornerstone of Fair Value's success.

Weighted average lease terms

The remaining term of the existing leases of the proportionate portfolio on December 31, 2011 was 6 years. The stable development over several years while maintaining a high occupancy rate is a result of the prudent and timely extension of the leases. It reflects successful tenant retention and ensures high predictability and sustainability of the rental income.

Remaining terms of the leases in % of contractual rents



In 2011, 77% of the expired rental volume was upheld by renewals or new leases. A comparably high reletting rate was also achieved in previous years.

From a total of 678 leases in the entire portfolio, 81 agreements are due for renewal in the current financial year; the three largest lease agreements are equivalent to 52% of the expiring rental volume in 2012, which represents 6.5% of the proportionate contracted rent. Two of these are annually renewable lease agreements with the Federal Employment Agency in Chemnitz and Dresden (37%).

In 2013, the fixed terms of 63 lease agreements will expire, of which the three largest tenants share 75% of the expiring rental volume (22.6%). The largest share of this consists of the expiry of a 20-year general lease agreement with Metro Group for the shopping centre in Eisenhüttenstadt (46% of the rental volume expiring in 2013). The building is currently 98% sublet to 62 companies.

Stable earnings

Stable earnings

In the four financial years since Fair Value being a REIT, we have achieved stable FFO results. Cost-cutting, redemption-related improvement in financial results and compensation payments received offset the decline in rental income.

EPRA earnings (FFO)[1)]

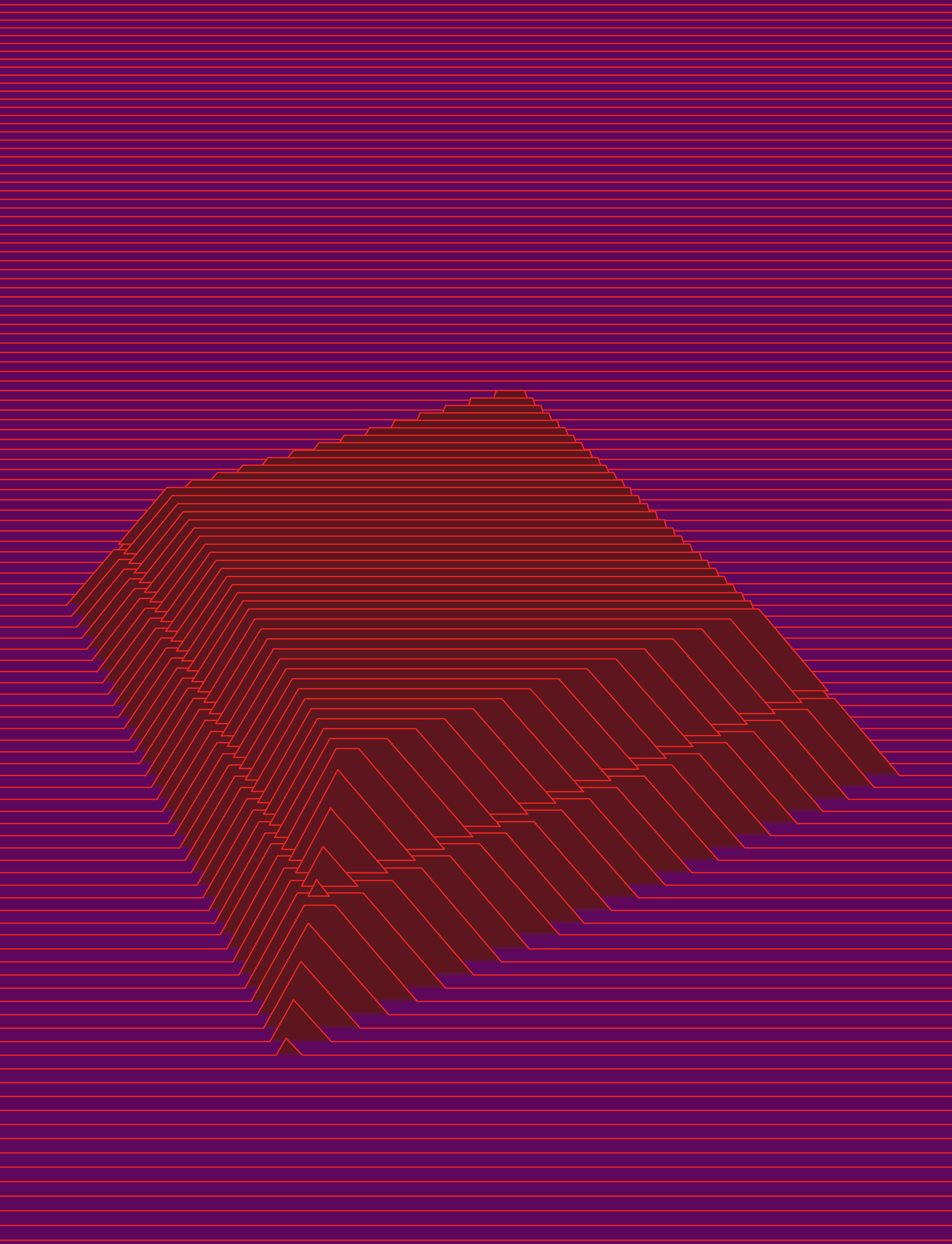
in € million	2008	2009	2010	2011
Rental income	**22.2**	**20.2**	**19.4**	**18.6**
Income from incidental costs	2.8	3.0	3.0	3.1
Real estate-related expenses	(5.1)	(5.5)	(5.9)	(5.7)
Net rental income	**19.8**	**17.7**	**16.5**	**16.0**
General administrative expenses	(3.3)	(2.7)	(2.4)	(2.6)
Other income and expenses	(0.6)	–	–	(0.1)
Adjusted operating result	**15.9**	**14.9**	**14.1**	**13.2**
Adjusted financial result	(10.1)	(8.8)	(8.4)	(7.7)
Adjusted consolidated net income (FFO)[1)]	**5.7**	**6.1**	**5.7**	**5.5**
FFO per share	**0.61**	**0.65**	**0.61**	**0.59**

[1)] Pro-forma proportionate consolidated view, not directly compatible with the consolidated financial statements

The pro-forma proportionate consolidated presentation of adjusted consolidated net income (EPRA earnings) is a transparent way of showing the operating result (FFO or funds from operations) of Fair Value REIT-AG.

Of the decline in rental income 60% was offset by the compensation payments received for prematurely terminated lease agreements. Around 30% of the difference results from the sale of individual properties or participations, while around 10% stemmed from adjustments to contractual rents in line with lower market levels. Cost-cutting and the decline in net interest expenses resulted in an overall stable FFO result.

Solid equity base of 51%



Solid equity base

The balance sheet real estate assets are 51% financed with equity. The increasingly positive development of the market value of the property portfolio and the sustainably reduced net financial liabilities form a solid basis for the Company's future development.

Equity development pursuant to § 15 of the REIT Act

in € million	2007	2008	2009	2010	2011
Immovable assets	215	179	193	180	181
Equity pursuant to § 15 of the REIT Act[1]	113	93	88	89	92
as a % of immovable assets	**53**	**52**	**46**	**50**	**51**

[1] Incl. minority interests in subsidiaries

The immovable assets of the Fair Value-Group balance sheet represent the aggregated market values of the investment properties in the Group and the net assets of associated companies. The decline in immovable assets since 2007 resulting from property sales and the on-going market valuation process was partially offset by compensation payments for prematurely terminated lease agreements. The equity pursuant to § 15 of the REIT Act of currently 51% of immovable assets is substantially higher than the legal minimum of 45%.

Proportionally consolidated net financial liabilities

in € million	2007	2008	2009	2010	2011
Proportional market values	276	245	236	225	222
Net financial liabilities	172	155	144	135	131
in % of market values	**62**	**63**	**61**	**60**	**59**

The development of the pro-forma proportional consolidated net financial liabilities in relationship to proportional market values resulted in a reduction of Fair Value's proportional loan to value ratio (LTV ratio) to 59% of proportional market value on December 31, 2011.

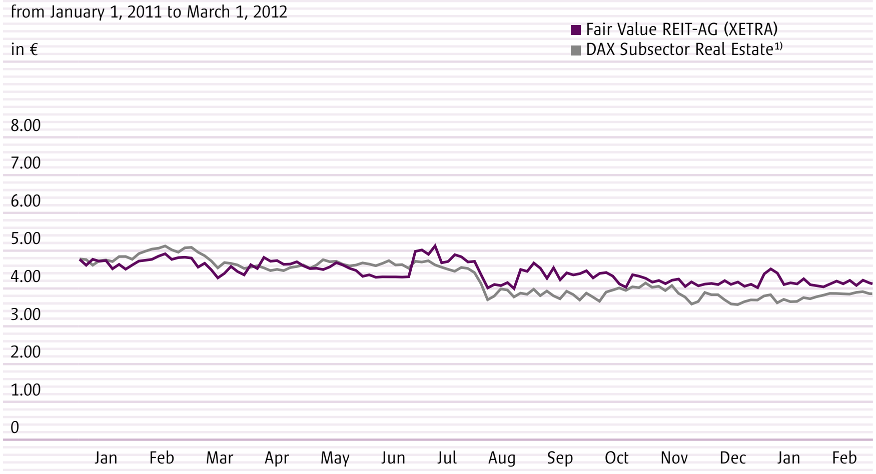
Stability in volatile markets

Stability in volatile markets

The Fair Value share and the development of the stock market

During the year under review, development on the international stock markets was strongly impacted by the sovereign debt crisis and the apparent economic slowdown, particularly in the second half of the year. Fair Value REIT-AG's share was also unable to escape the negative effects on the stock markets, but still recorded comparatively strong development, especially in the third and fourth quarters.

Development of Fair Value's share
from January 1, 2011 to March 1, 2012

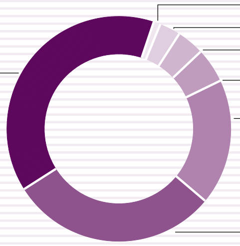


[1] Chain-linked as of January 1, 2011

Fair Value REIT-AG´s shareholder structure

as of December 31, 2011

in %



[1] IC Immobilien Holding AG 9.39%, IC Immobilien Service GmbH 6.34%, IC Fonds GmbH 2.34%
[2] H.F.S. Zweitmarkt Invest 2 GmbH & Co. KG 8.13%, H.F.S. Zweitmarkt Invest 5 GmbH & Co. KG 7.44%; H.F.S. Zweitmarkt Invest 4 GmbH & Co. KG 7.44%, H.F.S. Zweitmarkt Invest 3 GmbH & Co. KG 7.44%

Key data

Fair Value REIT-AG's share	**2011**
Sector	Real Estate (REIT)
WKN (German Securities Code)/ISIN	A0MW97/DE000A0MW975
Stock symbol	FVI
Share capital	€ 47,034,410.00
Number of shares (non-par value shares)	9,406,882 pcs.
Proportion per share in the share capital	€ 5.00
Initial listing	November 16, 2007
High/low 2011 (XETRA)	€ 5.09/3.99
Market capitalization as of December 31, 2011 (XETRA)	€ 40.9 million
Market segment	Prime Standard
Stock exchanges Prime Standard	Frankfurt, XETRA
Stock exchanges OTC	Stuttgart, Berlin-Bremen, Duesseldorf, Munich
Designated sponsors	Close Brother Seydler Bank
Indices	RX REIT All Shares-Index, RX REIT-Index

During 2011, the Fair Value REIT-AG share price fell by 8.4% overall. The opening price on January 3, 2011 was € 4.75, while the closing price on December 30, 2011 was recorded at € 4.35. The share therefore developed substantially more robustly than the DAX leading German share index as well as the DAX subsector Real Estate, which fell by 15.6% and 19.8% respectively. Notably, the Fair Value share developed largely in line with both of these indices during the first few months of 2011, if slightly weaker overall. However, this situation was reversed in the second half of the year.

From around the middle of the third quarter 2011, the Fair Value REIT AG share price recorded at times substantially better development than the DAX and DAX subsector Real Estate, both of which were increasingly impacted by the sustained sovereign debt crisis, the increasing signs of economic slowdown and the resultant uncertainty on the capital markets. The comparative strength of the Fair Value share was likely largely attributable to the positive business development and resultant increase in the earnings forecast. By the end of the year, the Fair Value REIT AG share had recorded a market capitalisation of around € 40.9 million.

Investor Relations

Maintaining comprehensive and transparent financial reporting, as well as credible corporate communications is a key focus of Fair Value REIT-AG. For this reason, Fair Value, within the framework of its financial reporting and on its website, provides detailed information concerning the real estate and participation portfolio which extends above and beyond its obligations, as well as details of the financial liabilities of the Group and associated companies.

The Management Board is in continuous contact with analysts, investors and the specialist media. The Company takes part in investor conferences and showcases its business results during road shows to interested domestic and overseas investors.

In the course of 2011, the Company presented the respective current financial figures at the 6th DVFA real estate conference in February, the press conference in March for the release of the year's results, the 11th Annual Conference of the Real Estate Share Initiative in October and the German Equity Forum in November (all in Frankfurt/Main). In addition, the Management Board presented the Company to investors in Munich, Frankfurt, Hamburg, Vienna and Zurich.

The Company is currently being covered by two analyst firms. The Company aims to continue to gradually increase its research coverage in future.

Further information about the share is also available on the website www.fvreit.de in the Investor Relations section.

Group Management Report

Net Profit € 4.6 Million
(2010: € 2.2 Million)

Balance Sheet Equity 40 %
(2010: 38 %)

REIT-Equity 51 %
(2010: 49.6 %)

Table of Contents

Business Report
Business Activities and General Conditions

Corporate Structure and Business Activities

Fair Value Group's real estate portfolio consists of directly held properties as well as a number of majority participations in fully consolidated real estate partnerships. The Group also has minority interests in equity-accounted real estate partnerships. The total market value of the properties directly held by Fair Value and the total proportionate market value of the properties held via participations attributable to Fair Value amounted to € 222 million on the balance sheet date. The occupancy rate of this portfolio was 93.8% on the balance sheet date and the weighted remaining lease term was 6.0 years.

Fair Value REIT-AG (hereinafter also referred to as Fair Value) is headquartered in Munich, Germany, and does not have any branch offices. As a real estate investment firm, the company focuses on the acquisition and management of commercial properties in Germany. Investment activities focus in particular on office and retail properties in regional centres. Fair Value invests directly in real estate as well as indirectly in real estate partnerships via participations.

Fair Value Group holds its portfolio of properties in Fair Value REIT-AG and in its subsidiaries. This forms the basis for the two business segments "Direct investments" and "Subsidiaries". The full consolidation of the subsidiaries results in the proportion of net assets attributable to minority interests in these subsidiaries being listed under Fair Value Group financial liabilities in accordance with IFRS accounting standards.

There are also minority interests in real estate partnerships. These associated companies are measured at equity on the balance sheet with the proportionate net assets attributable to Fair Value REIT-AG. The proportionate results of the associated companies are listed in the consolidated income statement as income from participations.

The occupancy rate of the properties held by the Group and its associated companies has increased slightly from the previous year when calculated on a proportionate basis, from 93.6% to 93.8%. The weighted remaining term of the leases on the reporting date totalled 6.0 years compared to 6.2 years at the end of the previous year.

The following table provides an overview of the real estate assets attributable to the Group (€ 131 million) and the associated companies (€ 365 million) as of December 31, 2011. The market values of the properties are based on property-specific valuations carried out by external surveyors.

Detailed information of each property is provided in the Annex to the Group Management Report "Financing and portfolio".

Real estate assets of Fair Value REIT-AG
as of December 31, 2011

	Total plot size [m²] 1)	Lettable space [m²] 1)	Annualized contractual rent [in € thousand] 1)	Market value [in € thousand] 1) 2)	Fair Value REIT-AG's share: Participating interest [%]	Annualized contractual rent p.a. [in € thousand] 3)	Market value [in € thousand] 2) 3)	Occupancy rate [%] 4) 6)	Weighted average lease terms [years] 5) 6)	Contractual rental yield before costs [%] 6) 7)
Direct investments segment	57,796	42,451	3,284	46,037	100.00	3,284	46,037	97.2	10.4	7.1
Subsidiaries segment	162,207	120,231	7,385	84,190	57.60	4,194	48,491	88.0	4.1	8.6
Group	220,003	162,682	10,669	130,227	72.59	7,478	94,528	91.8	6.9	7.9
Associated companies	340,250	269,156	31,412	357,750	35.69	10,971	127,671	95.2	5.5	8.6
Portfolio	560,253	431,838	42,081	487,977	45.53	18,449	222,199	93.8	6.0	8.3

1) Does not take into account the respective participating interest
2) According to market valuation by CBRE GmbH, Berlin as of December 31, 2011
3) Proportionate market values attributable to Fair Value based on percentage of participations
4) Contractual rent/(contractual rent + vacant space at standard market rent)
5) Income-weighted
6) (Sub)totals for occupancy rate and average remaining term taking the respective percentage of participations into account
7) Contractual rents in % of the market value as of December 31, 2011.

Management and Control

The internal management activities of Fair Value REIT-AG focus on the strategic management of the Group as well as risk management and investor relations. The operating functions of property management and accounting are outsourced to external service providers.

Fair Value REIT-AG is managed autonomously by the Management Board, which possesses decades of experience in the acquisition and portfolio management of commercial properties and participations in closed real estate funds. The Management Board consists of one person – Frank Schaich. The main responsibilities of the management team are the strategic management of the Group, risk management and investor relations.

Accounting and property management functions are outsourced via fixed-term service agreements to IC Immobilien Service GmbH, a subsidiary of IC Immobilien Holding AG based in Unterschleißheim near Munich. These agreements encompass both fixed and variable/performance-related remuneration. IC Immobilien Holding AG and its subsidiaries have approximately 290 employees and provide support for an investment volume of approximately € 12 billion on behalf of private and institutional investors.

The Management Board works closely with the Supervisory Board, and the latter is consulted with regard to all important decisions. The Supervisory Board has three members.

Information regarding the remuneration paid to the Management Board and Supervisory Board is provided in chapter IV. of this Group Management Report as well as in the Notes section (32). Further information about the company management is laid down in the Company Management Declaration, which is available online at www.fvreit.de in the investor relations/corporate governance section. The Declaration concerning the German Corporate Governance Code in accordance with section 161 AktG (German Stock Corporation Act) is also available there.

In view of the business activities of the company, which focus on property management and property portfolio services, Fair Value does not dedicate any resources to research and development activities.

Company Management, Goals and Strategy

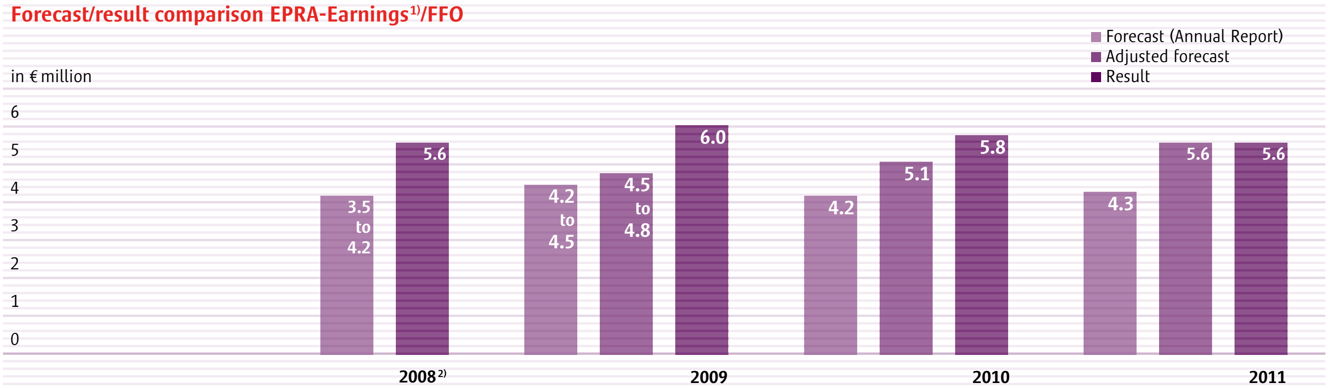
Internal Management System

At Group level, the latest information relating to the development of the real estate portfolio is aggregated to determine the FFO or EPRA performance indicators, which are published as forecast values. Up to now, Fair Value has always fulfilled or exceeded its forecasts.

EPRA-Earnings / FFO

To calculate the EPRA-Earnings or "FFO – Funds from Operations", consolidated net income is adjusted for changes in the market value of properties and interest rate derivatives as well as other one-off effects. For the four full years since the listing of Fair Value on the stock exchange, the comparison between the forecast and actual results for these indicators is as follows:

Forecast/result comparison EPRA-Earnings[1]/FFO



[1] According to the "Best Practise Recommendations" from the European Public Real Estate Association (EPRA) for the IFRS reporting of real estate company earnings.
[2] Forecast not adjusted

The internal management system at Fair Value REIT-AG is based on rolling five-year forecasts for directly held properties, as well as real estate held by subsidiaries. Moreover, individual property information is consolidated on an individual company level. On the basis of the same information, Fair Value REIT-AG is also involved in the budget and management process of the properties held indirectly in the associated companies.

At Group level, property and company information is aggregated taking into account the overhead and financing expenses of Fair Value REIT-AG. Forecast values for EPRA-Earnings and "FFO – Funds from Operations" are published in the forecast report featured in Chapter D of the Group Management Report. A five-year forecast is featured for the first time in this report.

Financial performance indicators At least every quarter, the company obtains information in accordance with its specifications about all directly and indirectly held properties. The reports contain specific information including contractually relevant incidents or developments that deviate from planning. In addition, for its quarterly financial reporting within specific time frames, Fair Value REIT-AG receives the interim reports of the AG and all participations in line with IFRS as well as the respective annual report in line with the German Commercial Code (HGB) and IFRS.

Important performance indicators include the market rent level, contracted rental income and any rent receivables, operating expenses, repairs and capital expenditures as well as rental costs and investments.

Other performance indicators include the development of interest on assets and debt, the ratio of debt to the current market values of the real estate as well as the guidelines laid down in the REIT Act, including minimum equity requirements for immovable assets.

The dividend amount distributed to the shareholders is the relevant financial performance indicator for the variable remuneration components of the Management Board and Supervisory Board. More information on this is available in the remuneration report in Chapter IV of the Group Management Report as well as in section 32 of the Notes.

Non-financial performance indicators The acquisition of five general partners in mid-2011 extended the influence of Fair Value REIT-AG to legal representative authority at two subsidiaries and three associated companies. Overall, Fair Value REIT-AG can therefore exercise direct influence on the daily business of 83% in its calculated proportionate real estate assets through direct ownership and legal representative authority. When taking into account the voting majorities in subsidiaries, the direct influence rises to 92% of the proportionate real estate assets.

Drawing on this basis, the Management Board is able to better tune the long-term development, sector and regional composition of the real estate portfolio and the financing structure to anticipated market changes, demographic development and changing risk assessments.

Aims and Strategies

Efficient business organisation as a basis for high profitability Fair Value REIT-AG strives to achieve sustainable earnings strength with attractive dividends for its shareholders. The company concentrates on the German commercial real estate market, with a particular focus on regional centres, and always strives to ensure a broad diversification of risks.

Through its REIT status, Fair Value REIT-AG is exempt from corporation and trade tax. However, this also means that the company has to adhere to the guidelines of the REIT Act (REITG). These include the obligation to underlay immovable assets in accordance with the IFRS consolidated financial statement with balance sheet equity of at least 45%, as well as the obligation to pay out dividends amounting to at least 90% of annual net income as defined under the German Commercial Code.

The company's fixed costs are kept to the required minimum level thanks to the streamlined organisational structure of the internal management. The operative functions in the areas of commercial and technical property management as well as accounting are outsourced to external service providers which receive partly fixed and partly performance-related variable remunerations.

Focus on retail and office properties In a pro-forma consolidated overview, 86% of the Fair Value proportionate rental income at full occupancy (potential rent) is currently generated from properties used primarily for retail (44%) and offices (42%). Fair Value REIT-AG will focus its future investments on these two types of use.

Increasing earning strength through further cost cutting
The continued demand for real estate investments shall be used for targeted sales of individual portfolio properties, particularly at participations. The corresponding liquidation of the property owning companies allows for successive savings of company-related management costs and therefore increases the dividend potential of Fair Value.

The cash inflows from sales are to be used to repay liabilities to banks and, if they do not have to be retained for dividend payments, to expand the portion of real estate directly owned by the company as well as to purchase further interests in existing participations in the secondary market.

Parallel to this, as part of the upcoming renegotiation of liabilities to banks, the current historically low interest rates shall be used for further savings, particularly at participations. This should have a positive effect on the net income of participations and therefore boost the dividend level of Fair Value REIT-AG.

Macroeconomic and Sector-specific Conditions

The robust economic growth in Germany was sustained in 2011, despite growth losing momentum in the second half of the year. The upbeat economic development continued to have a positive effect on the German employment market. The commercial real estate markets were clearly revitalised, and this dynamic development characterised the trend throughout the year both on the investment market and the rental markets. Transaction volumes and rental income increased substantially in some areas, while the great demand for rental space was also reflected in a substantial rise in top rents in some areas.

Macroeconomic Situation

Sources: Destatis – German Federal Statistics Agency, German Federal Bank (December 2011 monthly report), ifo Institute (economic forecast 2011/2012), annual economic report from the Federal Government 2012

The upturn in the German economy was sustained in the financial year 2011, although the highly dynamic growth in the first half of the year slowed somewhat in the second half. In the fourth quarter, the gross domestic product (GDP) even contracted slightly by 0.2% compared to the previous quarter. Compared with the corresponding quarters in the previous year, GDP growth was still up in all four quarters of 2011. For the full year 2011, a season and calendar-adjusted rise in GDP of 3.1% (previous year: +3.6%) was recorded. Therefore, the price-adjusted GDP has now exceeded the level achieved before the financial crisis. Leading German economic research institutes as well as the Federal Government anticipate a global economic downturn for 2012, which will also impact economic development in Germany. In particular, the continued sovereign debt crisis is hitting economic prospects in Europe. In this context, the forecasts for GDP growth in Germany in 2012 are between 0.4% and 0.7%.

On average over the year, consumer prices in 2011 rose by 2.3% compared to the previous year. The price increase was therefore substantially greater than in the years 2009 and 2010 (+0.4% and +1.1% respectively). This development was primarily driven by the considerable price increases for energy (+10%). Without taking energy price rises into account, the annual rate of inflation was 1.3%.

The European Central Bank's base rate of interest changed four times during the reporting period. After remaining unchanged at 1.0% since May 2009, the ECB raised the base rate by 0.25% in both April and July 2011 up to a level of 1.5%. In November and December, the base rate was however again reduced twice by 0.25%, meaning that it returned to the historical low of 1.0% by the end of the reporting year.

The robust economic development in Germany continued to have a positive effect on the German employment market. On average over the year 2011, almost 3.0 million people or 7.1% of the civilian labour force was registered as unemployed (previous year: 3.2 million or 7.7%). This meant that the lowest level of unemployment since 1991 had been achieved. The slowdown in economic growth has obviously not yet impacted the employment market; in fact, the rise in employment continued in the second half of the year. At the end of December, 2.8 million people or 6.6% of the civilian labour force were registered unemployed, which represents a substantially lower level than the year average.

Real Estate Market in Germany

Sources: Jones Lang LaSalle, BNP Paribas Real Estate

The rental market **Office space** A significant revitalisation was recorded on the office rental markets of the seven largest German office centres[1] in 2011. Over the course of the year, leasing turnover totalled 3.4 million m², which represents a rise of 18% compared to the previous year. This upbeat trend was largely attributable to the continued positive development of the German employment market and the corresponding increase in demand for office space.

The growing demand is also reflected in the development of top rents, which rose at five of the seven major office centres. At the other locations, top rents remained stable and a decline in top rent was not recorded at any location. On average, top rents increased by almost 3% in 2011 and therefore much more strongly than in 2010 (under +1%).

A substantial rise in net absorption was notable in 2011. This key figure measures the difference between currently occupied space and space occupied in the previous year, with inventory changes due to demolition or new builds also taken into account. This figure came in at over 1 million m², which is around six times higher than the previous year. Vacancies were reduced at all seven large office centres, while the average vacancy rate fell below the 10% mark. The completion volume came in at approximately 880,000 m² and therefore fell by around a quarter year-on-year. As a result, at least mathematically, the entire completion volume in 2011 was fully absorbed by the demand.

Retail space Consumer sentiment improved again somewhat in the fourth quarter 2011, despite the downbeat economic forecasts at the end of the year. Leasing turnover in the retail property market rose by around 88% in 2011 to 686,000 m² and therefore achieved a new record level. The number of agreed leases increased by around 37% to 981. When compared with the number of agreed leases, the substantially greater increase in leasing turnover reveals a growth in average space rented, which rose from 510 m² to 700 m².

Irrespective of the signs of an economic slowdown, since late summer 2011 the willingness of retailers to sign leases has remained stable and leasing turnover was even up slightly in the second half of the year compared to the first half. A significant portion of the demand came from international retail companies which were attracted to the German market not only due to its size, but also because of its relatively high stability.

The investment market Positive development was sustained on the German commercial real estate investment market in 2011 with regard to both the transaction volumes and the corresponding capitalized values. The total registered transaction volume stood at € 23.5 billion, which is 22% up on the previous year figure (2010: € 19.3 billion). Investors primarily focused on retail properties, which made up € 10.4 billion or 45% (2010: 39%) of the total transaction volume. For 2012, transaction volume is expected to remain on a par with 2011.

Demand on the investment market in 2011 was once again primarily driven by investors with a strong equity base, who expanded their real estate portfolios. Insurance companies and pension funds from Germany and abroad were particularly active, sometimes investing directly and other times indirectly via special funds. Private investors also played an important role in transactions up to a volume of € 10 million.

In particular, "core" real estate with high quality facilities and location remained in demand. The temporarily increased willingness of some investors to take risks, which was recorded in the first half of the year to a certain extent, fell tangibly in the second half of the year according to estimates from market observers due to the sovereign debt crisis in Europe.

[1] Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich, Stuttgart

Overall Statement from the Company Management on the Economic Environment

Fair Value REIT-AG has taken advantage of the stable market environment overall to achieve its targets. The proportionate Fair Value occupancy rate of the real estate portfolio improved slightly from 93.6% in the previous year to 93.8% in 2011. A total of 77% of the expiring rental volume in the financial year 2011 was retained through renewal agreements, while new leases were signed for previously empty space. In addition, as in the previous years, the average remaining term of the lease agreements remained close to the previous year level of 6.2 years at 6.0 years in 2011 thanks to extensions being agreed ahead of time.

The market valuation of the real estate on the balance sheet date allowed the Group to achieve a slight valuation gain. In contrast, the associated companies recorded a higher valuation loss than in the previous year. The proportionate total valuation profit/loss for Fair Value, taking into account capitalised reconstruction costs for a property, was –0.6% following –2.0% in the previous year. The valuation losses centred on individual properties with short remaining lease terms.

The current historically low level of interest on debt capital led to reduced net interest expenses on loans with variable interest agreements both at Group level and in the associated companies.

Share Price Performance

During 2011, the Fair Value REIT-AG share recorded a volatile performance. The company's shares were down by 9% to close at € 4.35 as of the end of 2011, compared to the closing price in Xetra trading of € 4.80 per share on the balance sheet date 2010. However, during the year the share fluctuated between + 6% (price of € 5.09 per share on July 8, 2011) and –17% (price of € 3.99 per share on August 18, 2011) of this price.

The scope of this volatility clearly underlines the optimistic development of capital market sentiment until share prices were put under pressure around the world from the start of August 2011 by the sovereign debt crisis and worries about the continued existence of the Euro.

Income, Financial and Net Asset Position

2011 was a successful financial year for Fair Value REIT-AG. The more favourable valuation profit/loss of the real estate portfolio year-on-year contributed to a pleasing rise in earnings. Adjusted for market value changes, the company nearly achieved its forecast, which was most recently adjusted in November 2011.

Comparison of business development with the forecast

		Forecast	Adjusted forecast	Earnings 2011	Diff.[1] in %
Net rental income	in € million	7.8	Not adjusted	8.8	**13**
EPRA-Earnings	in € million	4.3	5.6	5.5	**(2)**
EPRA-Earnings per share	in €	0.46	0.60	0.59	

[1] Deviation from the respective last forecast

Compared with the full-year forecast published in March 2011, the Group's net rental income increased by 13% from € 7.8 million to € 8.8 million. This rise was the result of lower than forecast maintenance, vacancy and rental costs.

EPRA-Earnings (FFO) Compared to the Previous Year

The operational success of the Fair Value Group is reflected in consolidated net income (EPRA-Earnings or FFO), adjusted for changes in the market value of properties and interest rate derivatives as well as for other one-off effects.

Extraordinary effects resulted from the profit/loss on disposals and the valuation profit/loss. At € 6.4 million, the corresponding adjusted operating result was down by 14% compared to the € 7.4 million reported in the previous year. This was in line with expectations and came on the back of the disposal of sold real estate, individual renewed agreements at lower market prices as well as the premature release from a lease agreement in conjunction with the receipt of a compensation payment.

At € 4.9 million, income from participations adjusted for changes to market value increased by 3% over the € 4.8 million reported in the previous year, which was largely attributable to reduced net interest expenses at the associated companies.

Adjusted consolidated net income therefore came in at € 5.5 million, around 4% down on the previous year figure of € 5.8 million.

Adjusted consolidated income (EPRA-Earnings) / FFO 2011

in € thousand	According to consolidated income statement	Adjustment for extraordinary effects: Compensation	Profits/ loss on disposals	Real estate valuation	Valuation of associated companies	Valuation Interest rate swaps/interest rate caps	**Adjusted consolidated income statement**
Net rental income	**8,754**	–	–	–	–	–	**8,754**
General administrative expenses	(2,310)	–	–	–	–	–	(2,310)
Other operating income and expenses	(31)	–	–	–	–	–	(31)
Earnings from sale of investment properties	25	–	(25)	–	–	–	–
Valuation profit/loss	310	–	–	(310)	–	–	–
Operating result	**6,748**	**–**	**(25)**	**(310)**	**–**	**–**	**6,413**
Income from participations	**3,258**	**–**	**–**	**2,494**	**(450)**	**(357)**	**4,945**
Interest income	99	–	–	–	–	–	99
Interest expense	(4,621)	–	–	–	–	(141)	(4,762)
Income before minority interests	**5,484**	**–**	**(25)**	**2,184**	**(450)**	**(498)**	**6,695**
Minority interest in the result	(890)	–	(32)	(302)	–	62	(1,162)
Consolidated net income	**4,594**	**–**	**(57)**	**1,883**	**(450)**	**(436)**	**5,533**
Consolidated net income (loss) per share	0.49	–	–	–	–	–	0.59

Adjusted consolidated income (EPRA-Earnings) / FFO 2010

in € thousand	According to consolidated income statement	Adjustment for extraordinary effects: Compensation	Profits/ loss on disposals	Real estate valuation	Valuation of associated companies	Valuation Interest rate swaps/interest rate caps	**Adjusted consolidated income statement**
Net rental income	**9,535**	**–**	**–**	**–**	**–**	**–**	**9,535**
General administrative expenses	(2,252)	169	–	–	–	–	(2,083)
Other operating income and expenses	(69)	–	–	–	–	–	(69)
Earnings from sale of investment properties	(109)	–	109	–	–	–	–
Valuation profit/loss	(4,238)	–	–	4,238	–	–	–
Operating result	**2,867**	**169**	**109**	**4,238**	**–**	**–**	**7,383**
Income from participations	**3,873**	**–**	**–**	**1,482**	**(227)**	**(344)**	**4,784**
Interest income	103	–	–	–	–	–	103
Interest expense	(4,868)	–	–	–	–	(113)	(4,981)
Income before minority interests	**1,977**	**169**	**109**	**5,720**	**(227)**	**(457)**	**7,289**
Minority interest in the result	255	(84)	(50)	(1,703)	–	50	(1,532)
Consolidated net income	**2,232**	**85**	**59**	**4,017**	**(227)**	**(407)**	**5,757**
Consolidated net income (loss) per share	0.24	–	–	–	–	–	0.62

Income Position

The substantially improved earnings from the market valuation of the Group's real estate more than offset the already expected decline in net sales and allowed consolidated net income to double.

Income position (selected P&L-positions)

in € million	2011	2010	Change [in € million]	Change [%]
Total revenue	13.4	14.4	(1.0)	(7)
Net rental income	8.8	9.5	(0.7)	(7)
General adminstrative expenses	(2.3)	(2.3)	–	–
Valuation profit/loss	0.3	(4.2)	4.5	107
Operating result	6.7	2.9	3.8	131
Income from participations	3.3	3.9	(0.6)	(15)
Net interest expense	(4.5)	(4.8)	(0.3)	(6)
Minority interest in the result	(0.9)	0.3	(1.2)	(400)
Consolidated net income	**4.6**	**2.2**	**2.4**	**109**

The 7% decline in total revenue was in line with expectations and resulted from rent adjustments of extended lease agreements to the lower market level, as well as from temporary vacancy in individual properties.

Net rental income came in at € 8.8 million. Although this was 7% down on the previous year level of € 9.5 million, it was 13% higher than the total of € 7.8 million forecast in March 2011 due to lower than planned property-related expenses.

At € 6.7 million, the operating result increased by around € 3.8 million over the € 2.9 million reported in the previous year. This improvement resulted from the substantially improved earnings from the market valuation of the real estate.

The result of the equity-accounted associated companies (Income from participations) came in at € 3.3 million, down by € 0.6 million or 15% from € 3.9 million. This decrease was due to a higher valuation loss on the back of the market valuation of the real estate, which is attributable to write-downs on some buildings with soon-to-expire lease agreements.

Due to on-going repayments, net interest expenses fell by € 0.3 million to € 4.5 million.

After taking into account the earnings attributable to minority shareholders in subsidiaries, Fair Value Group recorded an IFRS consolidated net income of € 4.6 million (previous year: € 2.2 million). This represents an increase in earnings of € 0.25 per share to € 0.49 per share compared with € 0.24 in the previous year.

Financial Position

Around 50% of repayments and the dividend payment in 2011 totalling € 9 million were made using cash and cash equivalents.

Principles and Objectives of Financial Management

The financial management of Fair Value Group ensures that the Group can meet its payment obligations at any time. In order to achieve this, cash flows from operations and participations are recorded in a rolling plan. Cash surpluses are invested in risk-free money market accounts.

Furthermore, financial management involves the on-going review of concluded loan agreements in order to identify potential savings in interest expenses. A detailed overview of the financial liabilities of the Group and its associated companies is provided in the "Financing and portfolio" Annex to the Group Management Report. Where direct influence can be exercised, financial management is carried out centrally. In the case of participations, direct consultation is undertaken with the respective company management or carried out in the context of the opportunities for intervention regulated by the respective articles of association.

In certain cases, the company uses derivative financial instruments to hedge debt service fluctuations for loans with variable interest rates (interest rate hedges). For example, the company chose a 10 year hedge in July 2008 after the request of the bank to hedge the interest rate for the long term financing of the "Sparkasse Portfolio" through a swap transaction, which now fixes the interest rate for this loan at 6% p.a. until June 30, 2018.

In the upcoming renegotiations of loans, the Management Board plans to initially forego interest rate fixing due to the current very low interest rates and partially hedge against the risk of increasing interest rates by agreeing interest rate caps.

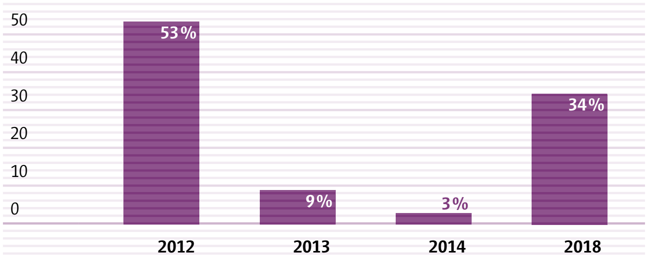
Of the Group's financial liabilities totalling around € 91.0 million, € 48.3 million or 53% are due to be renegotiated or reviewed for follow-up financing within one year.

About € 29.8 million or 62% of maturing financial liabilities relate to mortgage loans for the subsidiary BBV 06 which mature in mid-2012. Due to the net debt of this subsidiary of less than 60% of the current market value of the real estate, the Management Board is anticipating the straightforward negotiation of follow-up financing. In the past financial year, an interest rate cap agreement for a volume of € 21 million was agreed with the bank currently responsible for the financing, with the volume limited to a maximum of 3.5% of the EURIBOR refinancing rate; irrespective of this, financing negotiations are also to be held with other banks.

About 13% of the maturing financial liabilities are related to a loan due to expire at the end of 2012, which was used for the acquisition of participations in 2007. The Management Board anticipates that this loan will be extended if it cannot be completely repaid by the time it matures with one-off repayments following the sale of real estate and participations or with funds from other sources.

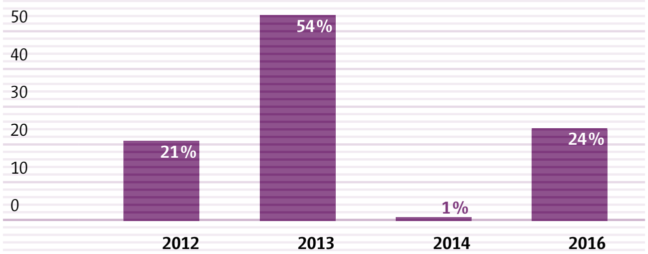
Remaining terms of financial liabilities (short and long term) until rearrangement

a) Group (€ 91.0 Million)



Remaining terms of financial liabilities (short and long term) until rearrangement

b) Associated Companies (€ 210 Million, Fair Value' share € 75 Million)



Cash Flow from Operating Activities

Net cash from operating activities		
in € thousand	2011	2010
Consolidated net income	**4,594**	**2,232**
Profit/loss on valuation and on disposals	(285)	4,347
Income from equity-accounted participations	(3,258)	(3,873)
Withdrawals from equity-accounted participations	1,328	2,758
Minority interests (profit/loss, pay-outs)	238	(724)
Compensation payment received	2,000	500
Other adjustments	(837)	(111)
Net cash from operating activities	**3,780**	**5,129**

Net cash from operating activities totalled € 3.8 million in 2011, following € 5.1 million in the previous year. The reduction is attributable to the lower net total of earnings and withdrawals from equity-accounted participations (60 %) and with regard to 40 % mainly to the decrease in net rental income.

Cash Flow from Investment Activities

Investment activities resulted in a net cash totalling € 1.0 million compared to € 7.9 million in the previous year. The net cash in 2011 resulted from proceeds from the sale of properties (Essen & Rellingen) totalling € 3.0 million, which was offset by investments in the portfolio totalling € 1.8 million and the acquisition of general partners totalling € 0.2 million. The high net cash in the previous year was largely attributable to proceeds from sold properties.

Cash and cash equivalents		
in € thousand	2011	2010
Cash flow from investment activities	**989**	**7,886**
Cash flow from financing activities	**(9,019)**	**(9,321)**
Change to cash and cash equivalents	(4,250)	3,694
Cash and cash equivalents at the start of the period	11,975	8,281
Cash and cash equivalents at the end of period	**7,725**	**11,975**

Cash Flow from Financing Activities

Cash flow from financing activities totalling € 9.0 million (previous year: 9.3 million) resulted from the repayment of financial debts of € 8.1 million as well as the payment of the dividend for 2010 totalling € 0.9 million. In the previous year, € 9.2 million was repaid and € 0.1 million spent on purchasing own shares.

Liquidity

As the cash flow for repayments and dividends totalling around € 9.0 million was only offset by cash flows of around € 4.7 million, cash and cash equivalents in the Group fell by € 4.3 million to € 7.7 million (previous year: up € 3.7 million to € 12.0 million).

Net Asset Position

The balance sheet equity ratio rose from 38% in the previous year to 40% of the Group's total assets in 2011. Equity pursuant to § 15 of the REIT Act increased to 51% of immovable assets (2010: 49.6%).

The market value of the Group's properties as well as properties held by equity-accounted companies is determined once a year by independent experts using the discounted cash flow method. Further information on the method of property valuation is available in section (6) of the Notes and in the Annex of the Group Management Report "Financing and portfolio".

Participations in the equity-accounted companies are also subject to an impairment test. This determines the net present value of the administrative and services costs, which are not taken into account in the property valuation. This figure is then included in the book value of the company as an impairment deduction. However, in 2011 a shortening of the prospective time period until the liquidation of the participations was made from 10 years to 5 years. This resulted in appreciation totalling around € 0.5 million.

Compared to the previous year, total assets were reduced by 2% from € 196.0 million to € 191.4 million due to the disposal of two properties and the repayment of bank debts.

Non-current assets amounted to € 180.1 million and represented 94% of total assets (previous year: € 177.5 million or 91%). Investment properties accounted for 72% or € 129.1 million (previous year: 72% or € 128.7 million). Equity-accounted participations in associated companies represented 28% or € 50.8 million (previous year: 27% or € 48.6 million) of non-current assets.

Current assets of € 11.3 million (previous year: € 18.5 million) contained € 7.7 million or around 68% cash and cash equivalents. Receivables and other assets accounted for another € 2.5 million (21%). Also included are € 1.1 million (10%) from non-current assets available for sale. This corresponds to the contractually agreed purchase price for a property belonging to the BBV 06 subsidiary in Frechen sold in December 2011. The transition of all benefits and obligations against payment of the purchase price took place in February 2011.

Assets	12/31/2011		12/31/2010		Change	
	[in € thousand]	[%]	[in € thousand]	[%]	[in € thousand]	[%]
Total non-current assets	180,078	94	177,480	91	(2,598)	1
Total current assets	11,304	6	18,483	9	(7,179)	(39)
Total assets	**191,382**	**100**	**195,963**	**100**	**(4,581)**	(2)

Equity and liabilities

	12/31/2011		12/31/2010		Change	
	[in € thousand]	[%]	[in € thousand]	[%]	[in € thousand]	[%]
Total equity	**77,472**	**40**	**74,558**	**38**	**2,914**	**4**
Total non-current liabilities	73,505	39	107,277	55	(33,772)	(31)
Total current liabilities	40,505	21	14,128	7	26,377	187
Total liabilities	**114,010**	**60**	**121,405**	**62**	**(7,395)**	**(6)**
Of which financial liabilities	91,027	48	99,103	51	(8,076)	(8)
Total equity and liabilities	**191,382**	**–**	**195,963**	**–**	**(4,581)**	**(2)**

As of balance sheet date, 40% (previous year: 38%) of assets were financed by equity and 60% (previous year: 62%) by debt. It should be noted that minority interests in subsidiaries in the amount of € 14.7 million (previous year: € 14.5 million) are listed as liabilities in accordance with IFRS. If minority interests were considered equity, as proposed in the REIT Act, equity would increase to € 92.2 million or 48% of total assets (previous year: 45%).

Financial liabilities of the Group totalled € 91 million or 48% of total assets (previous year: € 99 million or 51%). As of December 31, 2011, 42% or € 38.2 million of this total (previous year: 12% or € 11.5 million) were due within one year. The decrease in financial liabilities by € 8 million compared to the previous year was attributable in part to (special) repayments in connection with the sale of two properties.

Equity ratio pursuant to § 15 of the REIT Act When calculating the equity ratio according to § 15 of the REIT Act, the balance sheet equity plus minority interest in subsidiaries is divided by immovable assets. Immovable assets are composed of the market value of investment property (including the market value of real estate held for sale) and the net asset value of shares in associated companies. Taking into account the disposal of two properties and the valuation profit/loss resulting from the market valuation of the property portfolio, immovable assets increased year-on-year by € 1.3 million to € 181.0 million (previous year: € 179.7 million).

At the same time, the REIT-equity increased by € 3 million to € 92.2 million. The REIT equity ratio therefore rose to 51.0% (previous year: 49.6%). As a result, this figure was significantly above the statutory minimum rate of 45.0% of immovable assets.

Determination of the equity ratio pursuant to § 15 of the REIT Act

in € thousand	2011	2010
Investment property	129,127	128,650
Interests in associated companies	50,748	48,551
Non-current assets available for sale	1,100	2,500
Immovable assets	**180,975**	**179,701**
	≙ 100.0%	≙ 100.0%
Equity	77,472	74,558
Minority interests	14,736	14,494
Equity ratio according to § 15 of the REIT Act	**92,208**	**89,052**
	≙ 51.0%	≙ 49.6%

Equity/Net Asset Value (NAV) per share

The net asset value (“NAV”), calculated as the sum of the market value of the properties and participations after taking into account other balance sheet items, amounted to € 77.5 million as of December 31, 2011 compared to € 74.6 million at the same time in the previous year.

Net asset value is a key indicator for the valuation of real estate companies. Based on 9,325,572 shares in circulation as of the balance sheet date, the NAV per share was € 8.31, compared to € 8.00 in the previous year.

Balance sheet NAV

in € thousand		12/31/2011	12/31/2010
Market value of properties (including properties available for sale)		130,227	131,150
Equity-accounted participations		50,748	48,551
Miscellaneous assets minus miscellaneous liabilities		3,257	9,757
Minority interests		(14,736)	(14,494)
Financial liabilities		(91,027)	(99,103)
Other liabilities		(997)	(1,303)
Net Asset Value		**77,472**	**74,558**
Net Asset Value per share	in €	8.31	8.00

EPRA-NAV per share

The "Best Practice Recommendations" of the European Public Real Estate Association (EPRA) are accepted recommendations which complement the IFRS reporting of real estate companies by providing guidance on a transparent net asset value calculation. The EPRA-NAV indicator shown below has been calculated using these recommendations, eliminating the market value of derivative financial instruments and therefore representing the real estate-related net asset value. As deferred taxes are not relevant to Fair Value REIT-AG due to its REIT status, the EPRA NAV figure also corresponds with the NNAV indicator used by some experts.

EPRA-NAV

in € thousand		12/31/2011	12/31/2010
NAV pursuant to consolidated balance sheet		77,472	74,558
Market value of derivative financial instruments		5,893	5,181
Of which due to minority interests		(88)	(294)
Market value of derivative financial instruments of equity-accounted participations (proportionate)		3,201	3,802
EPRA-NAV		**86,478**	**83,247**
EPRA-NAV per share	in €	9.27	8.93

Assets not Included in the Balance Sheet and Off-Balance Sheet Financing Instruments

The consolidated balance sheet includes all assets if they can be recognised under IFRS. The sum of the knowledge of the company’s employees is an asset which does not appear on the balance sheet. However, their high motivation, commitment and expertise add value to the Fair Value Group.

No off-balance sheet financing instruments exist.

Investment in the environmental sustainability of the real estate portfolio is not necessarily a question of the profitability of the investment, but rather an issue of limiting the risk to earnings and the sustained value of the property.

On the balance sheet date, Fair Value REIT-AG was invested directly and indirectly in a total of 73 commercial properties with a total leasable space of 432,000 square metres across twelve of the sixteen German federal states. As a long-term portfolio investor, Fair Value is primarily interested in leasing the properties in its directly owned and participation portfolio to tenants with a good credit rating for as long as possible.

A good relationship with tenants is a critical success factor in achieving this objective. The same applies to binding the tenant to “his or her” property. This in turn depends on many factors, which can only be partially influenced by the landlord. The factors the landlord can influence include service charges, also described as the second rent, and the total of consumption-related heating and electricity costs. However, these are usually settled directly with the suppliers and depend on the consumption by the tenants. Consumption of heating and electricity also depends to a large degree on the technical standards of the buildings. How high the total of rent, service charges and consumption-related costs can be from the perspective of the tenant will also depend to a substantial degree on the market and competition. After all, general environmental awareness has increased considerably in recent years. State-of-the-art technologies in the field of technical building equipment are available today to ensure environmentally friendly use of energy and water as well as environmentally-sound waste disposal.

For competitive reasons, the latest energy standards are adhered to today in the construction of new buildings. The same applies to the renovation or reconstruction of existing buildings. As newly constructed buildings only represent a very small part of German real estate, adapting the existing building portfolio to become more environmentally-friendly is a long process.

The high costs of investment in the environmental sustainability of the real estate portfolio is not necessarily a question of the profitability of the investment for the owner, but rather an issue of limiting the risk to earnings and the sustained value of the property.

The overall portfolio of Fair Value, including the properties in associated companies and minority interests, has an average age since completion, weighted by market value, of 22 years. No property in the portfolio has been certified as a so-called “Green Building”. However, all properties are continuously maintained and adapted through renovations and reconstructions to ensure that they meet the latest technological standards with regard to environmental sustainability at a financially justifiable cost.

Evaluating the Heating Energy Efficiency

For this sustainability report, a representative evaluation of the heating energy consumption figures for the properties in the participation portfolio with an office usage proportion of at least 20% was carried out. The analysis is based on the available consumption-related energy performance certificates.

The analysed sub-portfolio comprises 11 properties with a total lettable space of around 88,000 m² and a weighted age since completion of 18 years. A space-weighted total consumption of heating energy of 70 kWh/(m²a) was determined, which is approximately 50% below the average for comparable buildings. Therefore, the overall analysis shows that, with respect to the consumption values, the assessed buildings meet the standards of new buildings. On an individual property level, the deviations from the average were between –29% and –68%.

Heating energy consumption figures

		kWh/(m²a)
Subportfolio		**70**
Average		141
Deviation	in %	(50)

In the case of the heating energy consumption figures calculated in the previous year, which largely consisted of directly owned real estate used as bank space, the area-weighted figure was 25% below average; variations ranged between −74% and +165%.

In contrast, the evaluation of the energy certificates has shown that overall the Company does not face a competitive disadvantage based on the consumption costs in the sub-portfolio.

For properties which are largely or exclusively used for retail the relevant information for consumption-related assessment is only available in a few cases, and therefore a retail property-based analysis would not provide a representative picture of the portfolio.

Strategic Aspects of Sustainability

Fair Value's capital market communications focus on sustainability. The management of the Company aims to increase the transparency of its financial reporting beyond the mandatory requirements, as well as to build and maintain long-term relationships based on trust with shareholders, financial analysts and the general public.

As a small team of three people (including the Management Board), the staff and shareholders of the Company rely on an active network of business partners. Reliability, trust and similar values are therefore at the heart of Fair Value's business relationships with its service providers. Wherever possible and reasonable, the alignment of interests between the Company and its business partners is ensured through a combination of fixed and variable, performance-related remuneration.

Transparent financial reporting and the principles of reliability and trust also form the basis for long-term relationships between the Company and its lenders.

Remuneration Report

Remuneration paid to the Management Board consists of basic remuneration (€ 209,000 p.a.) plus fringe benefits and variable components. The variable components are based on the operating performance of the Company and amount to 2% of the paid dividend. The variable components of the compensation may not exceed 50% of the fixed salary components, including fringe benefits.

The immediate cash payment of the variable components is related entirely to the percentage difference between the share price and the net asset value (NAV) of the Group per share. To determine that percentage, a simple average of both indicators is used at the four quarterly reporting dates during the financial year. The remaining portion of the variable remuneration is in the form of virtual shares in the Company based on the market price on the day following the Annual General Meeting. These virtual shares may be paid out in cash after four years at the earliest. In order to determine the payment amount, the number of virtual shares is multiplied by the market price of the outstanding shares of Fair Value REIT-AG prevailing at the time.

The fringe benefits include twice the respective highest compulsory contribution made by employers for employees with compulsory social insurance to the statutory pension insurance scheme involving long-term investment vehicles. The Management Board is also entitled to a company car with a maximum purchase price of € 45,000 plus VAT, which is also available for private use.

Remuneration paid to members of the Supervisory Board consists of a fixed remuneration and a performance-related remuneration upon payment of dividends. The variable part is limited to five times the fixed part of the remuneration. The Chairman and Vice-chairman receive double and one and a half times, respectively, of the fixed and variable remuneration of an ordinary member of the Supervisory Board.

Further information, including details of the total remuneration payable to the Management Board and Supervisor Board, is available in section (32) of the Notes.

Other information pursuant to § 315 Section 4 HGB

Composition of the Share Capital, Voting Rights and Privileges

The Company's share capital is divided into 9,406,882 no-par value ordinary bearer shares with voting rights of the same class. On the balance sheet date, the Company held 81,310 of its own shares and therefore there were only 9,325,572 shares in circulation at that time. All shares carry the same rights and obligations. Each share represents one vote at the Annual General Meeting.

The shares are freely transferable in accordance with the legal requirements relating to no-par value ordinary bearer shares. No shares with special rights conferring control powers have been issued. If employees own shares in the Company, they can exercise their control powers directly.

Holdings of 10% or more of the Voting Rights

In compliance with § 11 section 4 of the REIT Act, no single shareholder may directly hold 10% or more of the shares or voting rights (maximum participation limit). If the maximum participation limit is exceeded, the relevant shareholder must demonstrate in an appropriate manner that its direct participation has been reduced within two months after being requested to do so by the Management Board. A continued breach of the maximum participation limit can, in accordance with the Articles of Association, lead to transfer without compensation of the surplus shares or to a compulsory withdrawal of these shares.

On the balance sheet date, no shareholder directly held 10% or more of the voting rights. Indirectly, the voting rights held by UniCredito Italiano S.p.A. in Milan, UniCreditBank AG in Munich, Wealth Management Capital Holding GmbH in Munich, H.F.S. Hypo-Fondsbeteiligungen für Sachwerte GmbH in Munich, WealthCap Real Estate Management GmbH in Munich amounted to a total of 32.41% and H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG in Ebersberg amounted to a total of 30.46%. In addition, IC Immobilien Holding AG in Unterschleißheim held direct and indirect voting rights of 18.09%. Under § 11 section 4 of the REIT Act, an indirect holding may exceed the maximum participation limit.

Authorisation of the Management Board to Buy Back and Issue New Shares

1. Authorised capital The Management Board has been authorised by the Supervisory Board to increase the share capital by up to € 21.25 million by issuing, on one or several occasions, new no-par value ordinary bearer shares against cash and/or non-cash contributions by September 2, 2012.

2. Conditional capital The Company has no conditional capital.

3. Share buy-back programme The Annual General Meeting on May 29, 2009 authorised the Company to buy back up to 10% of the share capital existing as of the date of the adoption of the resolution by May 28, 2014. At no point in time may a combination of the shares acquired based on this authorisation and other own shares held by the Company or attributed to it according to §§ 71 et seq. of the German Stock Corporation Act ("AktG") exceed more than 10% of the current share capital.

At the Management Board's discretion, the shares may be purchased via the stock exchange or by means of a public purchase offer or a public invitation to submit sales offers directed to all shareholders. If the shares are acquired through a public purchase offer or an invitation to submit a sales offer, the consideration to be paid or offered or the upper and lower limits of the purchase price range (excluding incidental costs) for the shares of the Company may not deviate by more than 10% from the arithmetical average of the closing prices in Xetra (or a comparable successor system) on the Frankfurt Stock Exchange for shares of the Company on the ten preceding trading days. In the event of an acquisition of the shares via a stock exchange, the shares may not deviate by more than 20%.

Amendments to the Articles of Association

Under the German Stock Corporation Act, amendments to the Articles of Association require a majority of 75% of the voting rights represented at the Annual General Meeting.

Appointment and Dismissal of Management Board Members

The Supervisory Board appoints and recalls the members and deputies of the Management Board and determines their number. In addition, it is responsible for the conclusion of members' employment contracts.

Agreements with the Management Board in the case of a takeover bid

There are no agreements with the Management Board that would apply in the event of a change of control resulting from a takeover bid. There are also no compensation agreements with the Management Board or employees which would apply in the event of a takeover bid.

Corporate Governance Statement Pursuant to § 289 a HGB

On March 5, 2012, the Management Board of Fair Value REIT-AG submitted a statement on Corporate Governance pursuant to § 289 a of the German Commercial Code ("HGB") and also published this statement on the www.fvreit.de website in the Investor Relations section under Corporate Governance.

Compliance with the Requirements of the German REIT Act

A prerequisite for the exemption as a REIT-AG from corporation and trade tax is the fulfilment of the requirements laid down in §§ 8–15 of the REIT Act ("REITG").

Proof of compliance with the provisions is to be provided on the balance sheet date and confirmed by the auditor. The auditor's confirmation is based on declarations made by the Management Board regarding compliance with the requirements of §§ 11 and 13 (distribution of shares and minimum distribution) as well as §§ 12, 14 and 15 (asset and income requirements, exclusion of property trading and compliance with the minimum equity capital requirement).

The Management Board is required to provide the auditor with declarations which clearly show compliance with the requirements of the REIT Act.

Key figures REIT criteria 2011

Criteria REIT Act	Requirement REIT Act	**Current Fair Value**
§ 11 Free float	≥ 15%	36.4%
§ 12, para. 2 a Asset requirements	≥ 75%	94.9%
§ 12, para. 3 a Income requirements	≥ 75%	100.0%
§ 13 Minimum distribution to shareholders	≥ 90%	97.6%[1)]
§ 14 Exclusion of real estate trading	≤ 50%	19.1%
§ 15 Minimum equity requirement	≥ 45%	51.0%

[1)] Dividend payout ratio in % of the balance sheet net income, equal § 13 Nr. 1 REIT act 104.9%

Supplementary Report

The closing of the retail property in Frechen, sold in December 2011 (subsidiary BBV 06), took place on February 20, 2012 for a purchase price of € 1.1 million. Of this amount, € 1.0 million was used to repay financial liabilities at the end of March 2012.

Risk Report
Risk Management System

Objectives, Principles and Methods of Risk Management

The risk management system of Fair Value REIT-AG is an integral part of the management and control system of the Fair Value Group. It enables all risks relevant to the business activities of Fair Value to be identified as early as possible, analysed, evaluated and managed.

The risk management system is integrated into the regular reporting to the Management Board and Supervisory Board in order to ensure that risks are dealt with proactively and efficiently. The Company's risk strategy also involves the services of an external service provider, IC Immobilien Service GmbH (ICIS), a subsidiary of IC Immobilien Holding AG based in Unterschleißheim near Munich.

The service provider supports the management of Fair Value in the identification, notification, assessment and management of current and potential risks. Risk control and reporting are carried out centrally by the management of Fair Value REIT-AG. This ensures that the Management Board is informed in a timely manner of all significant risks in order to initiate appropriate measures.

Key Features of the Internal Control and Risk Management System with Respect to the Group's Accounting Pursuant to § 289 Section 5, No. 5 of the HGB

Internal Control System

The internal accounting control system has been implemented with the objective of ensuring adequate certainty in the internal and external accounting and reporting procedures by introducing suitable control mechanisms. This ensures that the annual accounts and consolidated financial statements are issued in accordance with statutory provisions.

Fair Value REIT-AG is involved in the budgeting process for both directly and indirectly held properties. This is based on the contractual arrangements with the service provider ICIS which is responsible for both the property management of the directly owned real estate of Fair Value REIT-AG as well as the company accounts.

The Company receives property, fund and portfolio information as required, at least every quarter, in which it is informed of any important matters relevant to the contracts and any deviations made from the budget. The information is analysed, validated and examined for recognisable risks. Identified risks are assessed and reported to the Supervisory Board in regular or ad-hoc risk reports.

Additional management and control options have opened up through the acquisition of general partners in five of twelve participations in mid-2011. Thanks to this development, Fair Value REIT-AG has the legal right to represent 84% of the market value of the directly and indirectly owned real estate portfolio.

Risk Management System in Relation to the Group's Financial Reporting Process

The risk management system of Fair Value REIT-AG serves for the early identification, analysis and management of risks that could lead to significant errors in internal and external reporting. The service provider, ICIS, which is appointed to take care of most of the accounting procedures for the Company, is also involved in the risk management system.

In particular, its services include

- Fulfilling accounting obligations pursuant to the German Commercial Code (HGB) as well as responsibility for payment transactions,
- Preparing monthly VAT returns, income statements, account and business analyses,
- Preparing consolidated quarterly financial statements in accordance with IFRS as well as providing property, fund and portfolio information.

The accounting procedures of the Group are monitored by ICIS and Fair Value REIT-AG using an effective internal control system which ensures the accuracy of the Group's accounting and its compliance with statutory provisions. Key aspects in this respect include clear allocation of responsibilities and controls using the four-eye principle and the separation of functions principle. Furthermore, it is important to set up appropriate access control for computer systems used in the preparation of financial statements and to take into account the risks which have been identified and assessed.

In order to determine the market value of its property portfolio and to value its pension obligations, the Company uses external experts or expert advice for its participations.

Given the size of the Company, Fair Value REIT-AG decided not to establish an internal audit function. At least once a year, as part of the audit of the annual financial statements, the auditor must assess whether the Management Board has complied with the obligation to establish a monitoring system in accordance with § 91 section 2 of the AktG for the early identification of any risks that pose a threat to the Company's continued existence and whether the monitoring system adequately fulfils the task for which it is intended.

Other Risk Management Systems

(Risk Identification, Analysis, Management, Control)

Risk Identification

In an effort to identify developments involving risks as early as possible, Fair Value continuously monitors macroeconomic and industry-specific developments in the real estate and financial sectors as well as the processes in the Fair Value Group. In order to structure the risks, the risk categories are defined in the following risk overview:

- **Economic and Industry Risks**
- **Corporate Strategy Risks**
- **Operating Performance Risks**
  - Leasing
  - Property Management
  - Valuation
  - Insurance
  - Liability
  - Litigation
- **Personnel Risks**
- **Information Technology Risks**
- **Financial Risks**
  - Investment Risks
    - Property Selection
    - Due Diligence
    - Sales
  - Risks from Financing Activities
    - Equity
    - Liquidity
    - Financial liabilities
- **Other Risks**
  - Legal and Tax Environment
  - Risks for REIT-AG's
  - Risks Related to the REIT Status

Risk Analysis

The risks identified in the risk overview are carefully analysed. Potential damage is identified and assigned a weighting according to the likelihood of it actually occurring. Based on scenario analyses, the potential impact on the consolidated result of Fair Value is ascertained.

Risk Control

An essential part of risk control is the aforementioned reporting, which forms a basis for the definition, evaluation and documentation of individual risks.

The assessment of the individual risks is recorded in the risk inventory. The risk inventory is the basis for risk control decisions and shows the overall risk exposure of the Fair Value Group.

Early warning indicators are defined for individual risks and these provide information on their possible development. In addition to the early warning indicators, thresholds are defined, which, if exceeded, trigger immediate reports to the Management Board.

Risk Management

The responsible member of staff decides together with the Management Board on measures to address the risks.

Individual Risks

Economic and Industry Risks

The future rental income development poses a risk that could have an indirect impact on the valuation of the portfolio of Fair Value REIT-AG. Fair Value faces strong competition in the commercial real estate market, where probably the Company may not been able to assert itself sufficiently.

Corporate Strategy Risks

In essence, corporate strategy risks involve the inaccurate assessment of future market developments, and the associated incorrect strategic direction of the business. In addition, strategic risks arise from unexpected changes in market and economic conditions which have a negative impact on the income and competitive position of the Group.

Operating Performance Risks

Leasing There are risks related to possible rent reductions, loss of rent and vacancies. In addition, it may not always be possible to implement index-related rent increases in full, immediately, or at all. In extreme cases, rents may also fall as a result of being index-linked. An overall negative deviation in rental income of 5% from the contracted amount would result in a fall in consolidated net income of € 0.9 million.

Property Management There is a risk of unexpected expenses arising from maintenance and repair work or from the adaptation of properties to contemporary requirements.

Valuation The value development of directly and indirectly held properties affects the corporate value of Fair Value REIT-AG both directly and indirectly. The valuation result as the difference between valuation losses and valuation gains has an impact on the Company's assets, balance sheet structure and financing terms (see financial liabilities). A universal change in the discount and capitalisation interest rates as part of the market valuation of the real estate portfolio by 25 bp upwards or downwards would lead to a 4% fluctuation upwards or downwards in the market valuation of the entire portfolio from the market value recorded as of December 31, 2011. As a result, this would improve or reduce consolidated net income by around € 9 million.

Insurance There is a risk that Fair Value may not be insured against possible claims to the extent necessary.

Liability There is a warranty risk due to material defects and defects of title when letting and selling real estate and property funds. Fair Value REIT-AG is liable as a limited partner in real estate funds up to the level of its capital contribution and is fully liable as a partner in a civil law partnership (BGB-Gesellschaft).

Litigation There is a risk that Fair Value may get involved in legal disputes with tenants, property buyers and sellers, shareholders or partners in property funds. There is currently one case of litigation pending, which exposes the Company to a cost risk of approximately € 15,000.

Personnel Risks

Fair Value could lose members of its Management Board and staff, or it might be unable to replace staff with suitably qualified new employees. Risks may arise for Fair Value REIT-AG due to its dependence on the services of IC Immobilien Service GmbH.

Information Technology Risks

Fair Value REIT-AG has an internal organisational structure for risk monitoring. In order to secure the Company against IT risks, Fair Value REIT-AG maintains a private network which is protected from external attacks. Data backups are carried out several times a week. In addition, a copy of a backup of all data is stored in a bank vault on a weekly basis.

Financial Risks

Investment Risks **Property Selection** The business activities of Fair Value are dependent on the acquisition and marketing of suitable commercial real estate and property funds at reasonable prices and conditions.

Due Diligence Inaccurate assessments, unforeseen problems or unidentified risks may have a negative impact on investments in real estate assets. Investments in property funds could develop unfavourably due to incorrect assessments or negative developments in the property market or in the market for property fund shares.

Sales The sale of real estate assets held by Fair Value is subject to the risk of declining sales prices, incorrect assessments of the market value of properties and warranty claims by buyers.

Risks from Financing Activities Fair Value REIT-AG's business activities and further growth will be affected by its ability to raise equity and debt, and therefore the general level of interest rates in the future.

Equity In order to maximise its long-term dividend potential, Fair Value REIT-AG strives to strengthen its equity base. Given that under German REIT legislation at least 90% of Fair Value REIT-AG's annual profit has to be distributed, this can in essence only take place through the injection of external capital. The prerequisites for this are a stable capital market environment as well as a share price which exceeds the current par value of € 5 per share.

Liquidity The liquidity of Fair Value REIT-AG is different from the liquidity ratio of the Fair Value Group. It is dependent on regular income from properties held directly as well as inflows from subsidiaries and participations less property management, administration and financing costs as well as amortisation and depreciation.

The cash and cash equivalents existing on the balance sheet date and the planned cash flow for 2012 are sufficient for the current requirements of on-going business activities. With regards to the liabilities to WIB Westdeutsche Immobilienbank AG totalling a planned € 5.3 million due at the end of 2012, the Management Board anticipates having the possibility of extending or refinancing given the current balance sheet equity ratio of around 40% of consolidated total assets and 58% of total assets in the non-consolidated HGB financial statements. In addition, the prospective income position of the Group allows the complete repayment of this liability within a maximum of six to seven years assuming the continuation of existing minimum repayments of € 800 thousand p.a., even if interest rates should rise.

Financial liabilities There is a risk that follow-up financing or credit extensions are not granted in the planned amount or are only granted at unfavourable terms. The same applies to new funding in conjunction with the acquisition of further real estate assets or the acquisition of fund participations.

There is also a general interest rate risk. In addition to the interest rate risk, there is the risk of increasing bank refinancing costs ("funding costs") and therefore rising bank margins. A 1% increase in the overall interest for the financial liabilities existing on December 31, 2011, would result in around a € 1.5 million reduction in consolidated net income.

There is a risk that income from properties and their market value will fall. This could have a negative impact on the loan-to-value ratio ("LTV"), the debt service coverage ratio ("DSCR") or the debt service capability. As a consequence, Fair Value REIT-AG may have to provide additional security, make additional amortisation payments or make payments to pledged credit accounts as further security.

Low interest rates may result, for example, in connection with property sales, in high compensation payments being due to lenders in the event of the early repayment of loans. This would adversely affect the Company's liquidity.

Other Risks

Legal and tax environment There is the risk that Fair Value might not be able to exercise sufficient influence on its minority interests and may, for example, be subject to the resolutions of other shareholders. The legal and tax environment could change to the detriment of Fair Value.

Risks for REIT-AG's A pre-requisite for the exemption as a REIT-AG from corporation and trade tax is the fulfilment of the requirements laid down in §§ 8–15 of the REIT Act.

Risks Related to the REIT Status Non-compliance with the provisions of the REIT Act may lead to an immediate loss of the tax exemption. In the case of non-compliance, fines may be imposed, while in some cases, there may be no direct consequences. However, in the case of repeated violations there is a real risk of the Company losing its tax exemption status.

Depending on the circumstances, this could lead to tax arrears and significant cash outflows. If Fair Value REIT-AG were not able to manage to maintain its REIT status, this could have a negative effect on its competitive position. In addition, a loss of the REIT status is likely to result in shareholder compensation claims against Fair Value REIT-AG.

Overall Assessment of the Company's Risk situation

Assessment of the Risk Situation by the Management Board

Overall, the Management Board does not expect any risks to materialise in 2012 that could pose a threat to the continued existence of Fair Value REIT-AG.

Company Rating

No issuer ratings for Fair Value REIT-AG are available.

Forecast

Economic Situation and Industry Outlook

According to current forecasts, economic growth in Germany in 2012 will slow considerably compared to the two previous years. If the sovereign debt crisis can gradually be eased, this should only represent a temporary cooling of the economy and not a recession. Development on the office markets is therefore likely to be somewhat less dynamic than 2011, but still remain positive. Relatively stable development is also expected for the retail markets. On the investment market, Germany is likely to continue to benefit from its reputation as a comparatively secure country for investment.

Macroeconomic Situation

After the German economy recorded relatively robust development in 2011, the International Monetary Fund (IMF) is anticipating growth of just 0.3% for 2012, with momentum picking up again in 2013 with forecast growth of 1.5%. Although this signifies a substantial slowdown compared to 2011, Germany still holds up well in comparison to the rest of the Eurozone, where the IMF expects a decline of 0.5% in 2012 and growth of only 0.8% in 2013. The IMF attributes its estimate to the increasing tension in the Eurozone, more difficult financing conditions, higher financing risks and slower global growth, among other factors.

In its annual economic report, the Federal Government also sees an intensification of the crisis in Europe as the main risk for economic development in 2012. At the same time, it expects the employment market in Germany to continue its positive development and the number of employed people to rise substantially again on average over 2012. The German Federal Bank also believes that the German employment market will continue its expansion course and expects that growth will return to the German economy relatively quickly again. Important impetus is likely to come primarily from construction demand and private consumption.

Rental Markets

In the office rental market, according to estimates from market observers leasing turnover is likely to fall primarily in the second half of 2012, however it should not drop below the average of the years since 2007. As only around one third of the expected volume of new buildings is to be offered on the market, the number of vacancies could continue to fall. Office top rents are expected to continue to rise in central locations and high-quality properties, although not as strongly as in the previous year.

A slump is not expected in retail real estate over the course of 2012, however stabilisation is likely to be recorded compared to the dynamic growth of the previous years. The anticipated robust development of domestic demand and private consumption on the back of higher available income and continued positive sentiment among consumers offers positive prospects for German retailing.

Investment Markets

In 2012, investment activities in both the office and retail real estate markets are hardly expected to fall and are instead anticipated to achieve a similar level to the previous year. Restrictive credit issuing among banks as well as the increasing cost of borrowing could however have a partial impact on development. Compared to other markets, Germany should nevertheless continue to cement its reputation as a "core country" and benefit from the resulting inflow of foreign investment capital. While excess demand is still to be expected in the core areas due to the limited number of available properties and the high demand among investors, supply will likely exceed demand away from this segment.

Given the strong focus on the core segment, which has now had an impact on the development of the initial rates of return, investors are likely to increasingly investigate investment alternatives at secondary locations. In the medium term, this should be reflected in a corresponding demand for high-quality properties in good areas of these locations.

The Group's focus

Securing Income and Optimising Costs

By starting negotiations with existing tenants regarding contract extensions ahead of time, high renewal lease rates are to be achieved in future as in previous years and vacancy costs limited.

This income-securing measure is complemented by negotiations with the service providers at participations for property management, accounting and asset management regarding our desired reduction in on-going remuneration.

As part of the upcoming negotiations regarding the new terms for non-current mortgages at participations, the Management Board is anticipating substantial savings compared to the previously agreed interest rates due to the historically low interest rate level and despite increased margins at banks. In the medium term, this will lead to an improvement in the income position of the Group and the associated companies.

The increased demand for investment properties should be exploited for the sale of individual portfolio properties, particularly at participations. As part of this, the trade restrictions pursuant to § 14 of the REIT Act will be adhered to. The resultant liquidation of participations enhances the earning strength of the Company through cost-cutting. The funds raised through sales and transactions will be reinvested, while taking into account the distribution requirements under § 13 of the REIT Act.

Through these portfolio changes, Fair Value seeks to refocus its property portfolio on offices and retail properties and successively increase the share of direct investments and majority interests in its overall portfolio in the future.

In addition to improving the income situation in the real estate portfolio by implementing the desired measures, the Management Board continues to strive to expand the real estate portfolio itself. This expansion requires a strengthening of the equity base, which in turn requires a stable and receptive capital market environment.

Anticipated Development of Business

Income Position and Earnings Outlook for 2012 to 2016

Based on the existing real estate portfolio, the Management Board expects the following adjusted FFO results without taking into account extraordinary effects:

EPRA-Earnings / FFO forecast

		Actual					Forecast
in € million		2011	2012	2013	2014	2015	2016
Net sales		**13.4**	**13.5**	**13.7**	**13.7**	**13.7**	**13.8**
Real estate-related expenses		(4.6)	(4.9)	(4.8)	(4.9)	(5.2)	(4.6)
Net rental income		**8.8**	**8.6**	**8.9**	**8.9**	**8.5**	**9.2**
General administrative expenses		(2.3)	(2.0)	(2.1)	(2.1)	(2.1)	(2.1)
Operating result		**6.4**	**6.6**	**6.8**	**6.8**	**6.4**	**7.1**
Income from participations		4.9	3.9	4.5	4.9	5.5	5.6
Net interest expenses		(4.7)	(4.3)	(4.1)	(4.0)	(4.0)	(3.8)
Minority interests		(1.1)	(1.3)	(1.4)	(1.4)	(1.1)	(1.4)
EPRA-Earnings		**5.5**	**4.8**	**5.8**	**6.3**	**6.8**	**7.5**
EPRA-Earnings per share	in €	0.59	0.52	0.62	0.67	0.72	0.79

Compared to the year under review, net sales in 2012 are forecast to rise by 1% to € 13.5 million, then increasing to the slightly higher stabilized level of € 13.7 million by 2015.

Compared to the year under review, real estate-related expenses will increase in 2012 by around 7% to € 4.9 million and remain at this level until 2014. In 2015, the Management Board is anticipating a further increase to € 5.2 million in connection with renewal agreements, before returning to around the level of the reporting year at € 4.6 million in 2016.

General administrative expenses are expected to fall in 2012 to a total of € 2.0 million and then be recorded at € 2.1 million p.a. until 2016.

Based on these figures, the Management Board is anticipating an operating result of € 6.6 million for 2012, up 3% on the year under review. An operating result of € 6.8 million is expected for 2013 and 2014, with this figure falling to € 6.4 million in 2015 due to the expected costs for renewal agreements. In 2016, this figure is forecast to rise to € 7.1 million.

Due to the planned letting costs, income from participations is expected to total € 3.9 million in 2012, following € 4.9 million in the year under review. From 2013, this income is forecast to rise to € 4.5 million in 2013 and then to € 4.9 million in 2014, before climbing to € 5.5 million from 2015.

Net interest expense is expected to fall by 9% to € 4.3 million in 2012 due to repayments and lower interest rates. From 2013, net interest expense will continue to fall to € 4.1 million in 2013 and then to € 4.0 million in 2014 and 2015, before dropping further to € 3.8 million in 2016. This development is based on assumptions regarding future interest rate development and is therefore subject to risk.

After taking into account minority interests in subsidiaries, the adjusted consolidated net income (EPRA-Earnings or FFO) is expected to reach € 4.8 million or € 0.52 per share in 2012. We anticipate FFO (EPRA-Earnings) of € 5.8 million or € 0.62 per share in 2013.

In line with the planning for 2014 — 2016, FFO is expected to rise to between € 6.3 million and € 7.5 million (€ 0.67 to € 0.79 per share) on the back of the increased income from participations and falling net interest expenses in the Group in these years.

Net Income Forecast Pursuant to the German Commercial Code

Given an unchanged real estate portfolio, the Management Board expects the following adjusted results in compliance with the German Commercial Code without taking into account extraordinary effects from market valuations between 2012 and 2016:

Individual Financial Statement of Fair Value REIT-AG (German GAAP)

	Forecast				
in € million	2012	2013	2014	2015	2016
Net sales	**3.9**	**4.0**	**4.0**	**4.1**	**4.2**
Real estate-related operating expenses	(1.9)	(1.8)	(1.8)	(1.8)	(1.8)
Net rental income	**2.0**	**2.2**	**2.2**	**2.3**	**2.4**
General administrative expenses	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)
Operating result	**0.5**	**0.7**	**0.6**	**0.7**	**0.8**
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)
Planned net income from operating activities	**0.1**	**1.2**	**1.0**	**1.2**	**1.8**

Sustainably increasing net income

Assuming the forecast figures are achieved, from 2013 the required income would be secured to distribute a stable dividend of at least € 0.10 per share for the currently issued shares.

For 2012, in addition to the current foreseeable income from participations, further profit pay-outs from participations or other income of around € 0.9 million is required. The Management Board expects that this additional income can be achieved by cost-cutting among other things and it is striving to generate retained earnings for 2012 which would allow a dividend pay-out of at least € 0.10 per share.

Anticipated Financial Position

At the end of 2012, Fair Value REIT-AG's loan for acquisition financing totalling a forecast maximum of € 5.3 million is due to be repaid or refinanced. The Management Board expects the loan to be extended on broadly similar terms as previously agreed upon (bank margin of 475 bp + minimum repayment of € 800,000 p.a.).

At the subsidiary BBV 06, follow-up financing for several property-related loans totalling around € 30 million is pending for mid-2012. Due to the net debt of this subsidiary of less than 60% of the current market value of the real estate, the Management Board is anticipating the straightforward negotiation of follow-up financing.

Considering the agreed regular repayments, the Management Board anticipates the Group's liquidity to total around € 7.1 million by the end of 2011 if business develops as expected (December 31, 2010: € 7.7 million).

Opportunities and Overall Statement of the Management on the expected Development of the Group

The forecast economic conditions for Germany offer a stable platform for the real estate industry and therefore also for Fair Value REIT-AG. As the current market value of the real estate is largely substantially below the rebuilding costs, a strong increase in the volume of new builds is not expected in the short-term. As a result, the existing demand for space will focus on portfolio properties and therefore have a positive effect on the pending renewal agreements and new rental agreements in the Fair Value real estate portfolio. Moderate leasing price increases are also likely to be implementable in the years 2012 and 2013.

This should support the further development of the value of the real estate portfolio and the desired changes in the portfolio, particularly as the interests of real estate investors increasingly extend to secondary locations.

Due to the current historically low interest rates, the pending extension of fixed rate loans will offer savings compared to the existing terms and therefore increase the profitability of the portfolio.

Overall, the Management Board is expecting good conditions during 2012 and 2013 for increasing the attractiveness of the Fair Value REIT share and achieving the desired growth in the equity base and investor volume of Fair Value.

Munich, March 26, 2012

Fair Value REIT-AG

Frank Schaich

Consolidated Financial Statements

Consolidated Balance Sheet

Assets

in € thousand	Note no.	12/31/2011	12/31/2010
Non-current assets			
Intangible assets	5	180	3
Property, plant and equipment	5	6	7
Investment property	6	129,127	128,650
Equity-accounted investments	7	50,748	48,551
Other receivables and assets	8	17	269
Total non-current assets		**180,078**	**177,480**
Current assets			
Non-current assets available for sale	9	1,100	2,500
Trade receivables	10	1,284	1,291
Income tax receivables	11	75	71
Other receivables and assets	12	1,120	2,646
Cash and cash equivalents	13	7,725	11,975
Total current assets		**11,304**	**18,483**
Total assets		**191,382**	**195,963**

Equity and liabilities

in € thousand	Note no.	12/31/2011	12/31/2010
Equity	14		
Subscribed capital		47,034	47,034
Share premium		46,167	46,167
Reserve for changes in value		(6,481)	(5,732)
Balance sheet loss		(8,850)	(12,513)
Treasury shares		(398)	(398)
Total equity		**77,472**	**74,558**
Non-current liabilities			
Minority interests	15	14,736	14,494
Financial liabilities	16	52,810	87,556
Derivative financial instruments	17	5,893	5,181
Other liabilities	18	66	46
Total non-current liabilities		**73,505**	**107,277**
Current liabilities			
Provisions	19	250	241
Financial liabilities	16	38,217	11,547
Trade payables		1,007	1,083
Other liabilities	18	931	1,257
Total current liabilities		**40,405**	**14,128**
Total shareholders' equity and liabilities		**191,382**	**195,963**

Income Statement

Consolidated income statement

in € thousand	Note no.	2011	2010
Rental income		**10,807**	12,081
Income from operating and incidental costs		2,552	2,363
Leasehold payments		(25)	(111)
Real estate-related operating expenses		(4,580)	(4,798)
Net rental result	22	**8,754**	**9,535**
General administrative expenses	23	**(2,310)**	**(2,252)**
Other operating income		99	68
Other operating expenses		(130)	(137)
Total other operating income and expenses	24	**(31)**	**(69)**
Net income from the sale of investment properties		3,175	8,508
Expenses in connection with the sale of investment properties		(3,150)	(8,617)
Result from sale of investment properties	25	**25**	**(109)**
Valuation gains		2,357	616
Valuation losses		(2,047)	(4,854)
Valuation result	26	**310**	**(4,238)**
Operating result		**6,748**	**2,867**
Result from equity-accounted investments	7	**3,258**	**3,873**
Interest income		99	103
Interest expense	27	(4,621)	(4,868)
Financial result		**(4,522)**	**(4,765)**
Taxes from earnings and income		—	2
Income before minority interests		**5,484**	**1,977**
Minority interest in the result	15	(890)	255
Net income		**4,594**	**2,232**
Earnings per share in € (basic/diluted)	29	0.49	0.24

Statement of Comprehensive Income

Consolidated statement of comprehensive income

in € thousand	Note no.	2011	2010
Net income		**4,594**	**2,232**
Other results			
Change in cash flow hedges	17	(852)	(267)
Thereof due to minority interests		(143)	(76)
Change in cash flow hedges of associated companies	7	247	57
Total other results		**(748)**	**(286)**
Comprehensive income		**3,846**	**1,946**

Statement of Changes in Equity

Statement of changes in consolidated equity

in € thousand (except for circulating shares)	Shares in circulation	Subscribed capital	Share premium	Reserve for changes in value	Balance sheet loss	Own shares	**Total**
Balance at January 1, 2010	**9,347,790**	**47,034**	**46,167**	**(5,446)**	**(14,745)**	**(290)**	**72,720**
Purchase of treasury shares	(22,218)	—	—	—	—	(108)	(108)
Total net income	—	—	—	(286)	2,232	—	1,946
Balance at December 31, 2010	**9,325,572**	**47,034**	**46,167**	**(5,732)**	**(12,513)**	**(398)**	**74,558**
Purchase of treasury shares	—	—	—	—	—	—	—
Distribution of dividends	—	—	—	—	(932)	—	(932)
Total net income	—	—	—	(748)	4,594	—	3,846
Balance at December 31, 2011	**9,325,572**	**47,034**	**46,167**	**(6,480)**	**(8,850)**	**(398)**	**77,472**

Cash Flow Statement

Consolidated cash flow statement
(Explanation see Note 32)

in € thousand	2011	2010
Net income	**4,594**	**2,232**
Adjustments to consolidated earnings for reconciliation to cash flow from operating activities		
Income tax expenses/(income)	(4)	(8)
Amortization of intangible assets and depreciation of property, plant and equipment	23	10
(Profits)/losses from the disposal of investment properties	25	109
Valuation result	(310)	4,238
Income from equity-accounted investments	(3,258)	(3,873)
Withdrawals from equity-accounted investments	1,328	2,758
Loss/(profit) for minority interests	890	(255)
Disbursement to minority interests	(652)	(469)
Result from the valuation of derivative financial instruments	(140)	(113)
Compensation payment received	2,000	500
Changes in assets, equity and liabilities		
(Increase)/decrease in trade receivables	7	16
(Increase)/decrease in other liabilities	(222)	(39)
(Decrease)/increase in provisions	9	(20)
(Decrease)/increase in trade payables	(76)	274
(Decrease)/increase in other liabilities	(434)	(231)
Cash flow from operating activities	**3,780**	**5,129**
Payments for the purchase of interests in associated companies	(20)	(13)
Proceeds from the sale of associated companies	–	76
Investments in investment properties	(1,825)	(301)
Income from the disposal of investment properties	3,033	8,128
Investments in property, plant and equipment and intangible assets	(199)	(4)
Cash flow from investment activities	**989**	**7,886**
Purchase of treasury shares	–	(108)
Disbursements to exiting minority interests	(11)	–
Repayment of financial liabilities	(8,076)	(9,213)
Distribution of dividends	(932)	–
Cash flow from financing activities	**(9,019)**	**(9,321)**
Cash effective change of liquid funds	**(4,286)**	**3,694**
Change of consolidation scope	36	–
Cash and cash equivalents – start of period	11,975	8,281
Cash and cash equivalents – end of period	**7,725**	**11,975**
Additional disclosures: Interest received	99	108
Interest paid	4,621	4,775

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Notes

(1) General Information on the Company

Following its registration as an Aktiengesellschaft on July 12, 2007, Fair Value REIT-AG ("the company") has been listed on the stock exchange since November 16, 2007. It became a REIT on December 6, 2007.

As a result of its participation in a total of 12 (2010: 12) closed-end real estate funds and six additional companies, the company must prepare consolidated financial statements.

The consolidated financial statements are submitted to the electronic federal gazette ("Bundesanzeiger").

Accounting and Valuation Methods

(2) Key Accounting, Valuation and Consolidation Methods

Principles of preparation The consolidated financial statements prepared by Fair Value REIT-AG as the parent company have been prepared according to uniform accounting and valuation methods. The International Financial Reporting Standards (IFRS) from the International Accounting Standards Board (IASB) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that applied on the balance sheet date and adopted by the European Union were observed in line with Section 315 a of the Handelsgesetzbuch (HGB – German Commercial Code). The standards and interpretations for which application was mandatory were used.

Investment property, financial derivatives and plan assets are measured at their fair values, interests in associated companies are equity-accounted. All other measurements are based on cost.

The consolidated financial statements have been prepared in euros. Rounding differences may occur.

Assets and liabilities are broken down into current and non-current items. Items are regarded as being current if they are due within one year.

The consolidated income statement is prepared using the cost of sales (function of expense) method.

Comparable figures The figures from the fiscal year from January 1 to December 31, 2010, have been used as comparable figures.

First time application of accounting standards In fiscal year 2011, application of the following standards or interpretations of the stipulations of the European Union was mandatory for the first time.
- IFRS 1 First-time adoption of International Financial Reporting Standards (Amendment)
- IFRS 1 First-time adoption of International Financial Reporting Standards amended for improvements to IFRSs (AIP 2010)
- IFRS 3 Business Combinations amended for improvements to IFRSs (AIP 2010)
- IFRS 7 Financial Instruments: Disclosures amended for improvements to IFRSs (AIP 2010)
- IAS 1 Presentation of Financial Statements IFRSs (AIP 2010)
- IAS 24 Related Party Disclosures (Revision)
- Amendments by IAS 27 consolidated Financial Statements and Accounting for Investments in Subsidiaries to IAS 21, IAS 28 and IAS 31
- IAS 32 Financial Instruments: Presentation (Amendment)
- IAS 34 Interim Financial Reporting amended for annual improvements to IFRSs (AIP 2010)
- IFRIC 13 Customer Loyalty Programmes amended for improvements to IFRSs (AIP 2010)
- IFRIC 14/IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments 12/2011

These had no significant effect on the consolidated financial statements.

Accounting standards not yet applied The following disclosures were endorsed by the EU at the time when the accounts were being prepared, but their application is not compulsory until later reporting periods:
– IFRS 7 Financial instruments: Notes

The Group is currently reviewing the impact of the above disclosures on the consolidated financial statements. It does not believe that they will have a major impact on earnings or net assets.

The following disclosures published by IASB are not yet been adopted by the EU:

New Standards:
– IFRS 9 Financial Instruments
– IFRS 10 Consolidated Financial Statements
– IFRS 11 Joint Arrangements
– IFRS 13 Fair Value Measurement

New Interpretations:
– IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Changes of Standards:
– IFRS 1 Presentation of Financial Statements
– IFRS 12 Disclosures of Interests in Other Entities
– IAS 19 Employee benefits
– IAS 27 Separate Financial Statements
– IAS 28 Investments in Associates and Joint Ventures

Group of consolidated companies and consolidation methods All subsidiaries are included in the consolidated financial statements. Subsidiaries are companies for which the Group can determine their financial and business policy; in general this is linked to a majority of voting rights. Subsidiaries are included from the day on which the Group obtains control to the end of the control. If a company is acquired, all of the identifiable assets, liabilities and contingent liabilities for the acquired company are measured at their fair values on the date of the acquisition. Interests held by other shareholders are carried according to their interests at the fair value of the identifiable assets, liabilities and contingent liabilities.

Any difference remaining after the Group's acquisition costs are netted with the Group's interest in the newly measured net assets is carried as goodwill if this is a positive figure or recognized in income if this is negative.

The consolidated financial statements include Fair Value REIT-AG together with 12 subsidiaries as part of full consolidation:

Full consolidated subsidiaries

Voting rights/fixed capital interest in %	12/31/2011	12/31/2010
GP Value Management GmbH, Munich ("GPVM")	100.00	–
BBV 3 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV03")	100.00	–
BBV 6 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV06")	100.00	–
BBV 9 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV09")	100.00	–
BBV 10 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV10")	100.00	–
BBV 14 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV14")	100.00	–
IC Fonds & Co. Büropark Teltow KG, Regensburg ("IC 07")	76.74	76.74
IC Fonds & Co. Forum Neuss KG, Regensburg ("IC 03")	71.58	71.58
IC Fonds & Co. München Karlsfeld KG, Regensburg ("IC 01")	56.29	56.29
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, Munich ("BBV 06")	56.18	55.71
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG, Munich ("BBV 03")	54.02	53.83
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG, Regensburg ("IC 13")	50.04	50.04

The slight changes in individual participation levels of previously consolidated subsidiaries are based on other partners exiting and on roundings.

As of the balance sheet date, the scope of consolidation was extended to include the following companies, which were fully integrated into the consolidated financial statements from the date of their acquisition on July 30, 2011:

- GP Value Management GmbH, Munich ("GPVM")
- BBV 3 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV03")
- BBV 6 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV06")
- BBV 9 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV09")
- BBV 10 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV10")
- BBV 14 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV14")

Intra-group receivables and liabilities and intra-group income and expenses are netted. Unrealised gains from business transactions between group companies are eliminated in full. The subsidiaries' financial statements included in the consolidated financial statements were adjusted to the Group's accounting and evaluation methods.

Investment property Investment property comprises land and buildings that are used to generate rental income or for appreciation. Investment property is initially carried on the date of its acquisition at cost including transaction costs. Acquisition costs also include later costs for expansion or maintenance work which increases value. Subsequent valuations are at fair value. According to IAS 40, this is preferably to be identified based on ascertained market prices or by comparison with sufficiently identical measurement properties.

However, the Group's properties differ in terms of age, location, fittings and size. As a result, these are valued based on the discounted cash flow method (DCF method), taking into account the existing rental contracts and current market yield requirements. The resulting fair value is identical to the fair market value as defined by the Royal Institution of Chartered Surveyors (RICS) in its Red Book:

"The fair market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The fair market values of all properties are to be identified once a year by an independent expert. Changes in the value are recognized as income in the income statement.

Interests in associated companies Interests in associated companies are accounted for at equity. Associated companies are companies for which the Group has a significant influence on their business and financial policy, however that it does not control them; as a rule this is linked to an interest and voting rights of between 20% and 50%. Interests are carried at cost. If the acquisition costs are lower than the fair value of the proportionate net assets of the associated company, the resulting negative difference is reversed and recognized in income. The interest is thus carried above cost. As a result, the carrying amount of the interests increases or decreases in line with the shareholder's interest in the earnings for the period. Distributions received from an investee reduce the carrying amount of the participation. The financial statements for the participating interests measured at equity are adjusted to the Group's accounting principles and methods.

Participations in the six following associated companies have been equity accounted in the consolidated financial statements.

Associated companies		
Voting rights/fixed capital interest in %	**12/31/2011**	**12/31/2010**
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich ("BBV 14")	45.12	45.11
IC Fonds & Co. SchmidtBank-Passage KG, Regensburg ("IC 12")	40.34	40.27
BBV Immobilien-Fonds Erlangen GbR, Munich ("BBV 02")	41.05	40.45
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Regensburg ("IC 15")	38.94	38.89
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich ("BBV 10")	38.43	38.37
BBV Immobilien-Fonds Nr. 9 GmbH & Co. KG, Munich ("BBV 09")	25.17	25.16

Slight increases in the participations on the balance sheet date with regard to BBV 10 have resulted from the purchase of units (see Note 4 a) and, in the other cases, from other partners exiting.

Impairment On each balance sheet date, the Group reviews the carrying amounts of the equity-accounted investments, the properties under construction and, if necessary the intangible assets and property, plant and equipment to ascertain if there are any indicators that these could be impaired. In this case, the recoverable amount of the respective asset is identified in order to determine the scope of any adjustment to its value that may have to be performed. The recoverable amount corresponds to the fair value less selling costs or the value in use; the higher value applies. The value in use corresponds to the present value of the anticipated cash flows. An interest rate that corresponds to market conditions is used for discounting. If the recoverable amount of an asset is lower than its book value, the value of the asset is adjusted immediately.

If there is doubt surrounding the collection of receivables and other assets, these are carried at the lower amount which can be realized.

If, after impairment has been performed, a higher recoverable amount results at a later date, the asset is written up. The write-up is restricted to the amortized carrying amount which would have resulted if the asset had not been impaired in the past. The write-up is reflected in income.

Minority interests Minority interests in the real estate partnerships included in the consolidated financial statements have the right to terminate their participating interests. As a result, these shareholders' interests in the subsidiary's capital are regarded as potential compensation claims within the meaning of IAS 32 and are carried as liabilities on the consolidated balance sheet. When they are first carried, they are measured at their fair value which corresponds to the minority interest in the net asset value of the respective company. Thereafter the liability is carried at amortized cost. Profits increase the liability, losses and distributions reduce the liability. The liability carried thus corresponds to the minority interest's computed interest in the net assets of the respective subsidiary carried on the consolidated balance sheet at book values.

As the Group's participations are restricted to non-incorporated firms and a Corporation (GmbH), that is fully owned by Fair Value, there are no non-controlling interests present in the Group that would have to be disclosed in the consolidated equity.

Liabilities to banks Liabilities to banks are measured at their fair value (= cost). In the case of newly assumed liabilities, cost is the repayment amount less any directly allocable transaction costs. In the case of subsidiaries' liabilities, which result for the Group as part of initial consolidation, cost corresponds to the market value of these liabilities on the date of initial consolidation. Any difference between cost and the repayment amount is distributed over the fixed-interest period by adjusting the carrying amount and reflecting this in income with each instalment.

Derivative financial instruments These are interest rate hedges for loans with variable interest rates. They are measured at their fair value. The fair value is the present value of the anticipated future payments, based on publicly available interest rates. If the conditions of IAS 39.88 for hedge accounting apply (designation and documentation as well as regular evidence of the effectiveness of the hedge), changes in the fair value are taken directly to equity under a separate item. If these conditions do not apply, the changes in the fair value are recognized in income.

Provisions Provisions are formed if there is a legal or effective obligation from past events, and if this obligation is likely to lead to an outflow of funds for which the amount can be reliably estimated.

Recognition of income and expense Rental income is recognized for a specific period in line with the term of the rental agreements and taking incentive agreements into account. If a property is sold, the earnings are recognized when the opportunities and risks associated with ownership (ownership, risks and rewards) are transferred to the purchaser. Operating expenses are recorded when the service is used. Interest is accrued and carried as expenses taking the effective interest rate method into account.

(3) Estimations and the Use of Discretion as Part of Accounting

If no ascertained market prices are available, the management or an expert it engages must make estimates and assumptions to identify fair values. All estimates and assumptions are made to the best of their knowledge and belief, in order to ensure a true and fair view of the Group's financial position and results of operations.

Fair values must be identified in particular for:

a) **Accounting for corporate acquisitions** Upon first time consolidation all identifiable assets, liabilities and contingent liabilities are carried at their fair values on the acquisition date. One of the most important estimates is determining the respective fair values of these assets and liabilities on the balance sheet date. Real estate valuations are based on opinions by independent experts on a specific date which is no more than three months before or after the acquisition. Liabilities are measured based on the market interest rates which apply on the acquisition date taking a reasonable creditworthiness surcharge into account.

b) **Evaluation of investment properties** When the expert engaged estimates the fair values, estimate bandwidths exist in the discounted cash flow (DCF) method with regard to the anticipated rental income and maintenance cost as well as the applicable discount and capitalization rates. The carrying amounts of the investment properties totalled € 129,127,000 as of December 31, 2011 (2010: € 128,650,000).

c) **Impairment of equity-accounted participations** Each balance sheet date, the management must estimate whether there is any reason that the carrying amount could possibly be impaired. In this event the recoverable amount of the affected asset has to be estimated. The recoverable amount corresponds to the fair value less selling costs or the value in use if this is higher. The carrying amounts of the equity-accounted participations totalled as of December 31, 2011 € 50,748,000 (2010: € 48,551,000).

Although the management believes that the assumptions made for all of the estimates are realistic and reasonable, it cannot be ruled out the fact that the carrying amounts may have to be changed as a result of changes to the underlying conditions and market developments in future.

(4) Corporate Acquisitions and Divestitures

Acquisition of participations In die fiscal year 2011, Fair Value REIT-AG increased its participation in BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG by a nominal value of € 50,000. The purchase price was € 12,000 and it was settled with cash.

As of July 30, 2011 all interests in the general partners of

– BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG, Munich
– BBV Immobilien-Fonds Nr. 6 Gmbh & Co. KG, Munich
– BBV Immobilien-Fonds Nr. 9 GmbH & Co. KG, Munich
– BBV Immobilien-Fonds Nr. 10 Gmbh & Co. KG, Munich
– BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich

were acquired for a total purchase price of € 369,000 after they became limited partnerships as part of the change in legal form. In August 2011, the acquired companies were complemented by Fair Value REIT-AG's acquisition of GP Value Management GmbH, Munich, for € 25,000. The management reports to the sole limited partner, Fair Value REIT-AG, Munich.

The companies acquired hold the following equity base:

Acquired companies

in € thousand	Total subscribed equity	Interest per 12/31/2011 in %
GP Value Management GmbH, München ("GPVM") [1]	25	100
BBV 3 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV03")	25	100
BBV 6 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV06")	25	100
BBV 9 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV09")	25	100
BBV 10 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV10")	25	100
BBV 14 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim ("FV14")	25	100
Total	**150**	

[1] Paid in thereof € 13,000.

The acquisition costs of these corporate acquisitions and the constituent parts of these acquisition costs are as follows:

Summary of acquisition costs

in € thousand	
Acquired assets	
Cash and cash equivalent	36
Other assets	366
Acquired liabilities	20
Total acquired assets and liabilities	**382**

There were no directly attributable costs for the group relating to the corporate acquisition.

An individually measurable asset (contractual right) totalling € 198 thousand resulted from the measurement of acquired companies at fair value, and this was reported in its full amount as an intangible asset belonging to the Group which will be amortised over 5 years. As of December 31, 2011, the asset was allocated to the individual companies as follows:

Classification of intangible assets

in € thousand	
GP Value Management GmbH, Munich	–
BBV 3 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim	16
BBV 6 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim	67
BBV 9 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim	50
BBV 10 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim	51
BBV 14 Geschäftsführungs-GmbH & Co. KG, Unterschleißheim	14
Total	**198**

Regarding other assets and liabilities, the fair value at the time of acquisition corresponds to the net book values of the assets and liabilities prior to the acquisition. Of the yearly net income of the group, a surplus of € 12,000 is attributable to the acquired companies as of the acquisition date (August 1st to December 31, 2011).

Notes to the Balance Sheet

(5) Intangible Assets and Property, Plant and Equipment

Development of intangible assets and property, plant and equipment

in € thousand	Intangible assets	Property, plant and equipment (office and operating equipment)
Acquisition costs		
Balance as of January 1, 2010	**5**	**49**
Additions	—	4
Disposals	—	—
Balance as of December 31, 2010	**5**	**53**
Additions	198	—
Disposals	—	—
Balance as of December 31, 2011	**203**	**53**
Accumulated depreciation, amortization and write-downs		
Balance as of January 1, 2010	**(2)**	**(37)**
Additions	(1)	(9)
Disposals	—	—
Balance as of December 31, 2010	**(3)**	**(46)**
Additions	(20)	(1)
Disposals	—	—
Balance at December 31, 2011	**(23)**	**(47)**
Carrying amounts		
Balance as of January 1, 2010	3	12
Balance as of December 31, 2010	2	7
Balance as of December 31, 2011	**180**	**6**

The addition of € 198 thousand to intangible assets relates to an individually measured contractual right acquired as part of the company acquisition, which is amortised over a useful life of 5 years.

(6) Investment Property

Development of investment property

in € thousand	Direct investments	Subsidiaries	**Total**
Acquisition costs			
Balance as of January 1, 2010	**51,832**	**117,971**	**169,803**
Additions (subsequent acquisition costs)	—	301	301
Reclassification to available-for-sale	—	(2,900)	(2,900)
Balance as of December 31, 2010	**51,832**	**115,372**	**167,204**
Additions (subsequent acquisition costs)	292	1,533	1,825
Disposals – Sale Rellingen	(574)	—	(574)
Reclassification from available-for-sale	—	(1,400)	(1,400)
Balance as of December 31, 2011	**51,550**	**115,505**	**167,055**
Changes in value			
Balance as of January 1, 2010	**(6,305)**	**(25,911)**	**(32,216)**
Write-ups	186	430	616
Write-downs	(296)	(7,058)	(7,354)
Reclassification from available-for-sale	—	400	400
Balance as of December 31, 2010	**(6,415)**	**(32,139)**	**(38,554)**
Write-ups	1,178	1,179	2,357
Write-downs	(292)	(1,755)	(2,047)
Disposals – Sale Rellingen	16	—	16
Reclassification from available-for-sale	—	300	300
Balance as of December 31, 2011	**(5,513)**	**(32,415)**	**(37,928)**
Fair values			
Balance as of January 1, 2010	45,527	92,060	137,587
Balance as of December 31, 2010	45,417	83,233	128,650
Balance as of December 31, 2011	**46,037**	**83,090**	**129,127**

There were a total of 49 properties on December 31, 2011, with 43 freehold properties, 5 properties in co-ownership and 1 leasehold properties. Compared to December 31, 2010, the number of properties in the portfolio decreased by two. One office building in Rellingen was sold from the direct ownership of Fair Value REIT-AG. Furthermore a retail property in Frechen from the investment portfolio was sold during the past financial year, but for which the closing will occur only in 2012, was reclassified as "non-current assets available for sale".

The entire real estate portfolio is encumbered with mortgages as collateral for liabilities to banks. The properties of the BBV 03 in the total amount of € 6,100,000 (2010: € 6,760,000) are unmortgaged. There are pre-emptive rights for the user or leaseholder of a hotel in Hanover and a retail property in Ahaus. There are no other material restrictions on the sale of properties or contractual agreements to improve properties. The order commitment for repair and maintenance commissioned totals € 276,000 (2010: € 144,000).

There are obligations from a long-term leasehold agreement (residual period of 28 years) which lead to future annual leasehold payments of € 4,000. The agreements include index clauses.

CBRE GmbH, Berlin ascertained the properties' fair value using the DCF method on a property-by-property basis. The cash flows for a ten year period are forecast in detail; sustained rental income is assumed for the period thereafter. The value of this capital is identified based on property related capitalization rates of between 6.8% and 7.2% (2010: 6.0% to 8.4%) and taking into account estimated selling costs incurred after ten years. The surplus income for the ten-year period and the capital value resulting after this period has expired are discounted to the valuation date using discount rates of between 6.3% and 6.7% (2010: 6.5% to 8.9%) depending on the specific property, less the estimated incidental acquisition costs for a potential purchaser.

The resulting write-downs (valuation losses) for the properties were due in particular to the adjustment to the capitalisation and discount rates and the reversal of the advantage from some of the existing rental agreements that were concluded with rent above the current market level (over-rents). Of the 41 properties with unchanged or increased valuations, the property in Neubrandenburg (IC 13) has an unchanged value. Of the 40 properties that have increased in value, 31 of these are held directly (Sparkasse portfolio). Due to the annual adjustment of the rent in line with changes in the consumer price index, rents had risen by the end of 2011 by approximately 2.4% compared to the end of the previous year, which is the main reason for the increased market values in otherwise unchanged conditions. Valuations also increased for 9 properties held by subsidiaries.

The minimum rental income that can be generated from investment properties in future until the earliest possible date that the rental agreements can be terminated is as follows:

Rental income in future

in € thousand	12/31/2011	12/31/2010
Within one year	10,252	10,128
Between one to five years	27,963	27,446
After more than five years	26,702	23,908
Total of future rental income	**64,917**	**61,482**

This does not include rent increases from index adjustments agreed upon in the rental agreements.

There were contingent rental payments in fiscal year 2011 totalling € 336,000 (2010: € 265,000) from the rental of a hotel property. This relates to the revenue-related portion of the rent, which exceeds the minimum rent. There were no major index-related rent adjustments.

(7) Equity-accounted Participations

Development of equity-accounted participations

in € thousand	IC 10	IC 12	IC 15	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Proportionate equity								
Balance as of January 1, 2010	**(69)**	**2,445**	**6,329**	**186**	**11,570**	**17,283**	**15,754**	**53,498**
Additions (= acquisition costs)	—	—	—	—	13	—	—	13
Income from beneficial acquisition of participation	—	—	—	—	10	—	—	10
Withdrawals	—	(1)	(290)	—	(642)	(1,823)	(2)	(2,758)
Proportionate earnings	26	69	1,162	31	1,207	(329)	1,394	3,560
Profit from cash flow hedge	—	—	—	—	—	57	—	57
Disposals	43	—	—	—	—	—	—	43
Balance as of December 31, 2010	—	**2,513**	**7,201**	**217**	**12,158**	**15,188**	**17,146**	**54,423**
Additions (= acquisition costs)	—	—	—	—	3	15	2	20
Income from beneficial acquisition of participation	—	—	—	—	—	—	—	—
Withdrawals	—	(43)	(219)	—	(516)	(549)	(1)	(1,328)
Proportionate earnings	—	(114)	558	(145)	1,219	(89)	1,379	2,808
Profit from cash flow hedge	—	—	—	—	—	247	—	247
Disposals	—	—	—	—	—	—	—	—
Balance as of December 31, 2011	—	**2,356**	**7,540**	**72**	**12,864**	**14,812**	**18,526**	**56,170**
Value adjustment								
Balance as of January 1, 2010	69	(196)	(704)	(77)	(1,180)	(1,844)	(2,124)	(6,056)
Change	(26)	18	54	(19)	111	59	30	227
Reclassification (status change)	(43)	—	—	—	—	—	—	(43)
Balance as of December 31, 2010	—	**(178)**	**(650)**	**(96)**	**(1,069)**	**(1,785)**	**(2,094)**	**(5,872)**
Change	—	3	107	32	10	—	299	451
Disposals	—	—	—	—	—	(1)	—	(1)
Balance as of December 31, 2011	—	**(175)**	**(543)**	**(64)**	**(1,059)**	**(1,786)**	**(1,795)**	**(5,422)**
Carrying amounts								
Balance as of January 1, 2010	—	2,249	5,625	109	10,390	15,439	13,630	47,442
Balance as of December 31, 2010	—	2,335	6,551	121	11,089	13,403	15,052	48,551
Balance as of December 31, 2011	—	**2,181**	**6,997**	**8**	**11,805**	**13,026**	**16,731**	**50,748**

The earnings from associated companies carried in the income statement are broken down as follows:

Income from equity-accounted participations in € thousand	**2011**	**2010**
Ongoing earnings		
Proportionate valuation result	(2,495)	(1,482)
Other ongoing earnings	5,303	5,042
Proportionate earnings	**2,808**	**3,560**
Income from beneficial acquisition of participation	–	10
Resolution of (addition to) value adjustment	451	227
Income from disposal of participations (IC 10)	(1)	76
Total income from equity-accounted participations	**3,258**	**3,873**

The fact that the company's market capitalization on December 31, 2011 was lower than its net asset value gave rise to impairment testing for the carrying amounts of the interests in associated companies. This showed that the value in use of the participating interests was lower than the proportionate equity of the associated companies. This difference in value is due to the fact that non-property related costs are incurred in the funds (fund management, trustee fees, audit and consulting costs, management and liability payments, annual report, etc.), which are not taken into account in the properties' valuation, however which have to be covered from income from the properties and which reduce the funds' results. In the calculations, it is assumed that the holding period for the properties is not longer than ten years (from the balance sheet date) and that the non property related costs will not be incurred for longer than ten years. The discount rates were identified fund-by-fund, based on the interest rates used in the pro0perty valuations dated December 31, 2011. These totalled between 6.66% and 7.80%.

Total cumulative value adjustments of € 450,000 were released to the income statement. This mainly resulted from the increase in the market value of investment properties at associated companies on the balance sheet date. Compared to the five-year estimates, a reduced need for releases totalling € 221 thousand is calculated based on a 10-year real estate holding period by the fund. For a holding period of 10 years, value adjustments of € 229 thousand were to be released to the income statement.

The interests in equity-accounted participations pledged as collateral for a bank loan valued at € 6,087,000 on December 31, 2011 (2010: € 6,875,000).

The following tables provide additional financial information about the equity-accounted associated companies. The statements are based on the Group's proportional holding in the respective company rather than on a 100% holding. The proportionate share of the assets and liabilities of these companies on December 31, 2011, and December 31, 2010, is as follows:

Proportionate share of assets and liabilities of "at equity" accounted associated companies 2011

in € thousand	IC 12	IC 15 (consolidated)	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Fair Value REIT-AG's share	40.34%	38.94%	41.05%	25.17%	38.43%	45.12%	
Investment property	**2,948**	**14,252**	**567**	**30,127**	**41,492**	**38,488**	**127,874**
Trade receivables	52	90	16	20	129	248	555
Other receivables and assets	4	279	12	124	27	8	454
Cash and cash equivalents	279	1,463	71	2,228	978	1,750	6,769
Provisions	(4)	(7)	(3)	(9)	(12)	(14)	(49)
Financial liabilities	**(887)**	**(8,302)**	**(505)**	**(17,724)**	**(26,329)**	**(21,363)**	**(75,110)**
Derivative financial instruments	—	—	—	(1,751)	(1,231)	(219)	(3,201)
Trade payables	(23)	(18)	(76)	(31)	(154)	(116)	(418)
Other liabilities	(13)	(217)	(10)	(120)	(88)	(256)	(704)
Net assets as of December 31, 2011	**2,356**	**7,540**	**72**	**12,864**	**14,812**	**18,526**	**56,170**

Overview of maturities of financial liabilities 2011

Long term	(860)	(1,187)	(484)	(17,070)	(25,271)	(20,863)	(65,735)
Short term	(27)	(7,115)	(21)	(654)	(1,058)	(500)	(9,375)
Financial Liabilities Total	**(887)**	**(8,302)**	**(505)**	**(17,724)**	**(26,329)**	**(21,363)**	**(75,110)**

Proportionate share of assets and liabilities of "at equity" accounted associated companies 2010

in € thousand	IC 12	IC 15 (consolidated)	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Fair Value REIT-AG's share	40.27 %	38.89 %	40.45 %	25.16 %	38.37 %	45.11 %	
Investment property	**2,932**	**14,242**	**663**	**30,886**	**43,072**	**38,244**	**130,039**
Trade receivables	28	26	16	16	130	227	443
Other receivables and assets	1	339	12	180	10	504	1,046
Cash and cash equivalents	509	1,477	66	1,904	1,156	917	6,029
Provisions	(6)	(11)	(3)	(5)	(10)	(18)	(53)
Financial liabilities	**(912)**	**(8,618)**	**(521)**	**(18,372)**	**(27,335)**	**(22,430)**	**(78,188)**
Derivative financial instruments	—	—	—	(2,261)	(1,541)	—	(3,802)
Trade payables	(25)	(47)	(6)	(49)	(195)	(182)	(504)
Other liabilities	(14)	(207)	(10)	(141)	(99)	(116)	(587)
Net assets as of December 31, 2010	**2,513**	**7,201**	**217**	**12,158**	**15,188**	**17,146**	**54,423**

Overview of maturities of financial liabilities 2010

Long term	(886)	(8,280)	(498)	(17,718)	(26,314)	(21,617)	(75,313)
Short term	(26)	(338)	(23)	(654)	(1,021)	(813)	(2,875)
Financial Liabilities Total	**(912)**	**(8,618)**	**(521)**	**(18,372)**	**(27,335)**	**(22,430)**	**(78,188)**

The income situation for the equity-accounted participations for the period under review was as follows:

Proportionate income situation for the "at equity" accounted associated companies 2011

in € thousand	IC 12	IC 15 (consolidated)	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Fair Value REIT-AG's share	40.34%	38.94%	41.05%	25.17%	38.43%	45.12%	
Rental income	181	1,158	89	2,987	3,786	2,842	11,043
Income from operating and incidental costs	113	109	11	61	267	717	1,278
Real estate-related operating expenses	(168)	(255)	(101)	(238)	(845)	(1,063)	(2,670)
Net rental income	**126**	**1,012**	**(1)**	**2,810**	**3,208**	**2,496**	**9,651**
General administrative expenses	(15)	(52)	(16)	(127)	(172)	(215)	(597)
Other operating expenses and income (balance)	8	12	5	3	32	(157)	(97)
Valuation result	(190)	(12)	(107)	(774)	(1,647)	235	(2,495)
Operating result	**(71)**	**960**	**(119)**	**1,912**	**1,421**	**2,359**	**6,462**
Net interest expense	(42)	(401)	(26)	(694)	(1,518)	(986)	(3,667)
Economic result 2011	**(113)**	**559**	**(145)**	**1,218**	**(97)**	**1,373**	**2,795**

Proportionate income situation for the "at equity" accounted associated companies 2010

in € thousand	IC 12	IC 15 (consolidated)	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Fair Value REIT-AG's share	40.27%	38.89%	40.45%	25.16%	38.37%	45.11%	
Rental income	203	1,160	87	2,985	3,913	2,722	11,208
Income from operating and incidental costs	113	128	11	68	327	671	1,376
Real estate-related operating expense	(159)	(259)	(25)	(278)	(933)	(1,056)	(2,777)
Net rental income	**157**	**1,029**	**73**	**2,775**	**3,307**	**2,337**	**9,807**
General administrative expenses	(15)	(52)	(10)	(96)	(163)	(238)	(579)
Other operating expenses and income (balance)	(5)	17	(1)	(3)	(1)	42	48
Valuation result	(24)	584	(4)	(513)	(1,913)	388	(1,482)
Operating result	**113**	**1,578**	**58**	**2,163**	**1,230**	**2,529**	**7,794**
Net interest expense	(44)	(416)	(27)	(956)	(1,559)	(1,135)	(4,234)
Economic result 2010	**69**	**1,162**	**31**	**1,207**	**(329)**	**1,394**	**3,560**

(8) Other Assets (non-current)

in € thousand	12/31/2011	12/31/2010
Financial assets		
Deposited collateral	—	250
Non-financial assets		
Over coverage pension plan	17	19
Total other assets (non-current)	**17**	**269**

Fair Value took over an existing pension commitment by IC Fonds GmbH in favour of Mr. Frank Schaich by way of an agreement dated July 10, 2008. Details are included in Note 32. This results in a defined benefit commitment of the company in terms of IAS 19. A re-insurance policy has been concluded for this commitment. This has been pledged to the beneficiary and is thus to be netted with the present value of the obligation (DBO) as plan assets. Resulting actuarial profits or losses are recorded in relation to the income statement.

The pension commitment and the plan assets have developed as follows:

Pension commitment and plan assets

in € thousand	2011	2010	2009
Present value of the obligation			
Balance – start of year	**61**	**52**	**47**
Transfer	—	—	—
Past service cost	3	3	2
Interest expense	3	3	3
Actuarial losses/(gains)	3	3	—
Balance – end of year	**70**	**61**	**52**
Fair value of plan assets			
Balance – start of year	**80**	**73**	**66**
Transfer	—	—	—
Payments by employer	5	5	5
Expected income from plan assets	2	2	2
Actuarial gains/(losses)	—	—	—
Balance – end of year	**87**	**80**	**73**
Over coverage pension plan	**17**	**19**	**21**

For 2011, employer payments of € 5,200 to the pension plan are expected.

The pension expenses (income) carried in the income statement are broken down as follows:

Pension expenses (income)

in € thousand	2011	2010
Past service cost		
Carried under adminstrative expenses	3	3
Actuarial losses		
Carried under adminstrative expenses	3	3
Interest expense	3	3
Anticipated income for plan assets	(2)	(2)
Carried under financial result	1	1
Total pension expenses	**7**	**7**

The actual returns from the pension plan assets are identical to the expected returns.

The following actuarial assumptions have been made:

Actuarial assumptions

in %	2011	2010
Discount rate	5.0	5.5
Anticipated income for plan assets	2.5	2.5

The Group paid contributions totalling € 12,000 (2010: € 17,000) to the statutory pension fund during the year under review. Further defined contribution plans in the Group total € 8,000.

(9) Non-current Assets Available for Sale

in € thousand	12/31/2011	12/31/2010
Retail property Essen-Heidhausen (“IC 01”)	–	2,500
Retail property Frechen, Hubert-Prott-Str. 115 (“BBV 06”)	1,100	–
Total non-current assets available for sale	**1,100**	**2,500**

The leasehold retail property in Frechen was sold by notized contract of sale on November 17, 2011 at a purchase price of € 1,100,000. The ownership together with all benefits and risks was transferred to the purchaser with the payment of the purchase price on February 20, 2012.

(10) Trade Receivables

in € thousand	12/31/2011	12/31/2010
Rent receivables including settlement of incidental costs		
Undue	634	888
Overdue and not value adjusted		
Due since up to 30 days	286	139
Due since 30 to 90 days	54	136
Due since 30 to	157	55
Due since more than 360 days	153	73
Value-adjusted receivables	206	245
Total rent receivables	**1,490**	**1,536**
Value adjustments	(206)	(245)
Total trade receivables	**1,284**	**1,291**

The individual write-downs exclusively relate to overdue items. These changed as follows:

Development of individual write-downs

in € thousand	2011	2010
Balance – start of year	**245**	**217**
Allocation	73	82
Drawdown	(89)	(35)
Release	(23)	(19)
Scope of consolidation change	–	–
Balance – end of year	**206**	**245**

Write-downs are formed for disputed settlements for incidental costs and outstanding rent if these exceed the collateral provided.

Rent receivables totalling € 817,000 (2010: € 986,000) have been pledged as collateral for bank loans.

(11) Income Tax Receivables

This relates to repayable withholding tax paid on interest income.

(12) Other Receivables and Assets

in € thousand	12/31/2011	12/31/2010
Financial assets		
Accrued interest	12	1
Estimated receivables from a percentage lease ("BBV06")	327	–
Deposits	250	–
Compensation payment for premature lease termination IC13	–	2,000
Various companies in the IC Group	–	107
Others	15	33
Total financial assets	**604**	**2,141**
Non-financial assets		
Accrued interest	98	163
Different accruals	336	342
Value added tax	82	–
Total non-financial assets	**516**	**505**
Total other receivables and assets	**1,120**	**2,646**

Other receivables and asset values are due short-term and can be collected at any time. No write-downs were needed.

The cash deposited at the bank is tied to a warranty obligation applicable until April 26, 2012, made by the subsidiary BBV 03 to the purchaser of the Tübingen property sold in April 2007.

(13) Cash and Cash Equivalents

In the case of the subsidiary company BBV 06 a current account credit has been pledged to the lending bank. The credit amounts to € 1,746,000 (2010: € 3,130,000) on the balance sheet date. All the fund's current liabilities were settled via this account. Major renovations and similar expenditure are agreed with the bank in advance.

All further cash and cash equivalents include solely bank balances and fixed term deposits designed to be held for no more than three months.

(14) Equity

Subscribed capital Subscribed capital comprises 9,406,882 no-par value bearer shares, unchanged year-on-year. All shares have been issued and fully paid in. On December 31, 2011, 9,325,572 (2010: 9,325,572 shares) of the issued shares were in circulation. Each share has a theoretical share of € 5.00 in the subscribed capital. Shareholders are entitled to any dividends resolved, and have one vote per share in the General Meeting.

Capital reserve The capital reserve includes premiums from the capital increases in 2007, less capital procurement costs.

Reserve for changes in value The reserve for changes in value includes changes in the value of interest rate hedges directly to equity if these fulfil the conditions for hedge accounting. Minority interests are deducted. In addition, this reserve includes the effect from changes in equity-accounted participations to the extent that these result from cash flow hedges from associated companies.

Loss carried forward (Negative) results accrued within the Group are reported in the Loss carried forward.

Treasury stock By resolution of the Annual General Meeting dated May 29, 2009, the Management Board is entitled to purchase own shares to the amount of up to 10% of the share capital until May 28, 2014. Within this authorisation, the Company has purchased 81,310 shares over the previous years. Fair Value REIT-AG continued to hold approximately 0.86% of the share capital as at December 31, 2011.

Authorized capital According to Article 5 (5) of the Articles of Incorporation, the Management Board is authorized, with the permission of the Supervisory Board, to increase the share capital by € 21,250,000 against cash or non-cash contributions by September 9, 2012.

(15) Minority Interests

Development of minority interests

in € thousand	IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	Total
Balance as of January 1, 2010	1,169	1,098	1,508	368	4,246	6,907	15,296
Gains from cash flow hedges	–	–	–	–	–	76	76
Proportionate earnings – expense/(income)	(208)	(391)	101	187	157	(101)	(255)
Disbursements	–	–	(1)	(2)	(465)	(1)	(469)
Reclassifications (compensation)	(19)	–	(87)	–	(5)	(43)	(154)
Balance as of December 31, 2010	**942**	**707**	**1,521**	**553**	**3,933**	**6,838**	**14,494**
Gains from cash flow hedges	–	–	–	–	–	143	143
Proportionate earnings – expense/(income)	(25)	71	61	312	(105)	576	890
Disbursements	(502)	–	(1)	(4)	(144)	(3)	(652)
Reclassifications (compensation)	–	–	–	–	(27)	(112)	(139)
Balance as of December 31, 2011	**415**	**778**	**1,581**	**861**	**3,657**	**7,444**	**14,736**

(16) Financial Liabilities

in € thousand	12/31/2011	12/31/2010
Non-current liabilities		
Variable-interest bank borrowing	42,330	61,305
Fixed-interest bank borrowing	10,480	26,251
Total non-current liabilities	**52,810**	**87,556**
Current liabilities		
Variable-interest bank borrowing	37,065	8,698
Fixed-interest bank borrowing	1,152	2,849
Total current liabilities	**38,217**	**11,547**
Total financial liabilities	**91,027**	**99,103**

The bank loans bearing variable interest are based on EURIBOR plus a margin. These are hedged in the amount of € 40,407,000 (2010: € 41,415,000) with the result that all of the loans have fixed interest rates in economic terms. The interest rates for the non-hedged variable-interest bank loans were 4.2% on average (2010: 3.5%) p.a. The weighted average interest rate for the fixed-interest bank loans (including the hedged variable-interest loans) totalled 5.5% as of December 31, 2011 (2010: 4.8%) p.a.

The loans are collateralized to a sum of € 91,620,000 with mortgages, additional partially from the transfer of receivables from lease agreements. One loan, amounting to € 6,087,000 (2010: € 6,875,000) is collateralized by way of a pledge of the interests Fair Value REIT-AG holds in the IC/BBV real estate funds.

Current liabilities to banks also include the amounts from non-current loans that are due within one year. Non-current liabilities to banks have the following remaining terms:

Remaining terms of non-current liabilities in € thousand	12/31/2011	12/31/2010
Between 1 and 2 years	2,468	32,309
Between 2 and 5 years	24,119	6,506
More than 5 years	26,223	48,741
Total non-current liabilities	**52,810**	**87,556**

With regard to liabilities to banks, unscheduled payments amounting to € 1,693,000 (IC 13), € 235,000 (IC 01) and € 525,000 (Fair Value) have been made.

The liabilities to banks have the following fixed interest terms. After these periods have expired the interest must be re-negotiated if the loan has not been repaid:

Fixed interest periods

in € thousand	Loans	Effects of interest rate swap	**Including interest rate swap**	Loans	Effects of interest rate swap	**Including interest rate swap**
			12/31/2011			**12/31/2011**
6 months or less	86,351	(39,987)	46,364	71,612	(41,014)	30,598
6 to 12 months	443	9,744	10,187	21,320	399	21,719
1 to 5 years	4,233	4,020	8,253	6,171	12,925	19,096
More than 5 years	–	26,223	26,223	–	27,690	27,690
Total liabilities to banks	**91,027**	**–**	**91,027**	**99,103**	**–**	**99,103**

Covenants are to be adhered to with respect to two loans from the Westdeutsche Immobilien Bank AG. In the case of a loan of € 6,087,000 (2010: € 6,875,000) for financing the interests in participations, the capital at risk is permitted to equate to a maximum of 20% of the share in the total net asset value (NAV) of the pledged fund units. Furthermore, any future distribution from the pledged fund units based on the capital at risk must allow a debt service capability of 18% on an annual basis. The convenants for this loan was adhered to on the balance sheet date.

In the case of a loan of € 31,083,000 (2010: € 32,270,000) for financing the Sparkasse portfolio, a so called LTV-test must be made every second year from December 2009. Pursuant to this, the loan value may not exceed more than 75% of the market value of the property. Furthermore, the future net rental income must cover the debt service requirements by 110% ("debt service coverage ratio" – DSCR). If this level is not met, a pledged fixed deposit account must be established to cover the difference or a suitably large repayment must be made.

As of January 31, 2012, the DSCR limit was slightly undercut at around 109%. The financing bank is for now foregoing sanctions and expects that the agreed ratio will be adhered to by April 30, 2012 thanks to the conclusion of new lease agreements. The Management Board assumes that it will be in a position to fulfil this expectation. The review of the LTV ratio by experts from the bank has not yet been completed. The Management Board anticipates that the maximum LTV ratio of 75% will be adhered to; a LTV ratio of 68% was determined by company experts in relation to the market valuation.

There are no other agreements in place with regard to adherence to covenants.

(17) Derivative Financial Instruments

This relates primarily to interest rate transactions (interest rate swaps and CAPs). The market values developed as follows:

Market value of derivative financial instruments

in € thousand	With hedge accounting	Without hedge accounting	Total
Balance as of January 1, 2010	**4,738**	**289**	**5,027**
Additions affecting income	–	(113)	(113)
Transfer at the expense of other result	267	–	267
Balance as of December 31, 2010	**5,005**	**176**	**5,181**
Additions affecting income/(reversal)	–	(140)	(140)
Transfer at the expense of other result	852	–	852
Balance as of December 31, 2011	**5,857**	**36**	**5,893**

An interest rate hedge was concluded in connection with a variable-interest loan agreed during 2008 with the same bank in the amount of € 33,690,000. The transaction runs until June 29, 2018, as does the loan. The Group pays fixed interest of 4.94% of the respective amount at the start of the quarter, and receives a variable interest rate equivalent to the three-month EURIBOR set at the start of the quarter from the bank for the same amount. This totalled € 31,470,000 as of December 31, 2011. The interest rate swap fulfils the conditions for hedge accounting.

The changes in value are taken within the frame of the ordinary results to equity and are booked under the reserve for changes in value.

There are also two other interest rate hedges with a term through to July 2, 2012. The Group pays fixed interest of 5.03% or 4.81% p.a. of the respective amount at the start of each quarter and receives a variable interest rate equivalent to the three-month EURIBOR set at the start of the quarter from the bank on the same amount. The two underlying amounts together totalled € 10,845,000 as of December 31, 2011 (2010: € 11,268,000). There is a hedging relationship between two sub-components of the two interest rate swaps amounting to € 9,145,000 involving two variable interest rate loans. Where this hedging relationship exists, the change in value of the interest rate swap is booked (as not affecting net income) to the reserve for changes in value designated separately in the equity capital and is otherwise booked (as affecting net income) to the interest expenses.

For the derivatives without a hedging relationship on the balance sheet, the negative market value of € 0 (2010: € 61,000) for a variable interest cap agreement is also included. The Group therefore limits the risk of EURIBOR exceeding 5.25% for the part of a loan subject to a EURIBOR-related one-month variable interest rate. The underlying sum is € 15,000,000. The annual premium for this transaction until its term expires on June 29, 2012 is € 62,000.

In addition, the previous financial year concluded a socalled "forward cap" with a term running from July 2, 2012 to December 31, 2014. The risk should therefore be covered by part of a EURIBOR-related three-month variable interest rate loan if the EURIBOR exceeds 3.5%.

(18) Other Liabilities

in € thousand	12/31/2011	12/31/2010
Non-current		
Financial liabilities		
Exited minority interests	35	46
Amortisation of tenant incentives	31	—
Total non-current liabilities	**66**	**46**
Current		
Financial liabilities		
Exited minority interests	261	334
Interest payable	290	406
Supervisory Board remuneration	15	32
Deposits received	120	54
Various companies in the IC Group	—	6
Other	138	84
Non-financial liabilities		
Tax liabilities (value added tax)	41	236
Deferred income	66	105
Total current liabilities	**931**	**1,257**
Total other liabilities	**997**	**1,303**

The liabilities to exiting minority shareholders of subsidiaries are mostly compensation commitments as a result of the participating interest being terminated. In some cases, the Group is authorized to pay the balance from the dispute in three annual instalments, with the respective outstanding amount bearing 4% annual interest.

(19) Provisions

in € thousand	Personnel	Audit/ consulting costs	Total
Balance as of January 1, 2011	**24**	**217**	**241**
Additions	31	213	244
Availment	(25)	(190)	(215)
Reversal	—	(20)	(20)
Balance as of December 31, 2011	**30**	**220**	**250**

(20) Contingent Liabilities and Pending Litigation

Since the sale of the office property Airport Office II, Duesseldorf, in December 2008, a guarantee exists with a limited term of five years for one rental agreement (expiry December 4, 2013), which is limited to € 42,000.

In addition, as part of this sale the company has assumed warranty obligations with regard to the ability to oncharge incidental costs. The guarantee lapses five years after the contract is concluded (expiry December 2013). The cost volume is estimated at € 10,000.

The company made a pledge to the purchaser of the Airport Office II property that it would use legal proceedings to make pecuniary claims against the general contractor of the property. As no out of court settlement has been reached, the company filed a claim at the Duesseldorf district court on June 13, 2009. The risk to the company is restricted to the costs of the first instance and is estimated to amount to € 15,000. There is no other pending litigation.

For associated companies, the Group is liable from the revival of liability as a limited partner within the meaning of Section 172 (4) of the HGB in the amount of € 1,169,000 (2010: T€ 1,615,000).

(21) Leases

There are no finance leases. All rental agreements that the Group has concluded with tenants are classified as operating leases under IAS 17. The future minimum lease payments are shown in Note No. 6.

The office space in Munich and two cars have been leased, leading to expenses of € 47,000 (2010: € 53,000). The minimum leasing payments payable until the time of the first possible termination are:

Minimum leasing payments

in € thousand	12/31/2011	12/31/2010
Within 1 year	16	18
Between 1 to five 5	—	7
After more than 5 years	—	—
Total minimum leasing payments	**16**	**25**

Notes to the Income Statement

(22) Net Rental Result

Classification of net rental result

in € thousand	2011 Investment properties	2011 Non-current assets available-for sale	2011 Total	2010 Investment properties	2010 Non-current assets available-for sale	2010 Total
Rental income	10,672	135	10,807	11,577	504	12,081
Income from operating and incidental costs	2,541	11	2,552	2,305	58	2,363
Leasehold payments	(25)	–	(25)	(31)	(80)	(111)
Real estate-related operating expenses						
Real estate that generated income	(4,527)	(53)	(4,580)	(4,558)	(240)	(4,798)
Real estate that not generated income	–	–	–	–	–	–
Total net rental result	**8,661**	**93**	**8,754**	**9,293**	**242**	**9,535**

(23) General Administrative Expenses

in € thousand	2011	2010
Personnel expenses	451	398
Office costs	51	49
Travel and vehicle expenses	39	53
Accounting	146	149
Stock market listing, general meeting and events	210	168
Valuations	113	132
Legal and consulting costs	103	143
Audit expenses	142	166
Remuneration (Supervisory and Advisory Boards, General Partner)	85	96
Fund management fees	435	465
Provision reversal of asset-management fee	113	110
Trustee fees	22	10
Other	190	134
Non-deductible VAT	210	179
Total general administrative expenses	**2,310**	**2,252**

(24) Other Operating Income and Expenses (Balance)

in € thousand	2011	2010
Income		
Various	99	68
Total income	**99**	**68**
Expenses		
(Additions to)/reversal of individual write-downs for receivables	(50)	(28)
Write-off other receivables	(3)	(101)
Expenses due to exiting shareholders	–	(3)
Reimbursable costs	(41)	–
Other	(36)	(5)
Total expenses	**(130)**	**(137)**
Total other operating income and expenses (balance)	**(31)**	**(69)**

(25) Earnings from the Sale of Investment Properties

in € thousand	2011	2010
Net income from the sale of investment properties (purchase prices)	3,175	8,508
Expenses in connection with the sale of investment properties		
Carrying amounts	(3,058)	(8,237)
Purchase costs	(92)	(380)
Total expenses in connection with the sale of investment properties	**(3,150)**	**(8,617)**
Earnings from the sale of investment properties	**25**	**(109)**

This relates to two properties in Essen and Rellingen sold during the fiscal year. In 2010 four properties werde sold (Aachen, Hamm, Passau and Seligenstadt).

(26) Valuation Result

in € thousand	2011	2010
Valuation gains	**2,357**	**616**
Valuation losses	(2,047)	(7,354)
Compensation payment ABB Grundbesitz GmbH	–	2,500
Valuation losses after netting	**(2,047)**	**(4,854)**
Total valuation result	**310**	**(4,238)**

The valuation result of € –80,000 for 2011 (2010: € 200,000) concerns properties listed on the balance sheet date as non-current assets available for sale.

The valuation losses in 2010 include a reduction in value of the property in Langenfeld of € 3,110,000, resulting from the premature termination of the lease agreement with the general tenant ABB Grundbesitz GmbH. As there is a direct link, the agreed compensation payment of € 2,500,000 has been reconciled in the valuation result.

(27) Interest Expenses

in € thousand	2011	2010
Interests for loans and swaps	4,573	4,774
Changes in value of derivative financial instruments (as far as affecting net income)	(140)	(113)
Other	188	207
Total interest expenses	**4,621**	**4,868**

(28) Additional Information Regarding the Consolidated Income Statement

Personnel expenses

in € thousand	2011	2010
Salaries	401	375
Social security contributions	50	23
Total personnel expenses	**451**	**398**
thereof expenses for pension scheme	21	11

On average during the year, there were three employees including the Management Board (2010: three). As of December 31, 2011, the company had a total of four employees including the Management Board.

Auditor's fees and services Fees were recorded as expenses for the following services by the auditor, BDO AG, Wirtschaftsprüfungsgesellschaft, for the consolidated financial statements:

in € thousand	2011	2010
Audits of the financial statements	142	166
Other services	12	7
Total auditor's fees and services	**154**	**173**

The audit fees include fees for the consolidated financial statements as well as the single-entity financial statements of Fair Value REIT-AG and the subsidiaries included in the consolidated financial statements. Other services are consulting services.

(29) Earnings per Share

Basic earnings per share are calculated as follows:

		2011	2010
Consolidated earnings	in € thousand	4,594	2,232
Divided by: Weighted average ordinary shares	in pieces	9,325,572	9,326,591
Earnings per share (basic/diluted)	in €	**0.49**	**0.24**

Earnings per share are given by dividing the annual profit by the average number of shares in circulation. There are no dilutive effects.

Other Notes

(30) Financial Instruments and Financial Risk Management

Financial instruments According to IAS 39, all financial assets and financial liabilities are to be classified in categories. The accounting is determined based on this classification. The following categories are used in the Fair Value Group:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and result from the Group directly providing money on a contractual basis or services directly to a debtor.

Financial assets available for sale are non-derivative financial assets that are not allocated to any other category.

Liabilities at amortized cost are all financial liabilities that are carried at their fair value less transaction costs when they are first recognized. As a rule they are measured at amortized cost in the following periods; differences between the payment amount and the repayment amount are distributed over the duration of the fixed-interest period using the effective interest method.

Financial liabilities at fair value affecting profit and loss are exclusively derivatives with a negative market value that are not mapped in hedge accounting.

Fair values The fair values of all financial instruments compared to their carrying amounts are as follows:

Fair values of financial instruments

in € thousand	12/31/2011 Carrying amounts	12/31/2011 Fair values	12/31/2010 Carrying amounts	12/31/2010 Fair values
Assets				
Loans and receivables				
Non-current assets	—	—	250	250
Trade accounts receivable	1,284	1,284	1,291	1,291
Other receivables	1,212	1,212	2,141	2,141
Cash and cash equivalents	7,725	7,725	11,975	11,975
Total assets	**10,221**	**10,221**	**15,657**	**15,657**
Equity and liabilities				
Liabilities measured at amortized cost				
Minority interests	14,736	14,903	14,494	14,667
Financial liabilities	91,027	91,454	99,103	99,596
Trade payables	1,007	1,007	1,083	1,083
Other liabilities	931	931	962	962
Liabilities recognized at fair value through profit and loss				
Derivatives without hedge accounting	36	36	176	176
Liabilities that do not belong to the valuation categories of IAS 39				
Derivatives with hedge accounting	5,857	5,857	5,005	5,005
Total equity and liabilities	**113,594**	**114,188**	**120,823**	**121,489**

Cash and cash equivalents, trade receivables and other receivables and liabilities mostly have short terms, with the result that the carrying amounts equal the fair values. The fair values of the financial liabilities are identified as the present values of the cash Flows associated with the liabilities based on the interest yield curve on the balance sheet date.

Net gains or losses from financial instruments These are as follows:

in € thousand	2011	2010
Loans and receivables		
Other operating income	51	24
Other operating expenses	(73)	(132)
Loans and receivables, Total	**(22)**	**(108)**
Liabilities recognized at fair value through profit and loss liabilities		
Interest rate swaps without hedge accounting (interest expenses)	140	113
Net gains (losses)	**118**	**5**

The net result includes all other income and expense incurred in connection with the financial instruments in the respective valuation category. This relates, in particular, to results from subsequent valuation as well as gains/losses from disposal.

Financial risk factors The Group is subject to the following financial risks as a result of its activities: Market risks (interest rate risks), credit risks and liquidity risks. There are no currency risks. The Group's risk management focuses on the risks resulting from the financial markets and aims to keep their negative impact on its financial position and results of operations as low as possible.

The Group's risk management is performed centrally at a group level based on the guidelines issued by the Management Board in close cooperation with the IC Immobilien Group's central financial department. They act as a service provider, identifying, measuring and hedging financial risks mainly for the Group's subsidiaries.

a) **Interest rate risks** The Group has demand and fixed-term deposits. The interest rates for these deposits are based on the respective interest rates on the market.

The Group's interest rate risk primarily results from financial liabilities. In the case of variable-interest liabilities and resetting the conditions for fixed interest loans after the fixed-interest period has expired, the Group is exposed to the risk of higher interest payments (cash flow risks). In some cases, interest rate hedges (interest rate swaps or interest rate caps) have been concluded to hedge these risks.

There are interest rate risks from the valuation of the interest hedges concluded. These either impact equity or income depending on whether or not the conditions for hedge accounting have been met.

If the interest rates in the period under review had been one percentage point higher or lower, the consolidated earnings and equity would have been approx. € 146,000 (2010: € 193,000) lower or higher. This effect is based on the changed interest expense for variable-interest loans, less the impact of interest rate hedges and interest on bank balances.

Fixed-interest liabilities bear the risk of an increase in fair value. This risk neither impacts the balance sheet nor the income statement, as the financial liabilities are not measured at fair value through profit and loss but at amortized cost. However, in the event of a premature repayment of the liability (e.g., if the financed property is sold), this risk becomes more important. The Group does not hedge this risk.

The Group regularly reviews the extent to which it is subject to interest rate risks. Various scenarios are calculated, in which the possibility of refinancing, extending existing financing and interest hedging are taken into account.

b) **Credit risks** Credit risks result from receivables from tenants, deferred purchase price receivables, and investing cash and cash equivalents. The Group has guidelines that rental agreements are only concluded with parties who have a 1a credit rating. Creditworthiness is monitored on an ongoing basis. The tenant structure is broad. During the 2011 fiscal year rental defaults amounted to 0.2% (2010: 0.9%) of rental income.

As a rule, the deferral of purchase price receivables is collateralized; legal ownership is only transferred upon full payment.

Derivative financial transactions and cash investments are only conducted with banks with impeccable credit ratings. The maximum credit risk for each category of financial instrument is restricted to the carrying amounts of the financial assets carried on the balance sheet.

c) **Liquidity risks**

Liquidity management The company manages its liquidity responsibly. This also includes maintaining sufficient levels of cash and cash equivalents. The company intends to be as flexible as possible when procuring liquidity. The Management Board constantly monitors liquidity and discusses this regularly with the Supervisory Board.

The following table, used by the Management Board for the purposes of liquidity management, shows the maturities of the liabilities which existed on the balance sheet date:

Maturities of liabilities

in € thousand	12/31/2011 due within 1 year	12/31/2011 due between 1 and 2 years	12/31/2011 due between 2 and 5 years	12/31/2011 due after 5 years	12/31/2010 due within 1 year	12/31/2010 due between 1 and 2 years	12/31/2010 due between 2 and 5 years	12/31/2010 due after 5 years
Minority interests	–	–	–	14,736	–	–	–	14,494
Liabilities to banks	38,217	2,468	24,119	26,223	13,989	34,675	11,765	49,929
Derivative financial instruments	1,077	877	2,631	1,308	1,678	1,118	1,492	440
Provisions	250	–	–	–	241	–	–	–
Trade payables	1,007	–	–	–	1,083	–	–	–
Other liabilities	931	66	–	–	1,257	46	–	–
Total maturities	**41,482**	**3,411**	**26,750**	**42,267**	**18,248**	**35,839**	**13,257**	**64,863**

The amounts generally involve the payments to be made including interest. All interest rate swaps are listed as derivative financial instruments.

Capital management The Group's capital management pursues several objectives: The primary objective is to maintain its financial substance, to ensure that liabilities including repayments can be serviced and to generate profits, relating to commercial law, that allow dividends to be distributed.

There were no changes in the Group's capital management approach during the period under review.

The financial position is judged by the amount of cash and cash equivalents and the equity ratio. The equity ratio shows the ratio of equity to total assets according to the consolidated balance sheet.

Consolidated equity ratio

		12/31/2011	12/31/2010
Equity	in € thousand	77,492	74,558
Total assets	in € thousand	191,382	195,963
Equity ratio	in %	**40.5**	**38.0**

Apart from the possible retention of profits in subsidiaries, the Group can control its capital structure only to a very limited extent, as 90% of Fair Value REIT-AG's net income (HGB) have to be distributed. As a result, capital increases from the issue of new shares and the sale of assets to reduce liabilities are used to improve the capital structure.

A key element of capital management is also to fulfil the REIT Act equity requirements, as this is one of the factors required for corporation and trade tax to be permanently waived for the company. According to Section 15 of the REIT Act, equity must total at least 45% of immovable assets.

REIT equity ratio

in € thousand		12/31/2011	12/31/2010
Equity (consolidated balance sheet)		77,472	74,558
Minority interests		14,736	14,494
Equity within the meaning of Section 15 of the REIT Act		**92,208**	**89,052**
Immovable assets			
Investment property		129,127	128,650
Equity-accounted investments		50,748	48,551
Non-current assets available for sale		1,100	2,500
Total immovable assets		**180,975**	**179,701**
Equity ratio within the meaning of Section 15 of the REIT Act	in %	**51.0**	**49.6**

(31) Segment Reporting

The company holds real estate directly in Fair Value REIT-AG and in its subsidiaries. The Group's organisational and management structure is in line with these two forms of participation. As a result, there are two operational areas "Direct Investments" and "Subsidiaries", whereby subsidiaries are reported individually. Alongside these, there are also minority participations in other real estate business partnerships, which cannot be assigned to one of these two segments. The Group operates exclusively in the geographic region of "Germany". The accounting and valuation methods in the reporting segments are identical to the Group's methods described in Note 2. In order to ensure clarity, the data about the segments is depicted both in a summarised form (operational area "Subsidiaries") and on the level of the individual fund.

Segment revenues (rental income including income from operating and incidental costs) and segment results are as follows:

Segment revenues and results

	2011		2010	
in € thousand	Segment revenues	Segment results	Segment revenues	Segment results
Direct investments	4,014	3,925	3,862	2,726
Subsidiaries	9,345	4,302	10,582	1,362
Total segment revenues and results, total	**13,359**	**8,227**	**14,444**	**4,088**
Earnings from equity-accounted participations		3,258		3,873
Central administrative expenses and other		(1,479)		(1,221)
Net interest expenses		(4,522)		(4,765)
Minority interest in the result		(890)		255
Profit tax		–		2
Net income		**4,594**		**2,232**

Segment revenues stem exclusively from third-party tenants. There were no intra-segment revenues.

Rental revenue of more than 10% of total revenues was generated with each of the following tenants:

Rental revenue with main tenants

in € thousand	2011	2010
Main tenant 1 (Direct investments segment)	4,014	3,460
Main tenant 2 (Subsidiaries segment)	2,020	2,002
Main tenant 3 (Subsidiaries segment)	–	1,495
Other each under 10 %	7,325	7,487
Total rental revenue	**13,359**	**14,444**

The segment revenues are broken down as follows according to the properties' main type of use:

Revenues broken down by type of use

in € thousand	2011 Direct investments	2011 Subsidiaries	2010 Direct investments	2010 Subsidiaries
Office	4,014	2,989	3,862	3,763
Retail	—	4,852	—	3,305
Others	—	1.504	—	3,514
Total revenues	**4,014**	**9,345**	**3,862**	**10,582**

Segment earnings in both segments are calculated before taking into account central administrative costs, income from equity-accounted investments, the net interest expense and the minority interest in the result. This figure is reported to the Group's key decision maker with regard to decisions on the allocation of resources to one segment and the assessment of its earnings strength.

Segment results include the following results from the valuation of investment properties and from their sale:

Results from the valuation and from sale of investment properties

in € thousand	2011 Direct investments	2011 Subsidiaries	2010 Direct investments	2010 Subsidiaries
Valuation gains	1,178	1,179	186	430
Valuation losses	(292)	(1,755)	(296)	(4,558)
Capital gains (losses)	99	(74)	—	(109)
Total	**985**	**(650)**	**(110)**	**(4,237)**

The following table shows the income statement for the segments in a less aggregated form. The subsidiaries segment is sub-divided into individual companies (funds).

Income statement by segments 2011

in thousand €	Direct investments FV AG	Subsidiaries IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	**Total**	Recon-ciliation	**Group**
Rental income	3,228	131	548	446	1,690	661	4,103	7,579	—	10,807
Income from operating and incidental costs	786	41	182	317	536	113	577	1,766	—	2,552
Segment revenue	**4,014**	**172**	**730**	**763**	**2,226**	**774**	**4,680**	**9,345**	**—**	**13,359**
Leasehold payments	—	—	—	—	—	—	(25)	(25)	—	(25)
Real estate-related operating expenses	(842)	(32)	(495)	(383)	(921)	(204)	(1,703)	(3,738)	—	(4,580)
Adminstrative expenses related to segment	(201)	(31)	(34)	(40)	(90)	(138)	(302)	(635)	17	(819)
Other operating expenses and income (balance)	(31)	(45)	25	8	(5)	7	15	5	(25)	(51)
Income from sale of investment properties	99	(74)	—	—	—	—	—	(74)	—	25
Valuation gains	1,178	10	170	20	120	—	859	1,179	—	2,357
Valuation losses	(292)	—	—	—	(198)	(666)	(891)	(1,755)	—	(2,047)
Segment profit	**3,925**	**—**	**396**	**368**	**1,132**	**(227)**	**2,633**	**4,302**	**(8)**	**8,219**
Central administration costs	(1,471)	—	—	—	—	—	—	—	—	(1,471)
Income from equity-accounted participations	1,099	—	—	—	—	—	—	—	2,159	3,258
Other income from participations	810	—	—	—	—	—	—	—	(810)	—
Net interest expenses	(2,422)	(56)	(147)	(106)	(506)	4	(1,289)	(2,100)	—	(4,522)
Minority interests	—	—	—	—	—	—	—	—	(890)	(890)
Income tax	—	—	—	—	—	—	—	—	—	—
Annual result 2011	**1,941**	**(56)**	**249**	**262**	**626**	**(223)**	**1,344**	**2,202**	**451**	**4,594**

Income statement by segments 2010

in thousand €	Direct investments FV AG	IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	Subsidiaries Total	Recon-ciliation	Group
Rental income	3,239	310	497	452	2,395	728	4,460	8,842	–	12,081
Income from operating and incidental costs	623	72	172	260	656	125	455	1,740	–	2,363
Segment revenue	**3,862**	**382**	**669**	**712**	**3,051**	**853**	**4,915**	**10,582**	**–**	**14,444**
Leasehold payments	–	–	–	–	–	–	(111)	(111)	–	(111)
Real estate-related operating expenses	(805)	(320)	(252)	(368)	(741)	(198)	(2,114)	(3,993)	–	(4,798)
Adminstrative expenses related to segment	(193)	(36)	(34)	(39)	(219)	(161)	(352)	(841)	3	(1,031)
Other operating expenses and income (balance)	(28)	(49)	(37)	21	36	(8)	(1)	(38)	(3)	(69)
Income from sale of investment properties	–	(15)	–	–	–	(84)	(10)	(109)	–	(109)
Valuation gains	186	–	–	230	–	–	200	430	–	616
Valuation losses	(296)	(340)	(1,530)	–	(1,211)	(60)	(1,417)	(4,558)	–	(4,854)
Segment profit	**2,726**	**(378)**	**(1,184)**	**556**	**916**	**342**	**1,110**	**1,362**	**–**	**4,088**
Central administration costs	(1,221)	–	–	–	–	–	–	–	–	(1,221)
Income from equity-accounted participations	2,333	–	–	–	–	–	–	–	1,540	3,873
Other income from participations	220	–	–	–	–	–	–	–	(220)	–
Net interest expenses	(2,469)	(92)	(191)	(138)	(542)	2	(1,335)	(2,296)	–	(4,765)
Minority interests	–	–	–	–	–	–	–	–	255	255
Annual result 2010	**1,591**	**(470)**	**(1,375)**	**418**	**374**	**344**	**(225)**	**(934)**	**1,575**	**2,232**

The **segments' assets and liabilities** were as follows:

Segment assets and liabilities

in € thousand	12/31/2011 Assets	12/31/2011 Liabilities	12/31/2010 Assets	12/31/2010 Liabilities
Direct investments	47,339	420	48,457	539
Subsidiaries	93,114	1,805	99,019	2,092
Total segment assets/segment liabilities	**140,453**	**2,225**	**147,476**	**2,631**
Non-allocated assets/liabilities consolidation	50,929	111,685	48,479	118,774
Total Group assets/group liabilities	**191,382**	**113,910**	**195,955**	**121,405**

The segments' assets primarily comprise investment properties, receivables and cash and cash equivalents. The assets of the subsidiaries segment also include the non-current assets available for sale (Note 9).

The unallocated assets comprise the book values of the equity-accounted companies. Segment liabilities comprise operating liabilities. Financial liabilities, derivative financial instruments and minority interests are reported under non-allocated liabilities.

The following table shows the allocated and unallocated assets and liabilities for the segments in a less aggregated form. The subsidiaries segment is sub-divided into individual companies (funds).

Assets and liabilities by segments 2011

in € thousand	Direct investments FV AG	Subsidiaries IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	**Total**	Recon-ciliation	**Group**
Intangible assets and property, plant and equipment	8	—	—	—	—	—	—	—	178	186
Investment property	**46,037**	**1,510**	**5,960**	**7,360**	**18,040**	**6,100**	**44,120**	**83,090**	**—**	**129,127**
Non-current assets held for sale	—	—	—	—	—	—	1,100	1,100	—	1,100
Trade receivables	423	127	69	215	168	21	261	861	—	1,284
Income tax receivables	70	—	—	—	—	—	—	—	5	75
Other receivables and assets	237	1	27	5	196	252	494	975	(61)	1,137
Cash and cash equivalents	578	225	94	1,283	2,020	1,713	1,753	7,088	59	7,725
Subtotal segment assets	**47,339**	**1,863**	**6,150**	**8,863**	**20,424**	**8,086**	**47,728**	**93,114**	**(181)**	**140,634**
Participation in subsidiaries	30,433	—	—	—	—	—	—	—	(30,433)	—
Equity-accounted participations	46,835	—	—	—	—	—	—	—	3,913	50,748
Total assets	**124,607**	**1,863**	**6,150**	**8,863**	**20,424**	**8,086**	**47,728**	**93,114**	**(26,339)**	**191,382**
Provisions	(157)	(9)	(10)	(8)	(12)	(12)	(27)	(78)	(15)	(250)
Trade payables	(165)	(128)	(114)	(32)	(277)	(49)	(237)	(837)	(5)	(1,007)
Other liabilities	(98)	(55)	(49)	(90)	(192)	(64)	(440)	(890)	(9)	(997)
Subtotal segment liabilities	**(420)**	**(192)**	**(173)**	**(130)**	**(481)**	**(125)**	**(704)**	**(1,805)**	**(29)**	**(2,254)**
Minority interests	—	—	—	—	—	—	—	—	(14,736)	(14,736)
Financial liabilities	(37,259)	(722)	(3,239)	(1,936)	(18,219)	—	(29,834)	(53,950)	182	(91,027)
Derivative financial instruments	(5,693)	—	—	—	—	—	(200)	(200)	—	(5,893)
Total liabilities	**(43,372)**	**(914)**	**(3,412)**	**(2,066)**	**(18,700)**	**(125)**	**(30,738)**	**(55,955)**	**(14,583)**	**(113,910)**
Net assets as of December 31, 2011	**81,235**	**949**	**2,738**	**6,797**	**1,724**	**7,961**	**16,990**	**37,159**	**(40,922)**	**77,472**

Overview of maturities of financial liabilities 2011

Long term	(30,243)	(684)	(3,019)	(1,144)	(17,720)	—	—	(22,567)	—	(52,810)
Short term	(7,016)	(38)	(220)	(792)	(499)	—	(29,834)	(31,383)	182	(38,217)
Financial liabilities	**(37,259)**	**(722)**	**(3,239)**	**(1,936)**	**(18,219)**	**—**	**(29,834)**	**(53,950)**	**182**	**(91,027)**

Assets and liabilities by segments 2010

in € thousand	Direct investments FV AG	IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	Subsidiaries Total	Recon-ciliation	Group
Intangible assets and property, plant and equipment	10	—	—	—	—	—	—	—	—	10
Investment property	**45,417**	**1,500**	**5,790**	**7,340**	**17,970**	**6,760**	**43,873**	**83,233**	**—**	**128,650**
Non-current assets held for sale	—	2,500	—	—	—	—	—	2,500	—	2,500
Trade receivables	153	113	78	116	87	27	717	1,138	—	1,291
Income tax receivables	71	—	—	—	—	—	—	—	—	71
Other receivables and assets	380	35	42	—	2,036	251	235	2,599	(64)	2,915
Cash and cash equivalents	2,426	56	42	2,005	2,767	1,541	3,138	9,549	—	11,975
Subtotal segment assets	**48,457**	**4,204**	**5,952**	**9,461**	**22,860**	**8,579**	**47,963**	**99,019**	**(64)**	**147,412**
Participtation in subsidiaries	30,082	—	—	—	—	—	—	—	(30,082)	—
Equity-accounted participations	47,052	—	—	—	—	—	—	—	1,499	48,551
Total assets	**125,591**	**4,204**	**5,952**	**9,461**	**22,860**	**8,579**	**47,963**	**99,019**	**(28,647)**	**195,963**
Provisions	(160)	(11)	(10)	(8)	(13)	(14)	(25)	(81)	—	(241)
Trade payables	(263)	(146)	(43)	(86)	(255)	(18)	(272)	(820)	—	(1,083)
Other liabilities	(116)	(71)	(44)	(139)	(200)	(28)	(709)	(1,191)	4	(1,303)
Subtotal segment liabilities	**(539)**	**(228)**	**(97)**	**(233)**	**(468)**	**(60)**	**(1,006)**	**(2,092)**	**4**	**(2,627)**
Minority interests	—	—	—	—	—	—	—	—	(14,494)	(14,494)
Financial liabilities	(39,145)	(1,821)	(3,366)	(2,689)	(21,285)	—	(30,857)	(60,018)	60	(99,103)
Derivative financial instruments	(4,517)	—	—	—	—	—	(664)	(664)	—	(5,181)
Total liabilities	**(44,201)**	**(2,049)**	**(3,463)**	**(2,922)**	**(21,753)**	**(60)**	**(32,527)**	**(62,774)**	**(14,430)**	**(121,405)**
Net assets as of December 31, 2010	**81,390**	**2,155**	**2,489**	**6,539**	**1,107**	**8,519**	**15,436**	**36,245**	**(43,077)**	**74,558**

Overview of maturities of financial liabilities 2010

Long term	(31,470)	(944)	(3,155)	(1,936)	(20,217)	—	(29,834)	(56,086)	60	(87,496)
Short term	(7,675)	(877)	(211)	(753)	(1,068)	—	(1,023)	(3,932)	—	(11,607)
Financial liabilities	**(39,145)**	**(1,821)**	**(3,366)**	**(2,689)**	**(21,285)**	**—**	**(30,857)**	**(60,018)**	**60**	**(99,103)**

The following table shows **investments and amortisation/ depreciation:**

Investments and amortisation/depreciation by segments	2011		2010	
in € thousand	Capital expenditure	Amortization and depreciation	Capital expenditure	Amortization and depreciation
Direct investments				
Intangible assets and property, plant and equipment	199	(22)	7	9
Total direct investments	**199**	**(22)**	**7**	**9**
Subsidiaries				
Investment property				
Subsequent acquisition costs (BBV 06)	1,336	–	–	–
Subsequent acquisition costs (IC 13)	148	–	301	–
Total subsidiaries	**1,484**	**–**	**301**	**–**
Total group investments and amortisation /depreciation	**1,683**	**(22)**	**308**	**9**

(32) Related Parties

Related Companies The Group's related companies are UniCredit S.p.A., Rome, which holds 32,41% of the voting rights in the company and IC Immobilien Holding AG, with 18.09% of the voting rights, taking into account indirectly held shares.

Further related parties include the shareholders of IC Immobilien Holding AG, MIM Münchener Immobilien Management GmbH and Kienzle Vermögensverwaltung GmbH. Dr. Oscar Kienzle, a member of the company's Supervisory Board and Chairman of the Supervisory Board of IC Immobilien Holding AG, holds a major proportion of voting rights for each of these companies. There is a close relationship to IC Immobilien Holding AG and its subsidiaries (IC Immobilien Service GmbH, IC Fonds GmbH and IC Beteiligungs-Treuhand GmbH) due to extensive business relationships and service contracts.

Of the UniCredit S.p.A. respective voting rights of 32.41% in terms of Section 22 (1) sentence 1 number 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act, voting rights of 3% or more (total 30.46%) in Fair Value REIT-AG are held by the following subsidiaries and companies (funds):

- UniCredit Bank AG (vormals Bayerische Hypo- und Vereinsbank AG "HVB")
- Wealth Management Capital Holding GmbH
- H.F.S. HYPO-Fondsbeteiligungen für Sachwerte GmbH
- WealthCap Real Estate Management GmbH
- H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG,
- H.F.S. Zweitmarkt Invest 2 GmbH & Co. KG,
- H.F.S. Zweitmarkt Invest 3 GmbH & Co. KG,
- H.F.S. Zweitmarkt Invest 4 GmbH & Co. KG,
- H.F.S. Zweitmarkt Invest 5 GmbH & Co. KG

Of the IC Immobilien Holding AG voting rights of 8.70% in terms of Section 22 (1) sentence 1 number 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act, voting rights of 3% or more in Fair Value REIT AG are held by some of the companies it controls: IC Immobilien Service GmbH.

Financing Transactions with UniCredit Bank AG UniCredit Bank AG (formerly Bayerische Hypo- und Vereinsbank AG) acts as a lender to the Group. In addition, there are two interest rate swaps and a variable interest rate cap agreement with this bank (see Note 16). Interest expenses totalled € 2,266,000 (2010: € 1,342,000). As of December 31, 2011 there were liabilities from loans amounting to € 29,834,000 (2010: € 30,857,000) and liabilities from the interests rate swaps and variable interest rate cap agreement amounting to € 200,000 (2010: € 664,000). As of December 31, 2011, there were bank balances with UniCredit Bank AG totalling € 3,458,000 (2010: € 4,671,000); there was interest income from fixed term deposits and other balances totalling € 21,000 (2010: € 17,000).

The following **Service Agreements** were concluded between Fair Value REIT-AG/its subsidiaries and companies in the IC Immobilien Group:

Contract for Accounting Services A contract with IC Immobilien Service GmbH regarding provision of accounting services was concluded on December 22, 2009. This involves IC Immobilien Service GmbH also taking responsibility for human resources management, the administration of personnel files, the coordination of salaries and the supervision of possible retirement plans.

As part of the accounting services, IC Immobilien Service GmbH is required to comply with bookkeeping obligations, the keeping of account books and the generation of the inventory pursuant to section 238–240 of the HGB (German Commercial Code) as well as assumption of responsibility for payment transactions. The tasks also include the drawing up of the financial statements in accordance with HGB and the consolidated financial statements in accordance with IFRS. A consolidated quarterly statement pursuant to IFRS is also to be produced.

IC Immobilien Service GmbH receives an annual remuneration of € 100,000 as well as an additional variable remuneration amounting to 0.25% of the proportionate current annual rent paid to the Group, without ancillary income. The remuneration is subject to VAT.

The contract can be terminated at the earliest, with notice of six months required, on December 31, 2012. It is automatically extended by one year if not terminated (with a period of notice of six months from the end of the contractual period) by one of the contractual parties.

Property Management Contract A services contract was concluded with IC Immobilien Service GmbH, Unterschleißheim (“contractor” or “ICIS”) on December 22, 2009, regarding commercial and technical management of the real estate held directly by Fair Value, i.e. without involvement of subsidiaries.

The contractor’s responsibilities as part of this contract also include the letting of the real estate.

The contractor is to regularly inform the company with regard to the direct holdings, as well as subsidiaries and associated companies, about the performance of the real estate and participations administered by the contractor as well as about any important income relevant occurrences and procedures that deviate from the original plan.

For these management activities and unless otherwise agreed, IC Immobilien Service GmbH will receive an annual fee from Fair Value amounting to 3.0% of the current annual rent paid for the direct holdings, without ancillary income.

Large and/or unusual technical and construction measures requiring implementation that go beyond the scope of standard commercial everyday maintenance and repair work, such as reconstruction, enlargement or extension of the property(ies) and/or rental areas, as well as other miscellaneous clearing and reconstruction measures, are remunerated with regard to the commercial management and supervision required with a sum equating to 5% of the total invoice sum if it exceeds € 1 million, 9% for invoices of € 100,000 or more and 15% for invoices of less than € 100,000.

For the re-letting of commercial space, IC Immobilien Service GmbH will receive, in addition to cost reimbursement for advertisements etc., a fee equating to 5% of the rental sum calculated for the agreed rental period, during which time the rental agreement may not be terminated by the tenant, provided that IC Immobilien Service GmbH does not receive any remuneration from the tenant. This fee level is reduced to 2% with regard to renewed leases. The agreed maximum fee payable equates to four monthly rental payments.

For the conclusion of residential and commercial rental agreements with unlimited duration, IC Immobilien Service GmbH will receive, in addition to cost reimbursement for advertisements etc., a fee equating to two months of rent, provided that no estate agent fees are incurred by Fair Value and IC Immobilien Service GmbH receives no remuneration from the tenant. The agency fees are offset if estate agents are involved in the transaction. In such cases, ICIS will still receive, at the minimum, a coordination fee equating to 50% of a monthly rent.

This remuneration is net of the respective applicable VAT.

The agreement can be terminated for the first time at the end of the fixed contractual period (December 31, 2012), with a notice period of six months. It extends by periods of one year in each case if it is not terminated with notice of six months to the end of the respective term of the contract by one of the contractual parties.

Additional Service Agreements There are additional service agreements between the Group and companies in the IC Immobilien Group at a subsidiary level. These include construction support, commercial and technical property management, through to the sale of properties as well as fund management and accounting services.

The following two tables show the **scope of the relationships** between the Group and companies in the IC Immobilien Group:

Expenses and Income with IC Immobilien Group in € thousand	**2011**	**2010**
Service fees		
External management service (including fund administration)	485	590
Accounting	146	150
Property management fee	205	247
Trustee fees	113	121
Commission for arrangement of tenancy	86	33
Construction support	74	58
Other	1	84
Total services	**1.100**	**1,283**
Other income	–	(69)
Interest expense	–	–
Interest income	–	–
Total expenses and income	**1.100**	**1,214**

There were the following receivables from and liabilities to companies in the IC Immobilien Group: :

Receivables and liabilities with IC Immobilien Group in € thousand	**12/31/2011**	**12/31/2010**
Receivables	–	104
Liabilities from services	(45)	(171)
Total reveivables and liabilities	**(45)**	**(67)**

Remuneration Payments of the Management Board

Remuneration payments IFRS in € thousand	**2011**	**2010**
Payments due at short term	229	224
Services rendered after termination of employment contract	11	10
Share-based appreciation rights	7	4
Total remuneration	**247**	**238**

Payments solely relate to Management Board member Frank Schaich and are made up for 2011 as follows:

Remuneration payments 2011 in € thousand	**2011**
Performance-unrelated remuneration	
Fixed salary	209,000
Benefits in kind and other	12,036
Performance-related remuneration	14,921
Benefits according to Section 285 No. 9 HGB	**235,957**
Expenses for pension plan	10,803
Total	**246,760**

Employment Contract Frank Schaich, Term to September 30, 2012 In accordance with Codicil 1 dated September 28/29, 2010, to his employment contract of August 17, 2007/September 11, 2007, Mr Schaich receives, with effect from July 1, 2010, a fixed gross annual salary of € 209.000 for his activities.

A bonus of 2% of the dividend less his fixed annual salary is paid as performance-related remuneration. The maximum amount payable as a bonus is 50% of his fixed remuneration plus fringe benefits. Part of his bonus will be paid in the form of virtual shares (rights) according to the percentage by which the company's average share price on the four quarterly reporting dates lies below the Group's NAV per share as stated on the balance sheet. The rest will be paid in cash. The virtual shares entitle him to a payout in cash no earlier than four years after they have been granted or, if appropriate, on the date of an earlier exit from the company, at the share price then applicable.

Mr. Schaich is entitled to a car in the price category that extends up to a maximum of € 45,000 (net) for business and private use. In addition, Mr. Schaich receives a contribution to retirement insurance in the amount of twice (previously once) the respective maximum mandatory employer's contribution to statutory pension insurance.
This is paid into an insurance scheme, subject to deduction of the contribution for reinsurance for the existing pension commitment, as a defined contribution amounting to € 7.919,00.

According to the pension commitment, Mr. Schaich receives benefits of DM 383,298.00 (€ 195,977.16) if he leaves the company after reaching the age of 65. If he dies before receiving the benefits, his legally married wife will receive benefits of DM 455,653.00 (€ 232,971.68) with an annual reduction of DM 2,605.00 (€ 1,331.92) p.a. from the second year in which the pension commitment is issued (annual reduction since 1999). In addition, for the duration of his employment contract, Mr. Schaich is insured for death in the amount of € 380,000 and full invalidity in the amount of € 760,000 as part of a group accident insurance policy.

Loans and Advances The members of the Management Board were not granted any loans or advances. In addition, no contingent liabilities were entered into in favour of members of the Management Board. There are no pension commitments or share-based payments other than those described above.

Supervisory Board Remuneration The members of the Supervisory Board were granted current payments in 2011 totalling € 26,000 (2010: € 27,000). No loans and advances were granted to members of the Supervisory Board; in addition, no contingent liabilities were entered into in favour of Supervisory Board members.

(33) Events Occurring after the Balance Sheet Date

The company is not aware of any events after the balance sheet date that have to be reported.

(34) Declaration regarding German Corporate Governance Code Pursuant to Section 161 of the AKTG (German Public Limited Companies Act)

Most recently on November 11, 2010, the Management and Supervisory Boards issued the declaration of conformity within the meaning of Section 161 of the AktG. This declaration was made permanently accessible to shareholders on the company's website.

(35) Utilisation of the Option Provided by Section 264 b of the HGB

The following German subsidiaries with the legal form of a partnership in terms of Section 264a of the HGB have partially used the option provided in Section 264 b of the HGB:
– BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG, Munich
– BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, Munich

Munich, March 26, 2012

Fair Value REIT-AG

Frank Schaich

Auditor's Opinion

We have audited the consolidated financial statements for Fair Value REIT-AG, Munich, comprising the balance sheet, statement of comprehensive income, income statement, statement of changes in shareholders' equity, cash flow statement and notes to the financial statements as well as the Group management report for the fiscal year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the consolidated management report in accordance with IFRSs, as they are to be applied in the EU, and the supplementary provisions of Section 315 a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) are the responsibility of the company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the annual consolidated financial statements and the consolidated management report.

We conducted our audit in accordance with Section 317 of the HGB and in compliance with the principles of proper auditing adopted by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. The process of defining the audit procedures takes account of knowledge about the business activities and the economic and legal environment of the company, as well as expectations of possible errors. An audit includes examining, largely on a test basis, the effectiveness of the internal control system and evidence supporting the amounts and disclosures in the annual consolidated financial statements and the Group management report. An audit also includes assessing the annual financial statements of the companies included in the consolidation, the definition of the scope of consolidation, the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual consolidated financial statements and the Group management report. We are confident that our audit provides a sufficiently sound basis on which to make an assessment.

Our audit led to no objections.

In our opinion, based on the results of our audit, the consolidated financial statements comply with IFRSs as these are to be applied in the EU and the supplementary provisions of the HGB as stipulated by Section 315 a (1) of the HGB, and convey a true and fair view of the Group's financial position and results of operations. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Duesseldorf, March 27, 2012

BDO AG Wirtschaftsprüfungsgesellschaft

Volger	Irlbeck
Wirtschaftsprüfer	Wirtschaftsprüfer

Declaration by Legal Representative

To the best of my knowledge, I declare that, according to the principles of proper consolidated reporting applied, the consolidated financial statements provide a true and fair view of the Group's net assets, financial position and results of operations, that the Group management interim report presents the Group's business including the results and the Group's position such as to provide a true and fair view and that the major opportunities and risks of the Group's anticipated growth for the remaining fiscal year are described.

Munich, March 26, 2012

Fair Value REIT-AG

Frank Schaich

Compliance

Supervisory Board and Management Board

Supervisory Board

Prof. Dr. Heinz Rehkugler
(Chairman of the Supervisory Board)
Member of the Supervisory Board since October 2007
Term of appointment due to run until the 2012 Annual General Meeting

Principal activity outside the company, also serving as a director in similar domestic and foreign businesses:

Since 1977	University Professor
Since 2002	Deputy Chairman of the Supervisory Board of DIA Consulting AG, Freiburg

Prof. Dr. Heinz Rehkugler (born: 1943) studied business administration and obtained his doctorate from the University of Munich and went on to become managing director at a management consulting firm. He became a university professor in 1977 and was head of the Financial Economics and Banking department at the University of Freiburg from 1994 to 2009. In addition to his entrepreneurial activities, Prof. Rehkugler has gained an excellent reputation as a result of his many publications on financial economics and real estate. 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
(Deputy Chairman of the Supervisory Board)
Member of the Supervisory Board since July 2007
Term of appointment due to run until the 2012 Annual General Meeting

Principal activity outside the company, also serving as a director in similar domestic and foreign businesses:

Since December 2007	CEO of Real Grundbesitz AG, Unterschleißheim

Christian Hopfer (born: 1940) graduated in business administration and held various positions at IBM Germany, the Realkredit- und Finanzierungsgesellschaft Berlin AG, coop AG and SEB AG. He became an interim manager at SchmidtBank Hof in January 2002, where he was responsible, among other things, for the revision and termination of all participation interests through disposals and closures. In addition, he supervised SchmidtBank's real estate holdings and leased premises.

Dr. Oscar Kienzle
(Member of the Supervisory Board)
Member of the Supervisory Board since July 2007
Term of appointment due to run until the 2012 Annual General Meeting

Principal activity outside the company, also serving as a director in similar domestic and foreign businesses:

Since October 2005	Chairman of the Supervisory Board of Real Grundbesitz AG, Unterschleißheim
Since July 2009	Management Board of the Günther Graf von Hardenberg Foundation, Baden-Baden
Since Sept 2011	Chairman of the Supervisory Board of IC Immobilien Holding AG, Unterschleißheim

Dr. Oscar Kienzle (born 1947) is Chairman of the Supervisory Board of IC Immobilien Holding AG and founder of the IC GmbH. Until August 23, 2011, he was CEO of the IC Immobilien Holding AG. Before founding IC in 1988, Dr. Kienzle held various positions in the real estate sector of WestLB Group, lastly as Director of the WestLB Real Estate Group. Dr. Kienzle was a lawyer by profession. He completed a second degree in mathematics and macroeconomics with an MBA at Fontainebleau. He is a Fellow of the Royal Institute of Chartered Surveyors (FRICS).

Management Board

Frank Schaich
CEO since September 17, 2007
Term of appointment due to run until September 16, 2012

Frank Schaich (born: 1959) has been the CEO of Fair Value REIT-AG since September 17, 2007. Mr. Schaich qualified as a bank clerk and was previously a member of the IC Immobilien Holding AG's management board, where he was responsible for the fund business. He has held executive positions in various departments since IC GmbH was founded in 1988. From 1993 onwards he was a managing director for several IC Real Estate Group companies and the funds under management by IC, before being appointed to the management board in 2002. In total, he has more than 25 years' experience on international real estate markets. Frank Schaich has been able to gain extensive experience in syndicating, financing, and placing closed-end real estate funds as well as in asset and portfolio management.

Report of the Supervisory Board

Dear Shareholders,

Given the difficult market environment, Fair Value REIT AG's focus in 2011 was not on capital market measures but on securing its own stable fundamental position and its ability to distribute dividends.

The financial markets remain turbulent. The efforts of securing the existence of the Euro up to now seem to have been deemed as insufficient by many market participants. The high levels of debt in various states of the Eurozone and the austerity measures introduced in these countries are also impacting the robust growth potential in still competitive Germany.

Although the increased consolidated net income figure was largely attributable to the market valuation of the real estate, it also shows that the increased activities in cost and real estate management over the last few years have started to bear fruit.

The Supervisory Board supported the efforts of the Management Board and the employees by actively participating in strategic and operating planning.

Monitoring of Management Activities and Cooperation with the Management Board

The Supervisory Board's key responsibilities were to monitor and support the commercial and economic development of the company as well as its strategic orientation, with particular regard to the global financial and economic crisis.

The Supervisory Board was involved in all decisions that were of fundamental importance to the company. In compliance with § 90 para. 2 of the German Stock Corporation Act (AktG), the Management Board informed the Supervisory comprehensively and in a timely fashion about the general business development as well as the overall position of the company and the Group. All business issues and transactions requiring the consent of the Supervisory Board pursuant to statutory regulations or provisions of the articles of association were addressed in meetings of the Supervisory Board.

Five meetings of the Supervisory Board were held in the 2011 fiscal year. The Supervisory Board discussed in detail and approved the company's budget and planning as well as the plans for the Group. Discussions were regularly held in the Supervisory Board meetings regarding the revenue and income developments in the Group as well as the financial status and assets position, with particular consideration being given to the risk situation. Interim reports were also discussed.

Corporate Governance

Adherence to the principles of corporate governance is of great importance to the Supervisory Board and the Management Board. The Corporate Governance Report has therefore been allocated its own chapter in the Annual Report.

The recommendations of the German Corporate Governance Code issued by the government commission were update in May 2010 and these were discussed in detail with the Management Board. In this context, the efficiency of the work of the Supervisory Board was also reviewed. The current declaration of compliance pursuant to § 161 of the AktG was submitted together with that of the Management Board on November 11, 2010 and has been published on the company's website.

The company management's declaration pursuant to § 289 a of the German Commercial Code (HGB) was submitted by the Management Board on March 5, 2012 and has been published on the company's website.

Review and Determination of Annual Accounts and Consolidated Financial Statement

The Consolidated Financial Statement prepared by the Management Board in accordance with the International

Financial Reporting Standards (IFRS) and the Company Annual Accounts of Fair Value REIT-AG prepared by the Management Board in accordance with the HGB have both been audited by BDO AG Wirtschaftsprüfungsgesellschaft, Duesseldorf Branch, which was appointed by the Annual General Meeting on May 31, 2011. The auditor has issued an unqualified certificate for the Company Annual Accounts as well as for the Consolidated Financial Statement, including the respective management reports.

The Supervisory Board was provided with the accounts and statements for the 2011 fiscal year, including the respective management reports and the auditor's report in a timely manner to review these documents before covering this topic during its meeting on March 22, 2012. The auditors providing the certificate for the Annual Accounts reported about the results of the audit and were available for possible questions from the Supervisory Board.

There were no reasons for objections and the Supervisory Board therefore adopted the Annual Accounts on March 22, 2012 and approved the Consolidated Financial Statement on March 28, 2012.

Review in Accordance with German REIT Legislation

The auditors confirmed the declaration of the Management Board regarding adherence to statutory provisions for the distribution of shares and minimum distribution as well as compliance with the asset and income ratios.

The Supervisory Board thanks the Executive Board and the staff for their valuable contribution to the annual result.

Munich, March 28, 2012

On behalf of the Supervisory Board

Prof. Dr. Heinz Rehkugler

Corporate Governance Report

The Management and Supervisory Boards of Fair Value REIT-AG attach great importance to the application of clear and efficient rules for the management and control of the business and to the recommendations of the German Corporate Governance Code. Both boards of Fair Value REIT-AG again have dealt with the latest version of the code during the 2011 fiscal year.

Corporate governance refers to good and responsible corporate management and control, with the ultimate aim of creating long-term added value. Guidelines have been drawn up for this and are summarized for German companies in the German Corporate Governance Code (GCGC), which was most recently updated in May 2010.

Management and Control Structure

The Management Board of Fair Value REIT-AG currently consists of only one person. He manages the company and acts exclusively in the interests of Fair Value REIT-AG. The Management Board is committed to sustainable growth in the value of the company. It confers with the Supervisory Board regarding the company's strategy and its implementation. It reports regularly, comprehensively and in a timely fashion to the Supervisory Board regarding corporate planning and strategic developments as well as about the current situation regarding business performance and risk.

The Supervisory Board of Fair Value REIT-AG currently has three members. It provides advice and monitors the management of the company by the Management Board. In addition, the Supervisory Board discusses interim reports, checks and adopts Fair Value REIT-AG annual reports pursuant to HGB (German Commercial Code) and approves consolidated financial statements in accordance with IFRS. Important strategic decisions made by the company management require the endorsement of the Supervisory Board.

Remuneration for the Management Board

Remuneration paid to the Management Board consists of a basic remuneration of € 209,000 as well as a variable remuneration amounting to 2% of the company dividend distributed. The maximum amount of the variable remuneration is 50% of the fixed remuneration including fringe benefits. The variable remuneration is paid subject to the discount of the share price in Xetra trading on the Frankfurt stock exchange at the balance sheet NAV either in cash or in virtual shares in Fair Value REIT-AG. The variable remuneration will be paid in virtual shares and not in cash to the amount of the percentage discount. The virtual shares can be exchanged for cash, no sooner than four years after they have been granted, at the price then valid in Xetra trading. Further information is available in section 32 of the Notes to the Consolidated Financial Statement 2011.

Remuneration for the Supervisory Board

Remuneration paid to the members of the Supervisory Board consists of fixed remuneration of € 5,000 per annum and on a pro rata temporis basis, and a performance related remuneration of € 1 per € 1,000 of distributed dividends. This variable part of the remuneration is limited to a maximum sum of € 25,000. The chairperson receives double and the vice- chairperson receives one and a half times the fixed and variable remuneration of a normal member of the Supervisory Board. Further information is available in section 32 of the Notes to the Consolidated Financial Statement 2011.

Directors' Dealings

During the 2011 fiscal year, Fair Value REIT-AG received reports regarding the following securities transactions on the part of members of the Management and the Supervisory Board or persons with a close relationship to these members as defined in § 15 WpHG (German Securities Trading Act):

Directors' Dealings 2011

Person obligated to report	Date of transaction	Transaction type	Number	Price per share in €	Volume in €
Dr. Oscar Kienzle	5/12/2011	Share purchase	45,829	4.52	207,147
Dr. Oscar Kienzle	6/30/2011	Share purchase	700	4.75	3,324
Dr. Oscar Kienzle	8/9/2011	Share purchase	5,232	3.98	5,232
Dr. Oscar Kienzle	8/18/2011	Share purchase	7,250	4.04	29,290
Dr. Oscar Kienzle	12/30/2011	Share purchase	8,150	4.27	34,801

Share Ownership

The shares in Fair Value REIT-AG held directly and indirectly by the members of the Management and Supervisory Boards amounts in total to more than 1% of the share capital of Fair Value REIT-AG. When determining the indirectly held shares, holdings without a direct influence are not taken into account. The distribution of share ownership between the Management Board and Supervisory Board, including closely related persons is as follows:

Share ownership by members of the Management Board and Supervisory Board

Body	Number	in %
Management Board (Frank Schaich)	3,028	
Supervisory Board (Dr. Oscar Kienzle)	222,647	
Total	**225,675**	**2.4**

Transparency and Disclosure of Information

The shareholders of Fair Value REIT-AG realize their rights as shareholders at the Annual General Meeting and exercise their voting rights there. All shareholders are invited to the Annual General Meeting and can address the agenda there and ask questions. Resolutions regarding the following points are among those passed at the Annual General Meeting:

Discharge of the Management and Supervisory Boards and selection of the auditor as well as the members of the Supervisory Board, the appropriation of the balance sheet profit, amendments to the articles of association and measures leading to changes in capital.

The company reports on a quarterly basis regarding business performance as well as about the financial status and earnings position. The general public is informed about the company's activities via the media. Information that could have a significant effect on the company's share price is released in the form of ad-hoc disclosures in accordance with legal provisions. Fair Value REIT-AG uses its website at www.fvreit.de to provide shareholders, investors and the general public with information.

Accounting and Auditing

Fair Value REIT-AG issues its consolidated financial statements in line with International Financial Reporting Standards (IFRS) and its single entity accounts are prepared in accordance with the provisions of the HGB. The Supervisory Board proposes an auditor for election by the Annual General Meeting. The increased requirements with regard to auditor independence are met.

Declaration Concerning the German Corporate Governance Code (GCGC)

The Management and Supervisory Boards of Fair Value REIT-AG issued the following declaration of conformity with the German Corporate Governance Code (Version dated May 26, 2010) within the meaning of Section 161 of the AktG on November 11, 2010:

Fair Value REIT-AG's Management and Supervisory Boards welcome and support the German Corporate Governance Code and the objectives thus pursued. Fair Value REIT-AG follows the recommendations of the German Corporate Governance Code in the version dated May 26, 2010 and will continue to do so in future with the following exceptions:

– **D&O insurance** The D&O insurance concluded for the Management and Supervisory Boards does not include a deductible for the Members of the Supervisory Board (Item 3.8 GCGC). The Supervisory Board finds this acceptable.

– **Number of Managing Board Members** The Management Board only comprises one member (Item 4.2.1 GCGC). The Management and Supervisory Boards find this acceptable given the comparably low amount of investments under management.

– **Age limit for members of the Management and Supervisory Boards** There is no age limit for members of the Managing and Supervisory Boards (Items 5.1.2 and 5.4.1 GCGC). It is intended that such a limit be appropriately considered in conjunction with future conclusions of contracts or appointments, respectively.

– **Committees** In view of its low number of members, the Supervisory Board has not formed any committees (Items 5.2 and 5.3 GCGC).

Liabilities and Portfolio

Financial Liabilities in Detail

Financial liabilities Group
as of December 31, 2011

Fund	Object	Bank	Total book value according to IFRS [€]	Fixed until	Effectiv rate [%]	Derivative	LTV [%] Max.	LTV [%] Actual	DSCR [%] Min.	DSCR [%] Actual
FVAG	Partic. purchase[1]	WIB Westdt. Immobilienbank	(6,087,000)	12/31/2012	var.	–	20	9	18	45
FVAG	Portfolio	WIB Westdt. Immobilienbank	(20,656,680)	6/30/2018	6.04	SWAP	75	68	110	110
FVAG	Portfolio	WIB Westdt. Immobilienbank	(10,426,320)	6/30/2018	6.04	SWAP	75	68	110	110
Total direct investments			**(37,170,000)**							
IC 07	Teltow	HSH Nordbank	(1,935,797)	12/31/2013	5.15	–	n/a	–	n/a	–
Total IC 07			**(1,935,797)**							
IC 03	Neuss	HRE Hypo Real Estate	(3,179,006)	10/31/2014	var.	–	n/a	–	n/a	–
Total IC 03			**(3,179,006)**							
IC 01	Alzey	HRE Hypo Real Estate	(723,518)	9/30/2013	5.15	–	n/a	–	n/a	–
Total IC 01			**(723,518)**							
BBV 06	Portfolio	HVB HypoVereinsbank	(20,509,412)	6/29/2012	var.	CAP	n/a	–	n/a	–
BBV 06	Hannover	HVB HypoVereinsbank	(4,805,334)	7/2/2012	4.96	SWAP	n/a	–	n/a	–
BBV 06	Cologne, Seligenstadt	HVB HypoVereinsbank	(4,519,490)	7/2/2012	4.72	SWAP	n/a	–	n/a	–
Total BBV 06			**(29,834,236)**							
IC 13	Potsdam	HSH Nordbank	(2,436,920)	10/31/2012	var.	–	n/a	–	n/a	–
IC 13	Neubrandenburg	HSH Nordbank	(2,342,522)	10/31/2012	var.	–	n/a	–	n/a	–
IC 13	Neubrandenburg	HSH Nordbank	(7,643,658)	10/31/2012	var.	–	n/a	–	n/a	–
IC 13	Neubrandenburg	HSH Nordbank	(1,888,504)	12/31/2013	3.32	–	n/a	–	n/a	–
IC 13	Neubrandenburg	HSH Nordbank	(574,875)	12/31/2013	3.32	–	n/a	–	n/a	–
IC 13	Langenfeld	Corealcredit	(2,506,151)	2/28/2013	var.	–	n/a	–	n/a	–
IC 13	Langenfeld	Corealcredit	(125,711)	2/28/2013	var.	–	n/a	–	n/a	–
IC 13	Langenfeld	Corealcredit	(700,632)	2/28/2013	var.	–	n/a	–	n/a	–
Total IC 13			**(18,218,973)**							
Total Group[1]			**(91,061,530)**							

[1] In the consolidated balance sheet reduced by accrued extension fees calculated pro rata temporis totalling € 35 thousand.

Financial liabilities associated companies

as of December 31, 2011

Fund	Object	Bank	Total book value according to IFRS [€]	Fixed until	Effectiv rate [%]	Derivative	LTV [%] Max.	LTV [%] Actual	DSCR [%] Min.	DSCR [%] Actual
BBV 14	Portfolio	DG Hyp	(47,348,408)	3/31/2016	var.	CAP	n/a	–	n/a	–
Total BBV 14			**(47,348,408)**							
IC 12	Bankgeb. Chem	WIB Westdt. Immobilienbank	(2,200,449)	9/15/2016	5.23	–	50	30	120	188
Total IC 12			**(2,200,449)**							
BBV 02	Erlangen	BBV Lebensversicherung	(165,850)	12/31/2013	5.06	–	n/a	–	n/a	–
BBV 02	Erlangen	BBV Lebensversicherung	(929,038)	12/31/2016	5.23	–	n/a	–	n/a	–
BBV 02	Erlangen	BBV Lebensversicherung	(133,685)	12/31/2016	5.23	–	n/a	–	n/a	–
Total BBV 02			**(1,228,573)**							
IC 15	Chemnitz (employment office)	HSH Nordbank	(3,261,174)	11/30/2012	5.10	–	n/a	–	n/a	–
IC 15	Chemnitz (employment office)	HSH Nordbank	(1,451,606)	11/30/2012	5.10	–	n/a	–	n/a	–
IC 15	Chemnitz (employment office)	HSH Nordbank	(162,352)	11/30/2012	5.10	–	n/a	–	n/a	–
IC 15	Quickborn	Eurohypo	(8,314,549)	12/31/2012	5.10	–	n/a	–	n/a	–
IC 15	Dresden	HSH Nordbank	(2,673,740)	9/30/2012	5.10	–	n/a	–	n/a	–
IC 15	Dresden	HSH Nordbank	(603,666)	9/30/2012	5.10	–	n/a	–	n/a	–
IC 15	Chemnitz-Passage	HVB HypoVereinsbank	(3,137,378)	12/31/2014	4.67	–	n/a	–	n/a	–
IC 15	Chemnitz-Passage	Archon Capital	(1,683,761)	12/30/2012	5.10	–	n/a	–	n/a	–
Total IC 15			**(21,288,226)**							
BBV 10	Portfolio	BBV Lebensversicherung	(22,517,785)	12/31/2012	5.10	SWAP	n/a	–	n/a	–
BBV 10	Portfolio	BBV Lebensversicherung	(2,690,389)	12/31/2012	5.10	SWAP	n/a	–	n/a	–
BBV 10	Bookvalue interest rate swaps	HVB HypoVereinsbank	(526,429)	12/31/2012	5.10	–	n/a	–	n/a	–
BBV 10	Portfolio	HVB HypoVereinsbank	(31,607,680)	12/31/2013	6.21	SWAP	n/a	–	n/a	–
BBV 10	Portfolio	HVB HypoVereinsbank	(2,617,122)	12/13/2013	6.21	SWAP	n/a	–	n/a	–
BBV 10	Portfolio	HVB HypoVereinsbank	(8,551,954)	12/31/2013	6.21	SWAP	n/a	–	n/a	–
Total BBV 10			**(68,511,359)**							
BBV 09	Portfolio	NordLB	(45,219,751)	12/31/2013	6.48	SWAP	n/a	–	n/a	–
BBV 09	Portfolio	NordLB	(25,200,201)	12/31/2013	6.48	SWAP	n/a	–	n/a	–
Total BBV 09			**(70,419,952)**							
Total associated companies			**(210,996,967)**							
Total Fair Value's share			**(75,110,000)**							

Method of Real Estate Valuation

Proceedings and Assumptions

As in the previous years, Frankfurt-based CB Richard Ellis GmbH (CBRE) was engaged to value Fair Value's directly and indirectly held properties as of December 31, 2011. CBRE is not a company regulated by a supervisory body, however it does employ publicly appointed, sworn experts, members of the Royal Institution of Chartered Surveyors (RICS) and real estate experts certified by HypZert GmbH in its Valuation division.

According to the Valuation Standard (VS) 3.2 RICS Valuation Standards (7th edition) from the Royal Institution of Chartered Surveyors (RICS), CBRE identified the properties' market values as defined below:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

In terms of concept and content, "market value" according to the definition by the Royal Institution of Chartered Surveyors (RICS) and "fair value" according to IFR and IAS 40 are comparable.

The market value was identified in each case taking into account incidental acquisition costs (land transfer tax, estate agents' fees and notary's and attorney's fees) and was presented as the net capital value.

The market values of the individual properties was determined using the internationally recognized discounted cash flow method. The discounted cash flow method forms the basis for dynamic calculations and is used to calculate the value of cash flows anticipated in future on various dated and in differing amounts.

In so doing, after identifying all of the factors relevant for the valuation, the future cash flows, some of which are linked to forecasts, are aggregated on an accrual basis. The balance of the receipts and payments recorded is then discounted to a fixed point in time (valuation date) using the discount rate. In contrast to the German Ertragswertverfahren (income-based approach) according to the Immobilienwertermittlungsverordnung (ImmoWertV – German Real Estate Appraisal Directive), the cash flows are explicity quantified during the observed period and are not shown an annuity payments.

As the impace of future cash flows falls as a result of the discounting, and as the forecasting insecurity increases over the observed period, as a rule in the case of real estate investments the stabilized net investment income is capitalized over a ten-year period (detailed observation period) using a growthimplicit minimum interest rate (capitalization rate) and discounted to the valuation date.

The assumptions used in the valuation model reflect the average assumptions of the dominant investors on the market on the respective valuation date. These valuation parameters reflect the standard market expectations and the extrapolation of the analyzed past figures for the property to be valued or for one or several comparable properties.

CBRE estimated the valuation parameters as best possible using its best judgment, and these can be broken down into two groups. The property-specific valuation parameters include, for example, rent for initial term and renewals, the probability of existing rental agreements being extended, vacancy periods and vacancy costs, no allocable incidental costs and capital expenditure expected by the owner, fitting and rental costs for initial and renewals as well as property and leasespecific overall interest on the capital tied up in the investment.

The general economic factors include, in particular, changes to market prices and rent during the detailed observation period and the inflation assumed in the calculation model.

Volatile Markets

According to Guidance note 5 of the RICS Valuation Standards CBRE points out explicitly in its valuation reports as of January 18, 2012 and February 14, 2012, that against the background of the currently rapidly changing environment on global financial and national real estate markets the market value is a "snapshot" as of the balance sheet date, which reflects the market conditions valid on the reporting day. CBRE furthermore states that the market value should not be understood as a figure valid for a longer period of time but is subject to market related fluctuations.

Individual Property Information and Fair Value REIT-AG's Share according to Proportionate Interest

Portfolio
as of December 31, 2011

Address	Fund	Primary use	Year of construction	Last renovation/ modern-ization	Plot size [m²]	Market value 12/31/2010 [€ thousand]	Market value[1] 12/31/2011 [€ thousand]	Change [%]	Discount rate 12/31/2011 [%]	Capitalization rate 12/31/2011 [%]	Lettable space [m²]
Direct Investments											
Appen Hauptstr. 56e/d	n/a	Office	1975	1995	4,320	228	245	7.5	6.80	6.30	212
Bad Bramstedt Bleeck 1	n/a	Office	1973	2006	3,873	1,130	1,150	1.8	6.90	6.40	997
Bad Segeberg Oldesloer Str. 24	n/a	Office	1982	2007	5,152	8,960	9,000	0.4	7.00	6.50	9,184
Barmstedt Königstr. 19–21	n/a	Office	1911	ongoing	2,842	1,370	1,390	1.5	7.00	6.50	1,264
Boennigstedt Bahnhofstr. 9	n/a	Office	1992	2003	1,131	241	251	4.1	7.00	6.50	211
Boostedt Bahnhofstr. 14	n/a	Office	1989	2005	1,006	126	127	0.8	6.50	6.00	114
Bornhoeved Am alten Markt 9a	n/a	Office	1991	2005	873	665	669	0.6	6.70	6.20	664
Ellerau Berliner Damm 6	n/a	Office	1990	2000	1,177	405	427	5.4	6.70	6.20	369
Ellerbek Pinneberger Str. 155	n/a	Office	1985	2001	1,708	348	357	2.6	6.60	6.10	356
Geschendorf Dorfstraße 29	n/a	Office	1985	2006	1,154	233	238	2.1	6.80	6.30	316
Halstenbek Hauptstraße 33	n/a	Office	1969	2001	1,195	834	886	6.2	7.10	6.60	791
Halstenbek Seestraße 232	n/a	Office	1976	2002	549	90	95	5.2	6.90	6.40	188
Helgoland Friesenstr. 59	n/a	Office	1986	2000	194	552	559	1.3	6.50	6.00	488
Henstedt-Ulzburg Hamburger Str. 83	n/a	Office	1989	2004	1,219	1,070	1,090	1.9	6.90	6.40	1,005
Kaltenkirchen Holstenstr. 32	n/a	Office	1978	2005	1,893	1,830	1,850	1.1	7.25	6.75	1,581
Koelln-Reisiek Koellner Chaussee 27	n/a	Office	1990	2001	1,004	182	184	1.1	7.10	6.60	168
Leezen Hamburger Str. 40	n/a	Office	1989	2005	886	194	196	1.0	7.10	6.60	174
Nahe Segeberger Str. 21	n/a	Office	1971	2004	1,698	697	705	1.1	7.10	6.60	734
Neumuenster Ehndorfer Str. 153	n/a	Office	1971	2003	1,685	249	254	2.0	7.50	7.00	346
Neumuenster Kuhberg 11–13	n/a	Office	1989	2005	5,286	14,700	14,900	1.4	7.25	6.75	11,808
Neumuenster Roentgenstr. 118, 120	n/a	Office	1972	1998	2,481	271	278	2.6	7.50	7.00	534
Norderstedt Ulzburger Str. 363 d/e	n/a	Office	1994	2004	2,762	1,410	1,570	11.3	6.90	6.40	1,340
Norderstedt Ulzburger Str. 545/547	n/a	Office	1960	—	1,313	611	784	28.3	7.80	7.30	992
Pinneberg Damm 49	n/a	Office	1996	2007	1,383	2,240	2,320	3.6	7.00	6.50	1,930
Pinneberg Oeltingsallee 30	n/a	Office	1970	2002	2,047	591	651	10.2	6.90	6.40	624
Quickborn Kieler Str. 100	n/a	Office	1980	2002	1,625	1,440	1,560	8.3	6.60	6.10	1,309
Sparrieshoop Rosenstr. 15	n/a	Office	1961	1999	984	196	200	2.0	7.30	6.80	237
Tornesch Willy-Meyer-Str. 3–5	n/a	Office	1977	2003	970	572	628	9.8	6.80	6.30	657
Trappenkamp Am Markt 1	n/a	Office	1985	2005	1,190	656	663	1.1	6.60	6.10	787
Uetersen Wassermühlenstr. 5	n/a	Office	2001	—	2,348	1,780	1,800	1.1	6.90	6.40	1,726
Wahlstedt Markt 1	n/a	Office	1975	2005	1,848	988	1,010	2.2	7.20	6.70	1,346
Subtotal direct investments					**57,796**	**44,859**	**46,037**	**2.6**			**42,451**

[1] According to valuation by CB Richard Ellis GmbH, Frankfurt/Main, December 31, 2011; for the Frechen property (BBV 06) the agreed sales price in the amount of 1.1 Mio. € was appointed.

									Fair Value REIT-AG's share			
Vacancies [m²]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Participating interest [%]	Market value 12/31/2010 [€ thousand]	Market value 12/31/2011 [€ thousand]	Change [%]	Avg. secured remaining term of rental agreements [years]	Income based occupancy rate [%]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Contractual rental yield before costs [%]	Potential rental yield before costs [%]
—	20	20	100.00	228	245	7.5	6.0	100.0	20	20	8.3	8.3
—	81	81	100.00	1,130	1,150	1.8	13.0	100.0	81	81	7.1	7.1
736	594	648	100.00	8,960	9,000	0.4	12.1	91.6	594	648	6.6	7.2
—	97	97	100.00	1,370	1,390	1.5	12.3	100.0	97	97	6.9	6.9
—	20	20	100.00	241	251	4.1	6.0	100.0	20	20	8.0	8.0
—	11	11	100.00	126	127	0.8	6.0	100.0	11	11	8.5	8.5
—	53	53	100.00	665	669	0.6	5.5	100.0	53	53	8.0	8.0
—	33	33	100.00	405	427	5.4	6.0	100.0	33	33	7.6	7.6
—	26	26	100.00	348	357	2.6	5.2	100.0	26	26	7.4	7.4
—	21	21	100.00	233	238	2.1	4.6	100.0	21	21	8.7	8.7
—	68	68	100.00	834	886	6.2	6.0	100.0	68	68	7.6	7.6
—	9	9	100.00	90	95	5.2	6.0	100.0	9	9	9.1	9.1
14	36	36	100.00	552	559	1.3	11.4	98.3	36	36	6.4	6.5
—	75	75	100.00	1,070	1,090	1.9	14.0	100.0	75	75	6.9	6.9
—	128	128	100.00	1,830	1,850	1.1	13.8	100.0	128	128	6.9	6.9
—	16	16	100.00	182	184	1.1	6.0	100.0	16	16	8.7	8.7
—	17	17	100.00	194	196	1.0	6.0	100.0	17	17	8.5	8.5
—	62	62	100.00	697	705	1.1	6.0	100.0	62	62	8.8	8.8
—	24	24	100.00	249	254	2.0	4.6	100.0	24	24	9.5	9.5
—	1,000	1,000	100.00	14,700	14,900	1.4	13.4	100.0	1,000	1,000	6.7	6.7
—	30	30	100.00	271	278	2.6	5.2	100.0	30	30	10.7	10.7
89	107	110	100.00	1,410	1,570	11.3	11.6	97.6	107	110	6.8	7.0
196	65	81	100.00	611	784	28.3	1.5	80.6	65	81	8.3	10.3
—	203	203	100.00	2,240	2,320	3.6	1.8	100.0	203	203	8.7	8.7
—	52	52	100.00	591	651	10.2	5.2	100.0	52	52	7.9	7.9
—	104	104	100.00	1,440	1,560	8.3	14.0	100.0	104	104	6.7	6.7
—	18	18	100.00	196	200	2.0	4.0	100.0	18	18	8.9	8.9
—	57	57	100.00	572	628	9.8	4.3	100.0	57	57	9.0	9.0
—	56	56	100.00	656	663	1.1	4.8	100.0	56	56	8.4	8.4
—	128	128	100.00	1,780	1,800	1.1	11.4	100.0	128	128	7.1	7.1
198	74	94	100.00	988	1,010	2.2	5.4	78.7	74	94	7.4	9.4
1,233	**3,284**	**3,377**		**44,859**	**46,037**	**2.6**	**10.4**	**97.2**	**3,284**	**3,377**	**7.1**	**7.3**

Portfolio
as of December 31, 2011

Address	Fund	Primary use	Year of construction	Last renovation/ modern- ization	Plot size [m²]	Market value 12/31/2010 [€ thousand]	Market value[1] 12/31/2011 [€ thousand]	Change [%]	Discount rate 12/31/2011 [%]	Capit- alization rate 12/31/2011 [%]	Lettable space [m²]
Subsidiaries											
Teltow Rheinstr. 8	IC 07	Office	1995	—	5,324	7,340	7,360	0.3	7.10	6.50	9,806
Neuss Im Taubental 9–17	IC 03	Other	1990	—	19,428	5,790	5,960	2.9	8.80	8.40	12,064
Alzey Hospitalstraße 17–19/ Judengasse 21	IC 01	Retail	1990	2007	2,243	1,500	1,510	0.7	8.00	7.50	1,989
Ahaus-Wuellen Andreasstr. 1	BBV 06	Retail	1990	—	5,513	1,030	1,090	5.8	7.90	7.20	1,496
Ahaus-Wuellen Andreasstr. 3–7	BBV 06	Retail	1973	—	13,036	3,800	3,730	(1.8)	7.80	7.40	3,915
Altenberge Marktplatz 3	BBV 06	Retail	1986	—	1,756	973	850	(12.6)	7.20	6.40	1,285
Emmerich Heerenbergerstr. 51	BBV 06	Retail	1987	—	4,314	834	820	(1.7)	8.10	7.20	1,415
Frechen Hubert-Prott-Str. 117	BBV 06	Retail	1988	—	4,282	1,180	1,100	(6.8)	—	—	1,225
Hannover Hinueberstr. 6	BBV 06	Other	1981	2006	3,204	19,000	19,300	1.6	6.90	6.30	19,460
Cologne Koehlstr. 8	BBV 06	Other	1982	—	40,591	9,450	9,280	(1.8)	8.70	8.20	23,626
Krefeld Gutenbergstr. 152/ St. Toeniser Str. 12	BBV 06	Retail	1990	—	8,417	2,820	4,240	50.4	7.50	7.00	4,575
Lippetal-Herzfeld Lippestr. 2	BBV 06	Retail	1990	—	3,155	1,560	1,610	3.2	7.70	7.20	1,452
Meschede Zeughausstr. 13	BBV 06	Retail	1989	—	1,673	446	450	0.9	7.20	6.80	1,095
Waltrop Bahnhofstr. 20 a–e	BBV 06	Retail	1989	—	1,742	2,780	2,750	(1.1)	7.70	7.10	2,124
Cologne Marconistr. 4–8	BBV 03	Other	1990	—	13,924	3,230	3,170	(1.9)	7.00	6.50	9,640
Weyhe-Leeste Hauptstr. 51–55	BBV 03	Retail	1989	2005	11,248	3,530	2,930	(17.0)	7.80	7.30	3,141
Langenfeld Max-Planck-Ring 26/28	IC 13	Other	1996	—	14,727	6,240	6,360	1.9	8.60	8.00	10,687
Neubrandenburg Friedrich-Engels-Ring 52	IC 13	Office	1996	—	4,705	8,050	8,050	—	8.00	7.60	7,412
Potsdam Großbeerenstr. 231	IC 13	Office	1995	—	2,925	3,680	3,630	(1.4)	7.20	6.60	3,824
Subtotal subsidiaries					**162,207**	**83,233**	**84,190**	**1.1**			**120,231**
Total Group					**220,003**	**128,092**	**130,227**	**1.7**			**162,682**

[1] According to valuation by CB Richard Ellis GmbH, Frankfurt/Main, December 31, 2011; for the Frechen property (BBV 06) the agreed sales price in the amount of 1.1 Mio. € was appointed.

			Fair Value REIT-AG's share									
Vacancies [m²]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Participating interest [%]	Market value 12/31/2010 [€ thousand]	Market value 12/31/2011 [€ thousand]	Change [%]	Avg. secured remaining term of rental agreements [years]	Income based occupancy rate [%]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Contractual rental yield before costs [%]	Potential rental yield before costs [%]
3,360	444	688	76.74	5,633	5,648	0.3	2.4	64.6	341	528	6.0	9.4
4,521	458	731	71.58	4,145	4,266	2.9	1.8	62.8	328	523	7.7	12.3
318	110	142	56.29	844	850	0.7	4.5	77.8	62	80	7.3	9.4
—	116	116	56.18	574	612	6.7	2.0	100.0	65	65	10.6	10.6
—	329	329	56.18	2,117	2,096	(1.0)	3.0	100.0	185	185	8.8	8.8
—	80	80	56.18	542	478	(11.9)	1.7	100.0	45	45	9.4	9.4
92	84	90	56.18	465	461	(0.8)	1.8	93.8	47	50	10.2	10.9
—	135	135	56.18	657	618	(6.0)	1.8	100.0	76	76	12.3	12.3
—	1,636	1,636	56.18	10,585	10,843	2.4	8.0	100.0	919	919	8.5	8.5
—	919	919	56.18	5,265	5,214	(1.0)	1.5	100.0	516	516	9.9	9.9
458	316	346	56.18	1,571	2,382	51.6	10.2	91.6	178	194	7.5	8.2
—	154	154	56.18	869	905	4.1	3.8	100.0	86	86	9.6	9.6
—	42	42	56.18	248	253	1.8	1.5	100.0	24	24	9.3	9.3
250	230	249	56.18	1,549	1,545	(0.2)	5.5	92.2	129	140	8.4	9.1
—	330	330	54.02	1,739	1,712	(1.5)	3.3	100.0	178	178	10.4	10.4
45	335	336	54.02	1,900	1,583	(16.7)	3.0	99.5	181	182	11.4	11.5
4,074	434	639	50.04	3,122	3,182	1.9	2.7	67.9	217	320	6.8	10.0
702	949	997	50.04	4,028	4,028	—	3.4	95.2	475	499	11.8	12.4
223	284	314	50.04	1,841	1,816	(1.4)	1.8	90.6	142	157	7.8	8.6
14,042	**7,385**	**8,271**		**47,694**	**48,491**	**1.7**	**4.1**	**88.0**	**4,194**	**4,767**	**8.6**	**9.8**
15,276	**10,669**	**11,648**										

Portfolio
as of December 31, 2011

Address	Fund	Primary use	Year of construction	Last renovation/ modern- ization	Plot size [m²]	Market value 12/31/2010 [€ thousand]	Market value[1] 12/31/2011 [€ thousand]	Change [%]	Discount rate 12/31/2011 [%]	Capital- ization rate 12/31/2011 [%]	Lettable space [m²]
Associated companies											
Berlin Carnotstr. 5–7	BBV 14	Office	1995	—	4,583	15,300	15,500	1.3	6.70	6.30	9,836
Dresden Nossener Bruecke 8–12	BBV 14	Office	1997	—	4,134	7,580	7,600	0.3	8.10	7.70	8,852
Rostock Kroepeliner Str. 26–28	BBV 14	Handel	1995	—	7,479	61,900	62,200	0.5	6.45	6.05	19,307
Erlangen Henkestr. 5	BBV 02	Handel	1984	—	6,350	1,640	1,380	(15.9)	7.50	7.00	2,770
Chemnitz Hartmannstr. 3 a–7	IC 12	Office	1997	—	4,226	7,280	6,810	(6.5)	7.30	6.40	8,380
Chemnitz Heinrich-Lorenz-Str. 35	IC 15	Office	1998	—	4,718	4,220	4,160	(1.4)	9.00	8.50	5,845
Chemnitz Am alten Bad 1–7 Theaterstr. 34a	IC 15	Office	1997	—	3,246	6,100	6,130	0.5	6.40	6.00	5,110
Dresden Koenigsbruecker Str. 121 a	IC 15	Other	1997	—	4,242	12,400	12,400	—	7.10	6.60	11,554
Quickborn Pascalkehre 15/15a	IC 15	Office	1997	—	9,129	13,900	13,900	—	7.20	6.70	10,570
Ahaus Zum Rotering 5–7	BBV 10	Retail	1989	—	3,884	1,650	1,620	(1.8)	8.30	7.80	2,054
Celle Vor den Fuhren 2	BBV 10	Retail	1992	—	21,076	11,600	11,700	0.9	7.90	7.40	10,611
Eisenhuettenstadt Nordpassage 1	BBV 10	Retail	1993	—	20,482	48,300	44,100	(8.7)	8.20	7.60	40,101
Genthin Altmaerker Str. 5	BBV 10	Retail	1998	—	3,153	725	660	(9.0)	7.90	7.40	1,275
Langen Robert-Bosch-Str. 11	BBV 10	Office	1994	—	6,003	15,700	15,400	(1.9)	7.60	7.10	13,657
Muenster Hammer Str. 455-459	BBV 10	Retail	1991	—	15,854	7,790	8,050	3.3	7.50	7.00	7,353
Osnabrueck Hannoversche Str. 39	BBV 10	Retail	1989	—	7,502	3,420	3,390	(0.9)	8.00	7.50	4,207
Rheda-Wiedenbrueck Klingelbrink 10	BBV 10	Retail	1991	—	2,455	2,570	2,750	7.0	7.10	6.70	2,235
Wittenberg Lerchenbergstr. 112/113, Annendorfer Str. 15/16	BBV 10	Retail	1994	—	96,822	20,500	20,300	(1.0)	7.10	6.60	14,710
Bad Salzungen Leimbacher Str. 97/99	BBV 09	Retail	1992	—	22,979	13,800	13,400	(2.9)	7.10	6.60	10,985
Eisenach Muehlhaeuser Str. 100	BBV 09	Retail	1994	—	44,175	45,600	45,300	(0.7)	7.50	6.80	37,400
Munich Putzbrunner Str. 71/73, Fritz-Erler-Str. 3	BBV 09	Office	1986	—	10,030	34,000	31,600	(7.1)	8.30	7.80	19,018
Naumburg Weißenfelser Str. 70	BBV 09	Retail	1993	—	20,517	19,500	19,600	0.5	7.30	6.90	15,180
Weilburg An der Backstania 1	BBV 09	Retail	1994	—	17,211	9,860	9,800	(0.6)	7.50	6.80	8,145
Subtotal associated companies					**340,250**	**365,335**	**357,750**	**(2.1)**			**269,156**
Total portfolio					**560,253**	**493,427**	**487,977**	**(1.1)**			**431,838**

[1] According to valuation by CB Richard Ellis GmbH, Frankfurt/Main, December 31, 2011; for the Frechen property (BBV 06) the agreed sales price in the amount of 1.1 Mio. € was appointed.

			Fair Value REIT-AG's share									
Vacancies [m²]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Participating interest [%]	Market value 12/31/2010 [€ thousand]	Market value 12/31/2011 [€ thousand]	Change [%]	Avg. secured remaining term of rental agreements [years]	Income based occupancy rate [%]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Contractual rental yield before costs [%]	Potential rental yield before costs [%]
97	1,236	1,268	45.12	6,902	6,993	1.3	3.8	97.5	558	572	8.0	8.2
703	696	804	45.12	3,419	3,429	0.3	1.1	86.6	314	363	9.2	10.6
805	4,403	4,534	45.12	27,923	28,063	0.5	5.6	97.1	1,987	2,046	7.1	7.3
—	218	218	41.05	663	566	(14.6)	5.1	100.0	90	90	15.8	15.8
2,617	423	566	40.34	2,932	2,747	(6.3)	2.4	74.7	170	228	6.2	8.3
—	533	533	38.94	1,641	1,620	(1.3)	0.6	100.0	207	207	12.8	12.8
827	379	459	38.94	2,372	2,387	0.6	1.8	82.6	148	179	6.2	7.5
—	890	900	38.94	4,822	4,828	0.1	17.7	98.9	347	350	7.2	7.3
—	1,143	1,146	38.94	5,405	5,413	0.1	5.2	99.8	445	446	8.2	8.2
—	142	142	38.43	633	623	(1.6)	2.8	100.0	55	55	8.8	8.8
—	1,102	1,102	38.43	4,451	4,497	1.0	9.2	100,0	423	423	9.4	9.4
—	4,988	4,988	38.43	18,531	16,950	(8.5)	1.8	100.0	1,917	1,917	11.3	11.3
249	68	83	38.43	278	254	(8.8)	1.8	81.3	26	32	10.2	12.6
7,907	658	1,362	38.43	6,024	5,919	(1.7)	1.8	48.3	253	524	4.3	8.8
—	716	716	38.43	2,989	3,094	3.5	7.1	100.0	275	275	8.9	8.9
—	302	302	38.43	1,312	1,303	(0.7)	2.7	100.0	116	116	8.9	8.9
—	226	226	38.43	986	1,057	7.2	5.2	100.0	87	87	8.2	8.2
1,739	1,572	1,728	38.43	7,865	7,802	(0.8)	8.6	91.0	604	664	7.7	8.5
—	1,257	1,257	25.17	3,473	3,373	(2.9)	10.2	100.0	316	316	9.4	9.4
—	3,485	3,485	25.17	11,475	11,401	(0.6)	12.6	100.0	877	877	7.7	7.7
—	4,391	4,391	25.17	8,556	7,953	(7.0)	2.0	100.0	1,105	1,105	13.9	13.9
—	1,743	1,743	25.17	4,907	4,933	0.5	6.6	100.0	439	439	8.9	8.9
—	839	839	25.17	2,481	2,467	(0.6)	6.3	100.0	211	211	8.6	8.6
14,944	**31,412**	**32,794**		**130,038**	**127,671**	**(1.8)**	**5.5**	**95.2**	**10,971**	**11,523**	**8.6**	**9.0**
30,219	**42,081**	**44,442**		**222,590**	**222,199**	**(0.2)**	**6.0**	**93.8**	**18,449**	**19,667**	**8.3**	**8.9**

Glossary

AktG Abbreviation for "Aktiengesetz" (German public limited Companies Act). This act regulates the rights and obligations of corporations limited by shares (German "Aktiengesellschaften" or "AGs"), limited partnerships by shares ("Kommanditgesellschaften auf Aktien" or "KGaAs") and their shareholders.

At Equity Used in consolidation. "At equity" refers to a method of valuing equity interests in companies over which the group can exercise a significant influence (associated companies). When these companies are valued at equity, the associated company's equity is only carried proportionately.

Asset Management Investment-oriented real estate asset management is the strategic, result-oriented investment management/value creation management of a real estate portfolio on individual property level in the interest of the property owner. This includes activities such as rentals, maintenance and also the disposition of properties.

Associated Company According to the provisions of the "Handelsgesetzbuch" ("HGB" – German Commercial Code), an associated company is significantly controlled by a group company which holds an interest in the associate. Associated companies are consolidated at equity within the meaning of Section 312 of HGB.

Capitalization Rate As is the case for the discount rate, the capitalization rate is also used to calculate the present value of future cash flows. In contrast to discounting, capitalization refers to the compounding of a future recurrent payment.

Cash Flow Cash flow is a key performance indicator (KPI) used to describe profits when analyzing a company. It provides information on the company's financial strength. To derive the cash flow, the net profit is adjusted for noncash relevant earnings positions.

Closed-end Real Estate Funds A form of investing indirectly in real estate, which is defined by a fixed principal sum. After equity is completely placed, the fund is closed. Trading of participations in these real estate partnerships is possible via a secondary market to a limited extent.

Derivate This term stems from the Latin word "derivare" (to derive). A derivative refers to a financial instrument which is based on an underlying (e.g., equities, bonds, interest, commodities). The derivative comprises the right to buy or sell the underlying at a fixed price at a specific time in the future. The price of the derivative depends on the performance of the price of the underlying.

Designated Sponsor This term is used on the capital markets to refer to a financial services provider (mostly a bank or a securities trading bank). The function of a designated sponsor is to improve trading and pricing of security papers (such as shares) by providing additional liquidity. For this purpose, a designated sponsor offers bid and ask prices (both on the supply and the demand side) in electronic trading.

Discount Rate Discounting is a method in compound interest rate calculation. By discounting future cash flows through application of the discount rate and subsequent aggregation of the results their present value is determined.

EBIT Earnings before interest and taxes. EBIT shows a company's operating results and is generally used to assess its earnings.

EPRA European Public Real Estate Association; aims at promoting transparency among publicly listed real estate companies by establishment of consistent standards

EPRA Result Consolidated income determined according to recommendations of EPRA; adjusts the consolidated income according to IFRS for one-off effects (such as sales) as well as valuation changes of properties and financial derivatives; indicator for operative result of portfolio holders

EPRA-NAV Net asset value determined according to recommendations of EPRA; adjusts the NAV shown on the balance sheet for valuation changes of financial derivatives as well as deferred taxes; indicator for the real estate related enterprise value of portfolio holders

Exit Tax This relates to a tax benefit for profits from the sale of land and buildings to a REIT. The arrangement has a limited term through to December 31, 2009.

Fair Value This accounting term refers to the value of an asset (such as a property) at its current present value, which is based on the future discounted cash flows.

FFO Short for "funds from operations". FFO indicates a real estate company's earnings strength. The figure is calculated by adjusting the net income for the period by not liquidity-related positions, e.g. the valuation result (see consolidated cash flow statement).

Hedge Hedges are used to shelter certain items (e.g. interest or currencies) against fluctuations in their market value. These transactions aim to fix an economic price (e.g. an interest rate) at a fixed date in the future.

HGB Abbreviation for "Handelsgesetzbuch" (German Commercial Code or German GAAP). This act sets out core principles of German commercial law in a total of five books.

IFRS Abbreviation for "International Financial Reporting Standards". This term refers to international accounting standards which comprise the standards issued by the International Accounting Standards Board (IASB), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). These regulations aim to ensure an internationally comparable, adequate presentation of a company's actual financial position and results of operations.

Interest Rate Swap Swaps are derivatives which agree the swap of definite and fixed cash flows at a certain date in the future. In the case of an interest rate swap, the contracting parties undertake to pay a fixed or a variable interest rate for a specific underlying to the respective other contracting party. This mostly aims to hedge against the risk of changes in interest rates or to generate speculative profits.

Investor Relations Also known as IR. Describes the relationship, in particular the communication, with potential and current investors in a listed company. These activities aim to provide investors with up-to-date, comprehensive information.

NAV Short for "net asset value". This KPI describes the actual enterprise value. Under IFRS regulations, the net asset value mostly corresponds to the balance sheet equity.

Potential Rent Potential rent describes the annual rent for an existing property which could currently be received. This is the total of all of the contractual annual rent and any vacancies at market rents adequate for the respective location and property.

Prime Standard Listing segment of Deutsche Börse AG, organized under civil law and subject to statutory regulation. Companies listed in this segment have to fulfill particularly high transparency requirements.

REIT Short for a "real estate investment trust". The business purpose of a REIT is conducting activities relating to real estate. Under German law this includes, in particular, acquiring, managing and selling commercially used properties. In return for fulfilling the statutory requirements, no corporation or trade tax is paid at the REIT-company level. Instead, the shareholders are taxed to the extent that net income under the commercial code is disbursed as a dividend. In Germany, the corresponding tax rate has totaled 25% since the definitive withholding tax ("Abgeltungssteuer") was introduced.

UPREIT Short for upstream-REIT. Refers to the exchange of participations in closed-end real estate funds for shares of a listed REIT. Although comparable concepts are wide-spread in the USA, Fair Value REIT-AG is the only company to date in Germany to use this business model.

WpHG Abbreviation for "Wertpapierhandelsgesetz" (German Securities Trading Act). The WpHG regulates trading in securities such as shares or bonds in Germany. The "Bundesanstalt für Finanzdienstleistungsaufsicht" (BaFin – German Financial Services Supervisory Authority) controls the upholding of this act.

XETRA Stands for exchange electronic trading. This refers to Deutsche Börse AG's computer-assisted trading system for the spot market.

Financial Calendar and Imprint

Financial calendar

Fair Value REIT-AG

May 10, 2012	Interim Report 1st Quarter 2012
May 14, 2012	Annual General Meeting (Munich, Germany)
August 9, 2012	Semi-Annual Report 2012
September 5, 2012	Presentation, 11th Conference Real Estate Share Initiative (Frankfurt/Main, Germany)
November 12 – 14, 2012	Presentation, German Equity Forum (Frankfurt/Main, Germany)
November 8, 2012	Interim Report 1st - 3rd Quarter 2012

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