Annual Report 2010

Growing strong

fair value
REIT

Key Figures

Key figures of Fair Value REIT-AG			
		12/31/2010	**12/31/2009**
Revenues and earnings			
Rental revenues	in € thousand	12,081	10,460
EBIT	in € thousand	2,867	(727)
Consolidated net profit	in € thousand	2,232	(2,906)
Earnings per share	in €	0.24	(0.31)
Funds from operations (FFO)	in € thousand	4,798	2,947
FFO per share	in €	0.51	0.31
Assets and capital			
Non-current assets	in € thousand	177,480	185,393
Current assets	in € thousand	18,483	18,416
Total assets	in € thousand	195,963	203,809
Equity/Net asset value	in € thousand	74,558	72,720
Equity ratio	in %	38.0	35.7
Number of shares in circulation	in pieces	9,325,572	9,347,790
Net asset value (NAV) per share	in €	8.00	7.78
EPRA-NAV per share	in €	8.93	8.72
Number of employees (including Management Board)		3	3

The Share

Group Management Report

Consolidated Financial Statements

Letter to Shareholders

Frank Schaich, CEO

Dear shareholders, ladies and gentlemen,

Financial year 2010 was a very successful one for Fair Value REIT-AG. This was based on the improved economic climate and stable earnings from our real estate and participation portfolio. As in previous years, in 2010 we were able to maintain a high occupancy rate of around 94%. This has remained virtually unchanged year-on-year. Through re-letting and new leases, we managed to extend about 75% of the expiring lease volume in 2010. Due to this letting success and advance lease renewals, the remaining secured term of the lease agreements is again over six years on average.

Financial Year 2010: Expectations Exceeded Significantly at Group Level, Dividend Target Achieved

Stable development of the rental sector and, even more importantly, savings in planned rental costs and general administration expenses have helped us to exceed our earnings targets considerably. Having raised our forecast for adjusted consolidated net income from € 4.2 million to € 5.1 million in November 2010 to reflect market changes and extraordinary effects, we can now actually report net income of € 5.8 million or € 0.62 per share for the whole of 2010.

Compared to the previous year (€ 6.0 million), this "operational" consolidated net income like the occupancy rate remained almost unchanged. The slight decrease is mainly related to the sale of four properties.

The improved market valuation of the property portfolio played a decisive role in the reconciliation between the adjusted and unadjusted IFRS consolidated net income in 2010. On balance, there was a valuation loss of around 2%, which was mainly the result of temporary vacancies in individual properties. Compared with the previous year (–4%), the valuation result improved by 50%.

Overall, consolidated net income reached € 2.2 million or € 0.24 per share, representing an increase of € 5.1 million compared to a net loss of € 2.9 million in the previous year. As a result, net asset value (NAV) increased by around 3% to € 8.00 per share (previous year: € 7.78).

Due to the transfer of the four properties sold in the previous year and the sale of a participation in an associated company, the Group's financial liabilities decreased by 9%. At the same time, equity pursuant to § 15 of the REIT Act rose to 49.6% of immovable assets. This equates to an increase of over 4 percentage points compared to the previous year (45.5%). There was positive development in the Group's cash and cash equivalents, which increased by € 3.7 million (or 44%) to around € 12.0 million.

Retained earnings reported in the non-consolidated financial statements of Fair Value REIT-AG under the German Commercial Code, which are of crucial importance for the determination of dividends, reached € 1.0 million. We have thus achieved our dividend payout objective. The Management Board and Supervisory Board will propose to the Annual General Meeting on May 31, 2011 a dividend payment of € 0.10 representing a payout ratio of 93.5% of retained earnings pursuant to the Commercial Code.

Forecasts for 2011 and 2012: Cautious Earnings Forecasts Based on a Positive Economic Outlook

The German economy is expected to grow by 2.0% and 2.2% in 2011 and 2012, respectively. This means that at present, Germany is the fastest growing economy in the Eurozone. Demand for office rental space is likely to increase in line with continuing economic growth, allowing for moderate rent increases. Based on positive consumer sentiment, retail market rents are expected to rise.

However, these forecasts have been based on the assumption that the natural disaster in Japan will not have a serious negative impact on global economic development – for example, by disrupting global supply chains, which could adversely affect growth rates in Germany. So far, the demand for products and services has not been disrupted.

The positive economic outlook in Germany should help to reduce existing and future vacant spaces in our property portfolio. As in previous years, we have forecast costs expected to be incurred in letting the entire existing vacancy in the property portfolio. In addition, our forecasts take into account re-letting and new lease expenses related to expiring lease agreements as well as maintenance costs. Overall, the expiring lease volume in 2011 and 2012 will amount to around 15% of Fair Value's share of the annual rent, which is spread across about 150 lease agreements. Through successes in tenant retention and letting we aim to ensure a high level of profitability of Fair Value's property portfolio also in the coming years.

In 2011, revenues are expected to decrease initially below the level of 2009 and 2010 due to reported property sales by subsidiaries. However, the high portfolio occupancy rate and the weighted remaining term of the leases still offer a high level of stability. Assuming that we manage to let the entire vacant space in our property portfolio and spend our entire rental cost budget, we expect adjusted consolidated net income (EPRA earnings) to reach € 4.3 million or € 0.46 per share in 2011. In 2012, we expect adjusted consolidated net income to climb to € 5.1 million or € 0.55 per share.

Our original forecast for 2010 had envisaged an adjusted net income of € 4.2 million, based on the same assumption of letting the existing vacancies in full. This income was considerably exceeded because the actual rental costs could be kept at a much lower level compared to forecasts.

With respect to the non-consolidated financial statements of Fair Value REIT-AG under the German Commercial Code, we are seeking to achieve retained earnings that will support a dividend payment of at least € 0.10 per share in 2011 and 2012. In order to reach this target, as yet unsecured income from portfolio adjustments will be required. However, on the back of the improved investment climate for real estate we believe this to be achievable. In this respect we will focus mainly on the sale of properties held by participations.

Good Growth Prospects for German REITs and Fair Value

In the current economic and capital market environment, German commercial real estate offers comparably high return on equity on the back of low debt interest rates. German REITs represent a unique and stable form of property investment, as they are required to maintain an equity ratio of at least 45% of the property value. At the same time, German REITs offer a high payout ratio of at least 90% of annual net income under the German Commercial Code while the tax burden for shareholders is limited to a maximum of 25% plus the German solidarity surcharge. In addition, REIT shares provide a high degree of transparency and liquidity as they are traded daily on the stock exchange.

These features support our view that in the future, REITs will become increasingly important in the German capital market – as is the case in all other countries that have had this form of indirect property investment for quite some time.

This environment should create new opportunities for Fair Value to raise equity and increase investment, which will enable us to grow our earnings and dividends per share in the long-term. This expansion should take place in connection with capital increases in cash or in kind, which can only be achieved in a stable and thriving capital market environment. We wil actively take advantage of these opportunities.

We thank you for your trust and confidence and look forward to welcoming you to this year's Annual General Meeting, which will be held on May 31, 2011 in Munich.

Munich, March 28, 2011

The Management Board

Frank Schaich

A REIT – Higher Return for Investors

REIT stands for Real Estate Investment Trust. The assets of these listed companies in Germany consist mainly of real estate and investments in other real estate companies.

At the international level, REITs have been established for many years. On 1 January 2007, they were introduced in Germany as well.

High Flexibility
Real Estate in the Form of 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 fixed payout ratio 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

German REITs have to prove a high equity ratio of 45% of the real estate assets that they hold.

Growing strong

Safe – Stable – Profitable – Promising

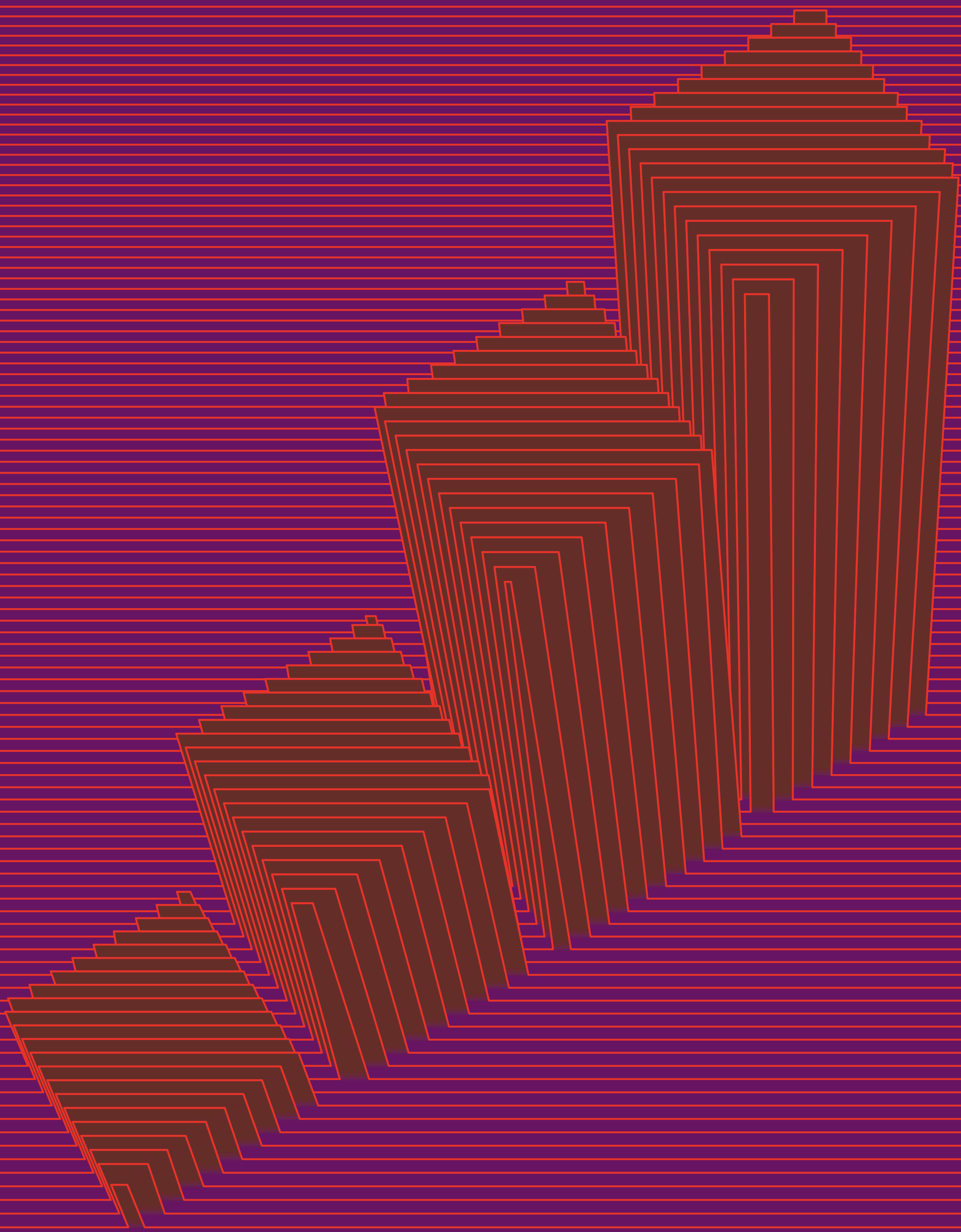
Fair Value REIT-AG acquires and manages commercial properties in Germany. The investment focus is on office and retail properties in regional locations. The strategic regional and sectoral diversification of our portfolio, the high creditworthiness of our tenants and our proactive asset management give us a stable foundation; the risk is low, even in difficult times.

The occupancy rate of our real estate has been 95% on average over the last four years, while the average maturity of our leases has remained constant at more than six years. In the future the predictability of our earnings will continue to be high.

Now is the time to introduce the second phase of business development. Fair Value is planning to increase its capital base significantly over the next 12 to 18 months. This will increase the attractiveness of Fair Value shares to investors, raising the profitability of the company and thus the long-term dividend potential.

All the information on pages 08 to 18 relates to Fair Value's proportionate portfolio and is therefore not directly comparable with the figures in the consolidated annual report and consolidated financial statements.

Best Prospects: Through Security and Flexibility



Major Market Potential

Thanks to its good economic situation the level of interest of international investors in the German property market is high. Because of their high liquidity, listed property companies are in particularly great demand. They will therefore in future be able to significantly expand their currently still small share of the commercial property market. Fair Value REIT-AG is planning to exploit this positive environment for its growth.

The interest of international investors in the German property market is currently very high. They are particularly interested in listed property companies and REITs. But there are not many businesses in which investors can appropriately invest. Germany does indeed have one of the largest real estate markets in the world, but in the context of real estate shares and REITs it is still underdeveloped at present. Specifically, the German real estate companies and REITs are relatively small by international standards and represent, in terms of market capitalisation, only about 1% of German commercial property. In the United Kingdom and France, the market capitalisation of listed real estate companies in terms of commercial property is about five times as large as in Germany.

Fair Value REIT-AG is planning to exploit the opportunities arising from this environment to ensure a significant increase of its capital base and thus rental income volume in the next 12 to 18 months. This will be possible through capital contributions in kind with properties and/or holdings in real estate companies in exchange for shares of the company, but also by cash capital increases. In this context, the daily trading volume and thus the liquidity of the Fair Value share will be increased to a level which is attractive for institutional investors. Experience suggests that this is only possible from a market capitalisation of € 100 million. Since general administrative costs would increase only slightly in this scenario, appropriate capital measures will generate economies of scale which will lead to increased profitability per share.

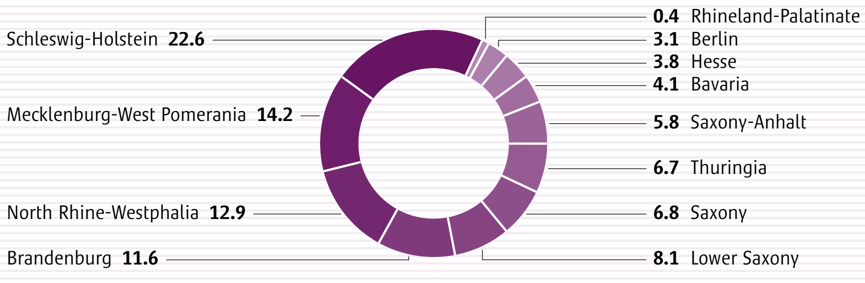
Well Distributed: our Property Locations

Favourable Risk Profile

Our real estate portfolio is diverse and regionally well distributed and our tenants from the retail or office segments come with high credit ratings. This means that the exposure to regional and sectoral developments is substantially reduced. With about 50% equity relative to the real estate assets and 90% long term debt, Fair Value has a favourable risk profile.

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 and strong regional diversification. On the balance sheet date, the portfolio consists of 75 properties with a total lettable area of approximately 434,000 m², distributed over the entire country. This broad distribution substantially reduces the sensitivity to regional developments relating to the occupancy rate and the performance of the portfolio.

The focus of investment activities is on medium-sized cities and regional centres. Because of the economic structure of Germany with its concentration on medium-sized companies, these locations have a more stable long-term rental market and performance than the major population centres, which are more affected by economic cycles.

A Selection of our Properties

Barmstedt

Berlin

Chemnitz

Hanover

Langen

Munich

Muenster

Naumburg

Neubrandenburg

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 primarily in the retail (44%) or office (42%) segments. The retail segment contributes through its longer lease terms to yield stability and thus to limiting the risks in the portfolio. The office segment is able to have a positive influence on the portfolio through higher income and value creation dynamics. For future investments Fair Value REIT-AG will focus on these two types of use.

Tenant structure

in % of market values

The tenant structure of Fair Value REIT-AG is characterised by a high credit rating. The largest single tenant, with about 15% of the proportionate contractual rent, is Sparkasse Südholstein. Solid retailers, such as Metro, Edeka and Kaufland Groups, jointly representing approximately 26%, are further major tenants. About 36% of the contractual rent is attributable to a number of smaller business partners. This broad distribution of the tenant mix further reinforces the risk diversification of Fair Value REIT-AG's investment strategy.

Equity ratio		
in € thousand	**2010**	**2009**
Total assets	**195,963**	**203,809**
Group equity	74,558	72,720
≙ percentage of total assets	38.0 %	35.6 %
Derivation of the immovable assets		
Investment properties	128,650	137,587
Investments in associated companies	48,551	47,442
Non-current assets held for sale	2,500	8,237
Immovable assets	**179,701**	**193,266**
Derivation of equity according to § 15 of the REIT Act		
Group equity	74,558	72,720
Minority interests	14,494	15,296
Equity according to § 15 of the REIT Act	**89,052**	**88,016**
≙ percentage of immovable assets	49.6 %	45.5 %

In terms of total assets, Fair Value has consolidated equity of 38%. It should be noted that the minority interests in subsidiaries amounting to € 14.5 million according to IFRS are included under liabilities. Including minority interests in equity, as envisaged in the REIT Act, the equity on the balance sheet date amounted to € 89.1 million or approximately 50% of the immovable assets.

Liability structure		
in € thousand	**2010**	**2009**
Long-term debt	87,556	104,004
Short-term debt	11,547	4,312
Total debt	**99,103**	**108,316**

Of the financial liabilities in the Group around 12%, i.e. € 11.5 million, are payable within one year. About 60% of these relate to a loan commitment due to expire in mid-2011, in respect of which an extension is being negotiated. The associated companies will not, in 2011, have any follow-on funding or changes of terms.

Through the high equity ratio and to 88% long-term secured debt in conjunction with its good liquidity situation, Fair Value has achieved a high degree of financial soundness for its investments.

Neumuenster

Neuss

Pinneberg

Potsdam

Quickborn

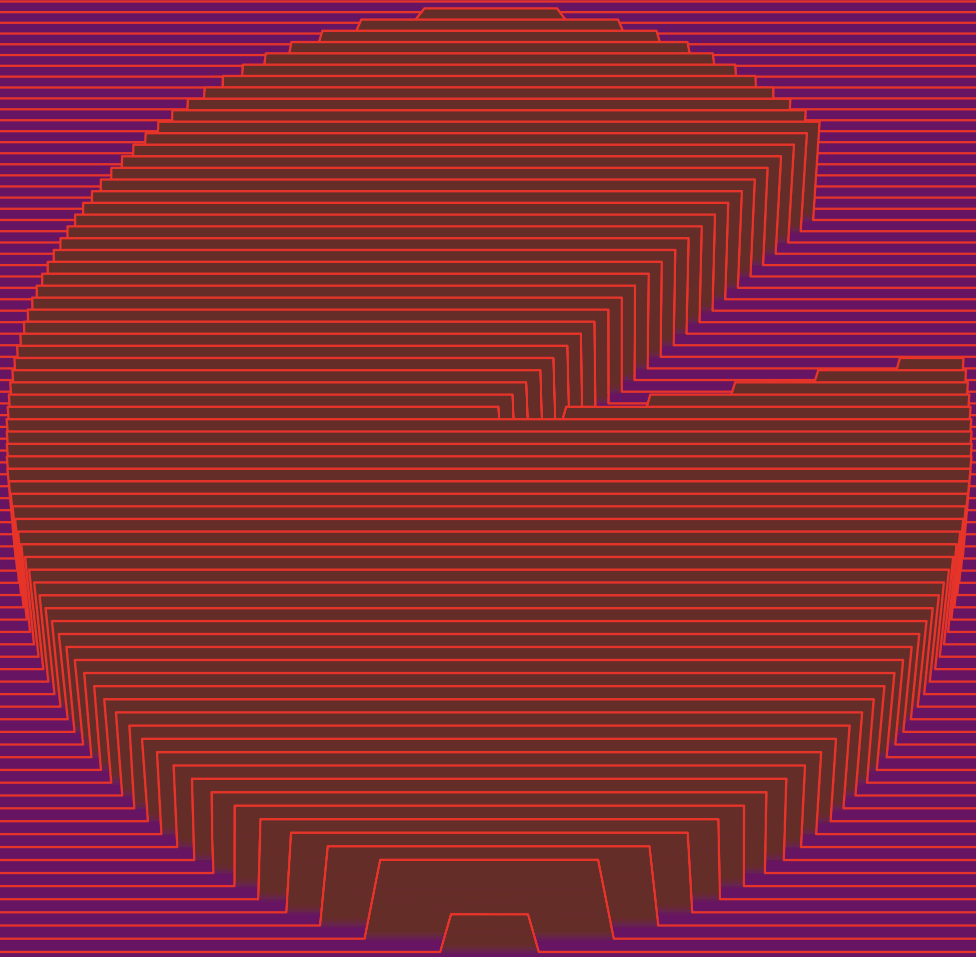
Rheda-Wiedenbrueck

Rostock

Teltow

Uetersen

Fully in Line with the Act: 90% Profit Dividend

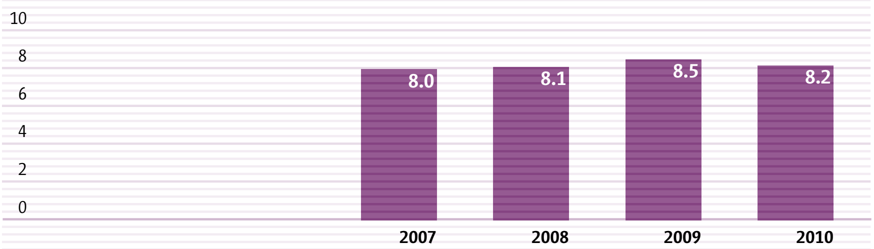


High Yield

REITs are not subject to revenue taxes at company level. In return, in Germany they must distribute at least 90% of the annual profit under the Commercial Code (HGB) as a dividend to shareholders. The shareholders only pay taxes on the dividends. In conjunction with the efficient organisation of Fair Value REIT-AG, this opens up an attractive return potential for shareholders.

Rental yield

in % of proportionate market values



With a proportionate contractual rent per year of currently € 18.4 million the Fair Value portfolio generates an attractive rental yield of 8.2% before charges. Given full letting, a potential rent yield of 8.8% before charges can be reached.

Through a streamlined organisational structure, the management has limited fixed costs to a minimum. The operational functions in the areas of accounting and commercial and technical property management are based on partly fixed, partly variable performance-based compensation awarded to an external service provider.

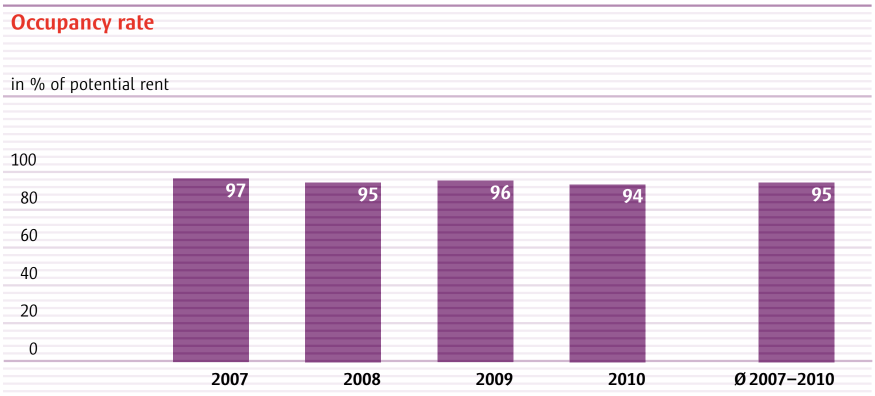
The resulting income is not taxable at the level of the company: through its REIT status, Fair Value is exempt from corporation and trade tax. The shareholders only pay taxes on the dividend, which amounts to at least 90% of the annual net income of Fair Value REIT-AG under the Commercial Code. The dividend tax rate of 25% can be reduced to 15% under certain conditions. This offers a high yield potential after taxes.

Solid Foundation: the Occupancy Rate

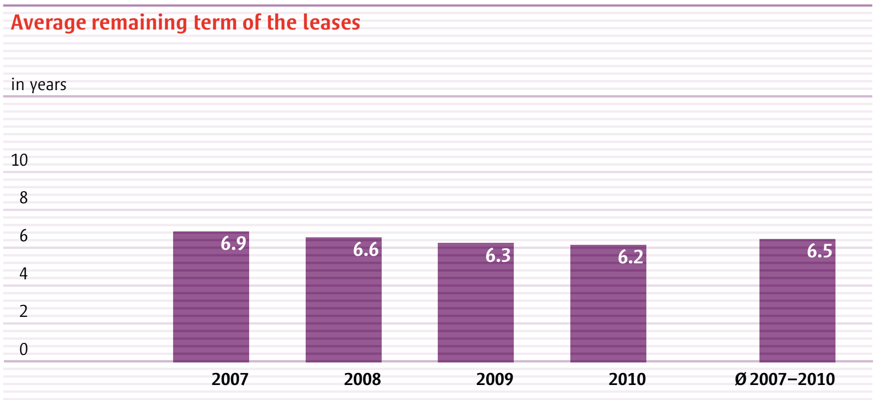
95%

Sustainable Stability

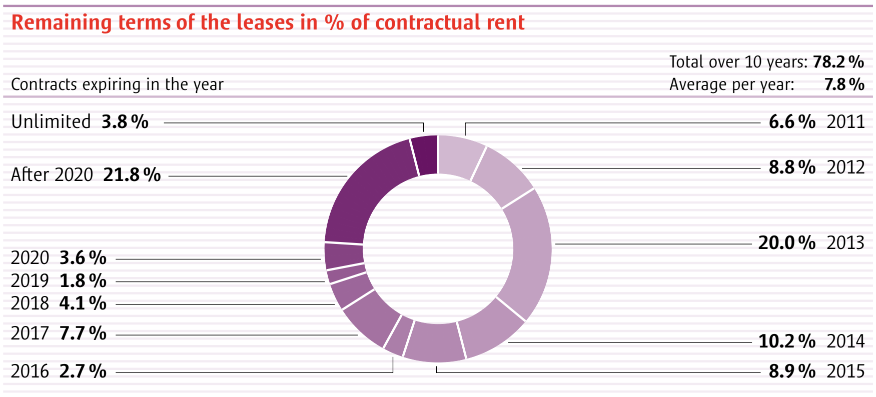
Long remaining lease terms – on average more than six years – and an average occupancy rate over four years of 95%: The Fair Value Group stands on a stable foundation. Low tenant turnover and predictable rental income are the result of successful tenant retention and good property standards.



The occupancy rate of the proportionate Fair Value portfolio at the end of 2010 remains high at approximately 94% of the proportionate potential rent (€ 19.7 million). Over the past four 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.



The remaining term of the existing leases of the proportionate portfolio on 31 December 2010 was 6.2 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.



The distribution of the remaining lease terms and low dependance on individual tenants stand for high stability. In 2010, 75% of the expired rental volume could be upheld by follow-on or new leases: success and an incentive at the same time.

From a total of 652 leases, 80 agreements are due for renewal in 2011; the three largest lease agreements are equivalent to 34% of the expiring rental volume (6.6%). In 2012, the fixed terms of 69 lease agreements will expire, of which the three largest tenants share 38% of the expiring rental volume (8.8%). In 2013, 32 leases will expire. Here, 86% of the expiring rental volume (20.0%) is concentrated in the three largest lease agreements.

The Share

Share Price Impetus through Forecast Increase

Closing Price +4 % up to € 4.80

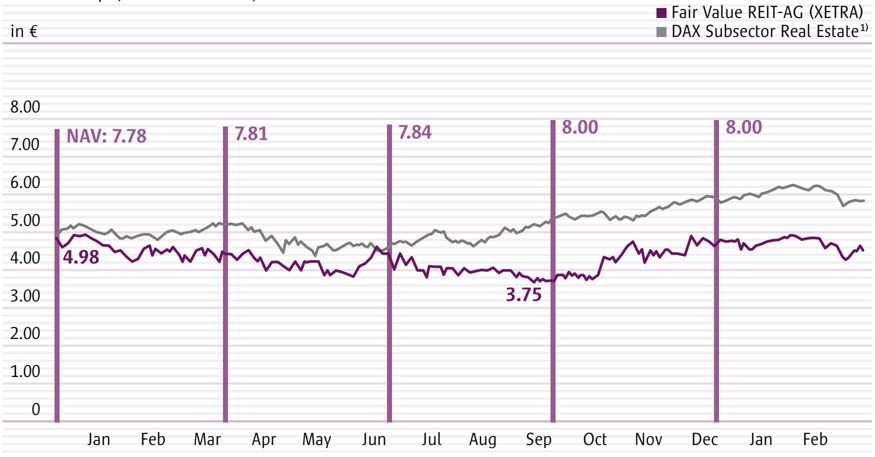
Total Trade Volume of Fair Value Shares +55 %

Fair Value's Share

Development of the Stock Market and the Fair Value Share

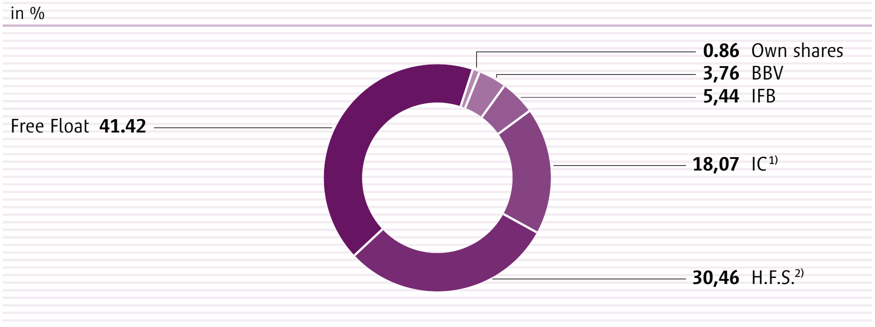
The development of the international stock markets in the reporting period is characterized by an increasingly discernible recovery tendency. Towards the end of the year, the share of the Fair Value REIT-AG that had shown a declining tendency was able to participate in this development.

Development of Fair Value's share
from January 4, 2010 to March 24, 2011



[1] Chain-linked as of January 1, 2010

Fair Value REIT-AG's shareholder structure
as of December 31, 2010



[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	**2010**
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 2010 (XETRA)	€ 4.98/3.75
Market capitalization as of December 31, 2010 (XETRA)	€ 44.7 million
Market segment	Prime Standard
Stock exchanges Prime Standard	Frankfurt, XETRA
Stock exchanges OTC	Stuttgart, Berlin-Bremen, Duesseldorf, Munich
Designated sponsors	DZ-Bank, biw Bank
Indices	RX REIT All Shares-Index, RX REIT-Index

In the first half of the year the share performance developed from a price level of € 4.90 on January 4, 2010 to its year's highest price of € 4.98 on January 18. Similar to the Real Estate DAX Subsector, however, the share then followed the industry trend in a slightly volatile downward trend until June 2010 to level off at € 4.00. After a brief surge in the stock to a price of € 4.50, the share price fell to the year's low of € 3.75 on October 1, 2010. While the benchmark index recorded an upturn from July 2010 until the end of the year, the Fair Value share was only able to catch up with a time delay in November 2010. Besides the positive economic development, the increase in the annual forecast via an ad-hoc release on November 8 and the publication of the positive 9-month results on November 15 were especially catalysts for a share price growth. Accordingly, up to December 30, 2010, the price increased to the closing price of € 4.80 and with that could largely compensate for the losses incurred during the year. Correspondingly, the market capitalization at the end of fiscal year 2010, was approximately € 44.7 million.

On all stock exchanges in fiscal year 2010, around 1 million shares in Fair Value REIT-AG were traded. This represents an increase of 55% over the previous year's turnover of € 0.6 million. This resulted in a trade volume of € 4.3 million compared to € 2.6 million last year. The average price in 2010 at € 4.18 per share was 7% over the previous year's € 3.91.

Investor Relations

The Fair Value REIT-AG aims to supply comprehensive and comprehensible information to all stakeholders. A particular concern of the company is the greatest possible transparency and credibility of corporate communication. For this reason, Fair Value, within the framework of their financial reporting, provides regular and detailed insights into the business development of its investments and additional detailed information concerning the real estate portfolio as well as the financial liabilities of the Group and associated companies. In this manner, current and potential shareholders are given the opportunity to form an assessment of the business development and of the Equity Story behind the Fair Value Group which is as differentiated as possible. In addition, Fair Value REIT-AG is in continuous dialogue with the capital market.

The Executive Board is in continuous contact with analysts, investors and the financial media. The company takes part in investor conferences and shows its business results during road shows to interested domestic and overseas investors. In the course of 2010, the Company presented the respective current financial figures at the 5th DVFA real estate conference in February, the press conference in March for the release of the year's results and at the German Equity Forum in November (all in Frankfurt/Main).

Currently the company is being covered by two analyst companies. The company aims to continue to gradually increase its research coverage.

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

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 2010 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 as of mid 2010 consists of a basic remuneration of € 209,000 p.a. (previously € 204,000 p.a.) as well as a variable remuneration amounting to 2% of the company dividend distributed (for 2010 p.r.t.). 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 the remuneration report included in the Group Management Report and in section 33 of the Notes to the Consolidated Financial Statement 2010.

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 chair-person 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 33 of the Notes to the Consolidated Financial Statement 2010.

Directors' Dealings

During the 2010 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 2010

Person obligated to report	Date of transaction	Transaction type	Number	Price per share in €	Volume in €
Dr. Oscar Kienzle	7/1/2010	Share purchase	50,000	4.20	210,000
Dr. Oscar Kienzle	12/28/2010	Share purchase	16,425	4.49	73,748

Share Ownership

The shares in Fair Value REIT-AG held directly and indirectly by the members of the Management and Supervisory Boards amount 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)	155,486	
Total	**158,514**	**1.7**

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, 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).

Group Management Report

Significantly Exceeded Forecasts

Valuation Result Increased by 50 %

Net Profit € 2.2 million (2009: minus € 2.9 million)

Dividend Proposal € 0.10 per Share

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Economic 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 participations in fully consolidated real estate partnerships. The Group also has minority interests in real estate partnerships equity accounted at the net asset value. The total market values of the properties directly held by Fair Value and the total proportionate market values attributable to Fair Value of the properties held via participations amounted to € 225 million on the balance sheet date. The occupancy rate of this portfolio was 93.6% on the balance sheet date and the weighted remaining lease term was 6.2 years.

Fair Value REIT-AG (hereinafter referred to as Fair Value) has its head office in Munich, Germany, and does not have any branch offices. As a real estate investment company, 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 properties as well as indirectly, via the acquisition of participations, in real estate partnerships. A special feature of the business model is that investments can be made as contributions in kind (i.e. in exchange for shares in Fair Value) as well as in the form of the payment in cash of the purchase price. A combination of the two methods is also possible.

Fair Value Group holds its portfolio of properties in Fair Value REIT-AG and in its subsidiaries, which gives rise to the two business segments of "Direct investments" and "Subsidiaries". The full consolidation of the subsidiaries results in the proportion of the net assets attributable to the minority interests in these subsidiaries being listed under Fair Value Group debt capital in accordance with IFRS accounting standards.

There are also minority participations in real estate partnerships that are not allocated to either of these segments as they are equity accounted – which means that only the proportionate net assets attributable to Fair Value REIT-AG are listed on the assets side of the balance sheet. 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 fallen slightly from the previous year, when calculated on a proportionate basis, from 95.5% to 93.6%. The weighted remaining term of the leases on the reporting date was almost unchanged (6.2 years compared to 6.3 years at the end of the previous year).

In the following table, the company provides information about the properties and participations of the Group, which have a combined market value of approximately € 131 million (direct investments and subsidiaries) as of the reporting date of December 31, 2010. Other properties with a value of € 365 million are attributable to the associated companies.

The market values of the properties are based on property-specific valuations carried out by the external surveyor CB Richard Ellis GmbH on the reporting date. The right hand side of the table shows the rents and market valuations of the properties taking into account the respective Fair Value REIT-AG participating interest.

Direct investments and participations REIT-AG
as of December 31, 2010

Shortname/ Directinvestments & Participations	Plot size [m²][1)]	Lettable space [m²][1)]	Annualized contractrual rent p. a. [T€][1)]	Market value [T€][1)2)]	Participating interest [%]	Fair Value REIT-AG's share: Annualized contractual rent [T€][3)]	Market value [T€][2)3)]	Occupancy level [%][4)6)]	Ø-remaining term of rental agreements [years][5)6)]
Direct investments									
"Sparkassen-Portfolio"	58,624	42,948	3,242	45,417	100.00	3,242	45,417	97.4	11.2
Segment direct investments	**58,624**	**42,948**	**3,242**	**45,417**	**100.00**	**3,242**	**45,417**	**97.4**	**11.2**
Subsidiaries									
IC 07 IC Fonds & Co. Büropark Teltow KG	5,324	9,731	451	7,340	76.74	346	5,633	65.5	1.6
IC 03 IC Fonds & Co. Forum Neuss KG	19,428	12,064	442	5,790	71.58	316	4,145	61.5	1.7
IC 01 IC Fonds & Co. München-Karlsfeld KG	7,019	3,375	295	4,000	56.29	166	2,251	84.1	9.9
BBV 06 BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG	87,683	61,776	3,732	43,873	55.71	2,079	24,442	90.2	3.5
BBV 03 BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG	25,172	12,781	696	6,760	53.83	375	3,639	99.8	2.5
IC 13 IC Fonds & Co. Gewerbe-portfolio Deutschland 13. KG	22,357	21,835	1,606	17,970	50.04	804	8,991	82.9	3.6
Total subsidiaries	**166,983**	**121,562**	**7,222**	**85,733**		**4,086**	**49,101**	**83.6**	**3.4**
Total Group	**225,607**	**164,510**	**10,465**	**131,150**		**7,328**	**94,518**	**89.2**	**6.9**
Associated companies									
BBV 14 BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG	16,196	38,012	6,147	84,780	45.11	2,773	38,244	96.4	4.8
BBV 02 BBV Immobilien-Fonds Erlangen GbR	6,350	2,770	220	1,640	40.45	89	663	100.0	1.6
IC 12 IC Fonds & Co. SchmidtBank-Passage KG	4,226	8,380	491	7,280	40.27	198	2,932	77.6	2.9
IC 15 IC Fonds & Co. Gewerbe-objekte Deutschland 15. KG	21,335	33,080	3,003	36,620	38.89	1,168	14,240	98.6	8.2
BBV 10 BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG	177,231	96,203	10,218	112,255	38.37	3,920	43,068	95.3	4.0
BBV 09 BBV Immobilien-Fonds Nr. 9 GmbH & Co. KG	114,912	90,728	11,718	122,760	25.16	2,949	30,891	100.0	8.0
Total associated companies	**340,250**	**269,173**	**31,798**	**365,335**		**11,097**	**130,038**	**96.8**	**5.7**
Total proportionate portfolio						**18,425**	**224,556**	**93.6**	**6.2**

1) Does not consider the respective participating interest
2) According to valuation by CB Richard Ellis GmbH, Frankfurt/Main, December 31, 2010; for the Essen property (IC 01) the agreed sales price in the amount of € 2.5 million was appointed.
3) Proportionate market values attributable to Fair Value based on percentage of participations; IC 15 holds only 94.2% in Chemnitz-Passage KG; however, due to negative equity of the minority shareholder on property company level the property is to be attributable to IC 15 with 100%
4) Contractual rent/(contractual rent + vacant space at standard market rent)
5) Income-weighted
6) (Sub) totals for occupancy level and average remaining term taking the respective percentage of participations into account

Management and Control Structure

The management activities of Fair Value REIT-AG focus on the strategic management of the Group as well as risk management and investor relations. The non-strategic, operative functions, such as property management and accounting are outsourced to an external service provider based on partly fixed and partly variable (based on success) remuneration agreements.

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 (three people including the Management Board) are the strategic management of the Group, risk management and investor relations.

The Management Board works closely with the Supervisory Board – which 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 are provided in the renumeration report on page 55 (Group Management Report) and in the Notes pages 121 and 122. Further information about the company management is laid down in the Company Management Declaration, which is available online at www.fvreit.de under the heading investor relations/corporate governance. The Declaration Concerning the German Corporate Governance Code in accordance with section 161 AktG (German Law on Stock Corporations) can also be downloaded from there.

Considerable sections of the accounting and property management functions are outsourced via service agreements to IC Immobilien Service GmbH, a company in the IC Real Estate Group based in Unterschleißheim near Munich. The group has approximately 200 employees and provides support for an investment volume of approximately € 8 billion on behalf of private and institutional investors.

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

Company Management, Goals and Strategy

Internal Management System

At the Group level, property information is aggregated to determine the FFO and EPRA performance indicators, which are published as forecast values. Fair Value has always fulfilled or exceeded their forecasts.

The internal management system at Fair Value REIT-AG is based on rolling five year forecasts for individual properties in the directly held real estate portfolio as well as for real estate held by subsidiaries. Fair Value REIT-AG is also incorporated, on the basis of the same information, into the budget and management process of the properties held indirectly in the associated companies.

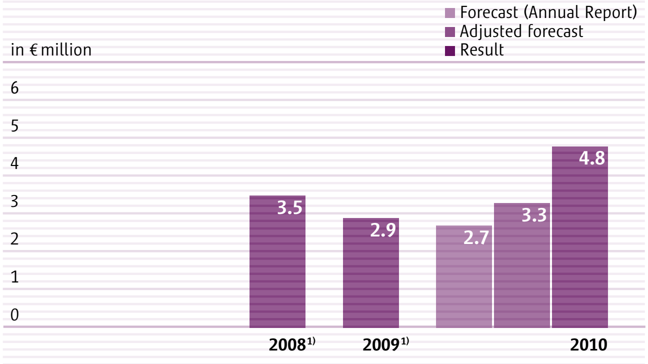
At least every quarter, the company obtains information in accordance with its specifications about all the directly and indirectly held properties. The reports contain information about important, contractually relevant incidents or incidents that deviate from plans and the strategy. Important performance indicators in this respect are net rental revenue, service charges, maintenance costs and investments.

At the portfolio and Group level, this information is aggregated, taking into account the overhead and financing costs, in order to provide the key indicators, FFO (Funds from Operations) and EPRA-Earnings[a] (net income before market value changes). Forecast values for these indicators are published in forecast reports for the current year and the coming year.

For previous years, the comparison between forecast and actual values for these indicators is as follows:

Funds from Operations (FFO) The FFO indicator is a liquidity-oriented figure and provides information about the strength and quality of the operative business. The details of the calculation of this figure are available in the chapter on earnings, financial status and assets on page 46 (Group Management Report).

Forecast/result comparison FFO

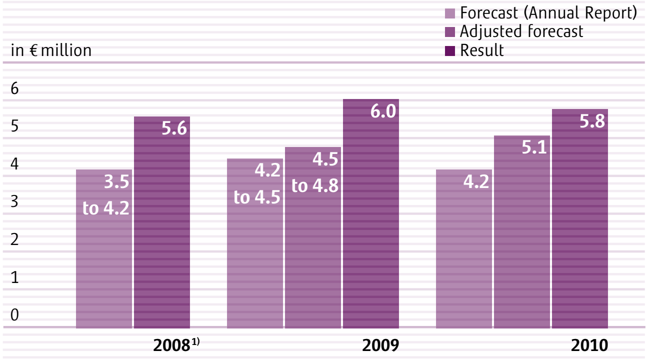


[1] Forecast not published

EPRA-Earnings[a]

This indicator reflects the consolidated net income adjusted to eliminate the effects of market value changes to the properties and interest rate derivatives as well as other one-off effects. Further information is available in the chapter containing an overall statement about business performance on page 40 ff. (Group Management Report).

Forecast/result comparison EPRA-Earnings



[1] Forecast not adjusted

[a] According to the "Best Practise Recommendations" of the European Public Real Estate Association (EPRA) for IFRS reporting for real estate company earnings.

Aims and Strategies

Fair Value REIT-AG aims to offer its shareholders a high level of sustainable income strength and stability. The wide regional and sectoral diversification of the real estate portfolio provides a solid basis for this. In order to increase the company's profitability, Fair Value is planning to significantly increase its equity capital base and capital investment during the next 12 to 18 months. This should provide the basis from which sustainable dividends can be generated, thus increasing the attractiveness of shares in the company to investors. As a REIT, Fair Value is legally obliged to distribute at least 90% of its profits based on German Commercial Code (HGB) to its shareholders.

Good post-tax profitability with an efficient corporate structure. Fair Value REIT-AG aims to provide its shareholders with a high level of sustainable profitability and income stability and thus offer attractive dividends. The business focuses on the German real estate market, with a particular focus on regional centres, and always strives to ensure good diversification of risks.

Because of its REIT status, Fair Value REIT-AG has been exempt from corporation and trade tax since 2007. In order to maintain this beneficial tax status, Fair Value REIT-AG adheres to the numerous regulations of the German REIT Law. This includes in particular the obligation to underlay the immovable assets in accordance with the IFRS consolidated financial statement with balance sheet equity capital of at least 45%, as well as the obligation to pay out dividends amounting to at least 90% of the profit as defined by the HGB (German Commercial Code).

The company's fixed costs are kept to a minimum due to the streamlined organisation of the internal management structures. The non-strategic, operative functions in the areas of accounting and technical and commercial property management are outsourced to external service providers, which receive partly fixed and partly variable (performance-related) remuneration.

Strong growth with high transparency. Fair Value plans to significantly raise its equity capital basis during the next 12 to 18 months. Together with transparent financial reporting and the provision of information to the capital markets, this should lead to an increase in the daily trading volume and liquidity of Fair Value shares to such an extent that they become attractive for institutional investors as well. Based on experience, this occurs above a market capitalisation of € 100 million. This aim will be achieved, at a given point in time when conditions are positive in the capital markets, by means of cash capital increases and capital increases in kind. No specific plans have been made for this as yet. As the general administrative costs should only increase slightly as a result of this, there will be the potential to achieve economies of scale, which will result in greater profitability per share.

Further development of strengths: concentration on retail and office properties. 86% of the Fair Value proportionate rental income at full occupancy (potential rent) are currently generated from properties used primarily for retail (44%) and offices (42%). Retail properties are generally characterised by long leases and thereby contribute to income stability and the limitation of risks in a portfolio, whereas office properties can have a positive effect on property portfolios due to their greater dynamism in terms of income and increased valuations, depending on market conditions. Fair Value REIT-AG will focus its future investments on these two types of use. Due to the positive economic outlook, the proportion of office properties in the portfolio will be overweighted in the mid-term.

The high degree of diversification among the 75 properties currently in the portfolio (including one that has already been sold) is to be retained. The existing focus on medium sized cities and regional centres in Germany will continue to be pursued. At the same time, depending on market conditions, portfolio properties with other uses are to be sold in the mid-term. In order to optimise the management and valuation expenditure required for the portfolio, the average market value per property is to be gradually increased during the course of buying and selling activities from the current figure of approximately € 7 million to a value of approximately € 10 million per property in the mid-term.

Potential Income and Value Increases as a Result of Access to Secondary Markets for Closed-end Real Estate Funds

In 2007, Fair Value acquired significant holdings in closed-end real estate funds from private investors and paid for these primarily with Fair Value shares. As there is not an extensively organised market for trading such closed-end real estate funds, there will continue to be attractive purchasing possibilities in the secondary market in the future.

Fair Value has been the first and currently only publicly traded real estate company in Germany, that invited investors in certain closed-end real estate funds to sell their participations to Fair Value REIT-AG as part of a public share offering in summer 2007 in return for cash payments or Fair Value shares. More than 2,000 private and institutional investors took advantage of the swap-offer at that time, with the result that approximately 85% of the Fair Value REIT-AG equity capital stemmed from contributions in kind of fund participations. The other 15% of the equity capital resulted from cash increases in stock in advance of the IPO in November 2007.

Closed-end real estate funds in Germany represent an investment volume of more than € 140 billion. The equity capital used in this respect comes primarily from private investors, some of which wish to exit their investment during the property holding phase, for one reason or another. Although there are a few trading platforms which might be considered similar to a stock market, there is no organised market as such for trading holdings in closed-end real estate funds. This results in a secondary market for holdings in closed-end real estate funds and thus opportunities arise to acquire holdings sometimes significantly below their actual net asset value.

Fair Value REIT-AG, in connection with or after the implementation of the required capital measures, aims to take an active role again in this secondary market in the future. In this respect, the existing participations are to be selectively expanded and new participations are to be acquired in order to exploit the potential for income and value growth for Fair Value REIT-AG by means of active asset management until the properties are sold and the companies are liquidated.

Depending on investment volumes, the aim will be to obtain, within the context of public offerings, a mixture of capital increases in kind and acquisition of participations against cash payment. Such transactions should be realised if a majority position for Fair Value in the relevant fund company is possible or foreseeable in the mid-term.

Macroeconomic and Sector Specific Conditions

The German economy experienced a strong upturn in 2010, from which the labour market also benefited noticeably. The situation in the key office rental markets thus stabilised considerably. The rental market for retail properties has survived the latest crisis and is stable, with some top rents on the rise.

The transaction volume in the market for commercial properties almost doubled in comparison to the previous year. This trend was partly due to persistently low interest rate levels and the lack of high-yield investments alternatives. The demand amongst institutional and private investors is most obvious in low risk properties in prime locations. Office and retail space dominates the market. Further increased interest on the part of investors is expected in 2011. This should result in increased demand for properties with higher risk profiles.

Macroeconomic Situation

Sources: German Federal Employment Agency, Destatis – German Federal Statistics Agency, DIW, ifo Institut. German Economic Institute

The German economy grew strongly in 2010. The price-adjusted gross domestic product grew by 3.6% (previous year –4.7%), the best growth figure since reunification. As was already indicated during the course of the year, this growth is also a result of strong domestic demand. As the catch-up effects following the crisis in 2009 start to dissipate, leading German economic research institutes are forecasting a slight flattening out of the growth curve in 2011, with gross domestic product growth of around 2.2 to 2.4%.

Following the lowest inflation rate recorded since reunification in 2009, with price increases of just 0.4%, prices rallied again as expected in 2010. As announced by the Federal Statistics Agency (Destatis), the consumer price index in Germany rose by 1.1% compared to the previous year. This was primarily the result of the upward trend in consumer prices, in particular for energy products, which were 3.9% higher than in the previous year. The European Central Bank's base rate of interest remained unchanged at 1.0% during the reporting period.

The labour market also benefited noticeably from the economic upturn experienced in 2010. Unemployment fell considerably in comparison to the previous year. Employment and the number of jobs subject to compulsory social security contributions increased. In 2010, an average of approx. 3.2 million (previous year: 3.4 million) people or 7.7% (previous year: 8.2%) of the civilian labour force were unemployed, with a positive trend apparent as the year progressed. At the end of December 2010, there were 3.0 million people (7.2%) unemployed compared to 3.3 million (7.8%) in December 2009.

Real Estate Market in Germany

Sources: Jones Lang LaSalle, gif Gesellschaft für Immobilienwirtschaftliche Forschung e.V., DG Hyp – German Mortgage Cooperative Bank, Deutsche Bank Research

The rental market **Office space** The considerably increased stability in the key office rental markets can be seen as an indication that the recent economic crisis has been overcome. The office space leasing turnover in the six main centres for office space[1)] increased overall and in each individual sub-market compared to the previous year. In addition, many large lettings were registered, accounting together for approximately 17% of the overall leasing turnover. An overall leasing turnover of approximately 2.7 million m² was registered in the six main office space centres in 2010. Compared to the previous year (2.1 million m²), this equates to an increase of approximately 26%. And in prime locations in certain centres, top rents have already started rising.

However, vacancies in the six main centres for office space increased by approx. 8% from around 7.9 million m² at the end of 2009 to around 8.5 million m². This equates to a vacancy rate of 10.6% (previous year 9.9%). This increase is due to the completion of new buildings. The resulting growth in floor space available for rent has not been fully offset by the growth in demand for rental space, as companies have concentrated on moving and consolidating office space rather than expanding. A comparable leasing turnover is expected for the current business year – and the trend towards increasing top rents is set to become stronger and more widespread.

In the regional centres[2], developments in recent years have been considerably less volatile than in the major urban centres. The vacancy rate in such regional centres admittedly did not reach the low levels seen in major locations during the boom years at the beginning of the previous decade, but even in the crisis years the vacancy rates remained consistently below 8% and actually fell. The rents for prime locations were also considerably less volatile in the regional centres than in the major centres for office space. Such tendencies and developments are due to the considerably smaller changes to office space inventories in the regional centres when compared to the major locations.

Retail space The positive trend in terms of private consumption has helped stabilise the rental market for retail space during the recent economic crisis. In contrast to the office space market, top rents have remained steady or perhaps increased slightly. This applies to prime locations and regional centres in equal measure, even though they are at a different level to each other. Due to the good macroeconomic data and positive developments in the labour market, a continuation of this trend can be expected on balance in 2011.

The investment market In comparison to the previous year, the transaction volume in the market for commercial properties nearly doubled during 2010 in the seven major investment markets[3], reaching a figure of € 19.3 billion (previous year € 10.3 billion). This was partly the result of the continued low interest rates and the associated lack of investment alternatives with good yields. The demand among private and institutional investors focused in particular on low risk properties in prime locations, so called core properties. Office and retail properties dominated the market as usual and represented approximately 80% (approximately equally split) of the transaction volume in 2010. Due to the excess demand for core properties, prices for these properties increased in the segments for warehousing and logistics space as well as in the segment for office space and commercial buildings, while other segments remained stable. Considering the lack of availability of core properties and the positive macroeconomic conditions, there are already signs of increased investor interest in 2011 and thus greater demand for properties with higher risk profiles.

[1] Berlin, Duesseldorf, Frankfurt/Main, Hamburg, Munich, Stuttgart
[2] Augsburg, Bremen, Darmstadt, Dresden, Essen, Hanover, Karlsruhe, Cologne, Leipzig, Mainz, Mannheim, Muenster and Nuremberg
[3] Berlin, Duesseldorf, Frankfurt/Main, Hamburg, Cologne, Munich, Stuttgart

Major Events Occurring in the 2010 Business Year

The initial consolidation of the IC 13 subsidiary was the main reason for the rise in the net rental result. This, however, had no impact on the consolidated net income.

A crucial factor in the increase in the consolidated net income of more than € 5 million, from a loss of € 2.9 million in the previous year to a profit of € 2.2 million in 2010, was the considerably improved valuation result, which also had a positive effect on the financial results of the associated companies and thus on the income from participations.

It is true that the market valuation of the properties led on balance to a valuation loss. However, in comparison to the previous year, and including a compensation payment for the premature termination of a rental contract, this was approximately half the previous year's balance and thus when proportionately calculated was less than 2% of the previous year's valuation of the properties of € 229 million.

Analysis of the Market Valuation of the Properties on the Balance Sheet Date

The office space properties make the highest contribution to the valuation gains and the lowest contribution to the valuation losses. The valuation losses are mainly the result of temporary vacancies in the properties affected together with reductions in the remaining terms of the rental contracts.

Property valuation result 2010
a) Group

	Objects	€ thousand	%
Properties without change	3		
Properties with valuation gain	**20**	**616**	**100**
Allocation by sectors:			
Office	19	416	68
Retail	–	–	–
Other	1	200	32
Properties with valuation loss	**29**	**(4,854)**	**100**
Allocation by sectors:			
Office	14	(897)	18
Retail	11	(1,697)	35
Other (Logistic properties)	4	(2,260)	47
Valuation result Group	**52**	**(4,238)**	

Property valuation result 2010
b) Associated companies (proportionate)

	Objects	€ thousand	%
Properties without change	1		
Properties with valuation gain	**9**	**1,265**	**100**
Allocation by sectors:			
Office	5	704	56
Retail	4	560	44
Other	–	–	–
Properties with valuation loss	**13**	**(2,744)**	**100**
Allocation by sectors:			
Office	3	(1,029)	38
Retail	10	(1,718)	62
Other	–	–	–
Proportionale valuation result Associated companies	**23**	**(1,482)**	

Share Price Performance

During 2010, the performance of the shares of Fair Value REIT-AG was volatile. The company's shares were up by 4% to close at €4.80 as of the end of 2010, compared to the closing price of €4.60 per share on the balance sheet date of 2009. However, during the year the share fluctuated between –18% (price of €3.75 per share on October 1, 2010) to +8% (price of €4.98 per share on January 18, 2010).

Overall Statement of the Management on Business Performance

The financial year 2010 was well above expectations and therefore successful for Fair Value REIT-AG. Cost savings, as well as the significantly more favorable valuation result of the real estate portfolio compared to the previous year, have contributed to a pleasing increase in earnings. The Company's forecast, released in March 2010 and raised in November 2010, has thus been exceeded yet again.

Variance analysis

		Forecast	Adjusted Forecast	**Result 2010**	Change[1]
Net rental result	in € million	8.2	–	**9.5**	16 %
FFO	in € million	2.7	3.3	**4.8**	45 %
FFO per share	in €	0.29	0.35	0.51	
EPRA-Earnings	in € million	4.2	5.1	**5.8**	14 %
EPRA-Earnings per share	in €	0.45	–	0.62	

[1] Change relative to latest forecast, respectively

Compared with the full-year forecast published in March 2010, the Group's **Net Rental Result** increased by 16% from € 8.2 million to € 9.5 million. This increase is a result of lower than forecast maintenance, vacancy and rental costs.

The operating cash flow (so-called "Funds from Operations", **FFO**) amounted to € 4.8 million or € 0.51 per share. Accordingly, this figure has increased by another 45% compared to the forecast, which was raised in November 2010. This increase is the result of significantly higher than forecast cash inflows from associated companies.

The operational success of the Fair Value Group is particularly evident in the consolidated net income (EPRA-Earnings), adjusted to take into account changes in the market value of properties and interest rate derivatives as well as other one-off effects:

Overall, EPRA-Earnings reached € 5.8 million or € 0.62 per share, thus exceeding the forecast raised in November 2010 to € 5.1 million (€ 0.55 per share) by another 14%. This was mainly due to savings in operating expenses for investment properties of the Group and associated companies.

Adjusted consolidated income (EPRA-Earnings) 2010

in € thousand	According to consolidated income statement	Adjustment for extraordinary factors: Compen-sations	Profits/losses on sale	Real estate valuation	Valuation of associated companies	Redemption gains/interest rate swaps/interest rate caps	**Adjusted consolidated income statement**
Net rental result	**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 result	(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	**1,975**	**169**	**109**	**5,720**	**(227)**	**(457)**	**7,289**
Minority interests	255	(84)	(50)	(1,703)	—	50	(1,532)
Consolidated net income (loss)	**2,230**	**85**	**59**	**4,017**	**(227)**	**(407)**	**5,757**
Consolidated net income (loss) per share	0.24						0.62

Adjusted consolidated income (EPRA-Earnings) 2009

in € thousand	According to consolidated income statement	Adjustment for extraordinary factors: Compen-sations	Profits/losses on sale	Real estate valuation	Valuation of associated companies	Redemption gains/interest rate swaps/interest rate caps	**Adjusted consolidated income statement**
Net rental result	**8,528**	**—**	**—**	**—**	**—**	**—**	**8,528**
General administrative expenses	(2,611)	278	—	—	—	—	(2,333)
Other operating income and expenses	(84)	—	—	—	—	—	(84)
Earnings from sale of investment properties	(190)	—	190	—	—	—	—
Valuation result	(6,370)	—	—	6,370	—	—	—
Operating result	**(727)**	**278**	**190**	**6,370**	**—**	**—**	**6,111**
Income from participations	1,401	—	—	5,384	(1,394)	79	5,470
Interest income	155	—	—	—	—	—	155
Interest expense	(4,680)	—	—	—	—	108	(4,572)
Income before minority interests	**(3,851)**	**278**	**190**	**11,754**	**(1,394)**	**187**	**7,164**
Minority interests	945	—	(86)	(1,929)	—	(48)	(1,118)
Consolidated net income (loss)	**(2,906)**	**278**	**104**	**9,825**	**(1,394)**	**139**	**6,046**
Consolidated net income (loss) per share	0.31						0.65

At € 7.4 million, the adjusted operating result increased by 21% compared to the € 6.1 million reported in the previous year. This was due to income from the IC 13 subsidiary being recorded in the results for the first time and further reduction in general administrative expenses. This was counteracted by additional maintenance and rental costs and the reduction in revenues due to the sale of properties in the previous year.

With € 4.8 million, income from participations decreased by € 0.7 million compared with € 5.5 million in the previous year, around 70% of which can be justified by the change in status of the IC 13 subsidiary. The 10% increase in net interest expense can also be attributed to this change in status.

With € 5.8 million, the adjusted consolidated net income decreased by € 0.2 million compared with € 6.0 million in the previous year, which is mainly due to the sale of properties in the previous year.

Income, Financial and Net Asset Position

Income Position

The first-time consolidation of the IC 13 subsidiary has resulted in an increase in revenues. The main reason for the increase in earnings was the significantly improved valuation result of the real estate portfolio of the Group and the associated companies, as well as savings in general administrative costs.

Income position

in € million	2010	2009	Change [€ million]	Change [%]
Net sales	14.4	12.2	2.2	18
Net rental income	9.5	8.5	1.0	12
General adminstrative expenses	(2.3)	(2.6)	(0.3)	(12)
Valuation result	(4.2)	(6.4)	(2.2)	34
Operating result	2.9	(0.7)	3.6	514
Income from participations	3.9	1.4	2.5	178
Net interest expense	(4.8)	(4.5)	0.3	7
Minority interests	0.3	0.9	(0.6)	(67)
Consolidated net income (-loss)	**2.2**	**(2.9)**	5.1	176

The year-on-year growth in revenue and the net rental result of 18% and 12%, respectively, is the result of revenues of the IC 13 subsidiary having been included in the Group's results for the first time, which, in the previous year, has contributed to the results of the companies valued "at equity".

When comparing the results to the previous year, it should also be taken into account that four properties held by subsidiaries and sold in the previous year were disposed of in the first quarter of 2010. This means that while these properties contributed only to a limited degree to the revenues of the year under review, in the previous year they contributed with € 0.7 million to the net rental income of the Group to the results throughout the year.

At € 2.9 million, the operating result increased by € 3.6 million over the € –0.7 million reported in the previous year. The reasons for this improvement are the higher net rental result, savings in general administrative costs, but mainly the significantly improved market valuation of the property portfolio.

The result of the associated companies valued "at equity" increased by € 2.4 million to € 3.9 million. The increase resulted mainly from the significantly improved market valuation of the property portfolio. In addition, the reduced net interest expense contributed to the growth in earnings, which was mainly due to the more favourable valuation of derivative instruments in the income statement compared to the previous year.

Due to the full consolidation of IC 13, the net interest expense increased by € 0.5 million to € 4.8 million. Without this status change, the net interest expense would be € 4.2 million, down by € 0.3 million compared with the € 4.5 million recorded in the previous year.

After taking into account the income attributable to minority shareholders in subsidiaries, the Fair Value Group recorded an IFRS consolidated net income of € 2.2 million (previous year: net loss of € 2.9 million). This represents an increase in earnings of € 0.55 per share to € 0.24 per share compared with € – 0.31 in the previous year.

Financial Position

In the year under review, the FFO of € 4.8 million was up by € 1.9 million or 65% compared with € 2.9 million reported in the previous year. This increase resulted mainly from higher cash inflows from equity accounted participations.

Principles and Objectives of Financial Management
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 captured in a rolling plan. Cash surpluses are invested in risk-free money market accounts.

Furthermore, financial management involves an ongoing review of concluded loan agreements, in order to identify potential savings in interest expenses. 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.

Subsequent discussion of the debt financial liabilities relates primarily to the remaining term of fixed interest. Therefore, it cannot be reconciled with the due-date summary in the notes to the consolidated financial statements, which is based on the longer maturities of the loan commitments.

€ 11.5 million or 12% of the financial liabilities are due within one year, of which € 3.8 million are subject to regular contractual repayments. Further € 0.8 million are attributable to the repayment of a mortgage loan in connection with a sold property. About 60% or € 6.9 million of short-term debt is related to a loan due to expire by mid-2011, the extension of which is currently being negotiated.

€ 16.5 million or 17% of the total financial liabilities are long-term loan commitments, the fixed interest rates of which will expire during the current financial year. In connection with the short-term debt, about 28% of the total financial liabilities of the Group are due to be repaid or restructured in 2011. The average maturity of debt in the Group was 3.4 years, the average interest rate under IFRS was at 4.3% p.a.

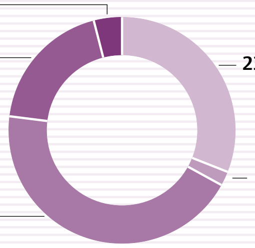
In the case of associated companies, there are no loan extensions or restructuring arrangements planned in addition to the contractually agreed regular repayments in 2011. The average maturity of the proportionate financial liabilities of the associated companies at the balance sheet date was 3.1 years, the average interest rate under IFRS is 5.5% p.a.

Remaining term of financial liabilities until rearrangement
a) Group
in € thousand

Remaining term of financial liabilities until rearrangement

b) Associated companies

in € thousand



The company in certain cases uses derivative financial instruments to hedge debt service fluctuations for loans with variable interest rates (interest rate hedges). For example, for the long-term financing of the Sparkasse portfolio, the company has chosen a 10 year hedge of the interest rate through a swap transaction, in order to ensure a greater degree of flexibility with regard to the early repayment of loans in the event of properties being sold in the future or of the interest rate rising in the medium term.

Cash Flow from Operating Activities

The FFO indicator or "funds from operations" is determined as an integral part of cash flows from operating activities. This key management and comparison benchmark indicates the Company's operating strength. As noted below, the IFRS consolidated net income is adjusted for extraordinary expenses, non-cash expenses and income. These include changes in valuation in respect of properties and interest rate derivatives as well as results from the sale of real estate or participations. Furthermore, non-cash income from participations determined in accordance with IFRS is replaced by actual cash inflows from participations. The FFO indicator is derived from the consolidated cash flow statement.

FFO (Funds from Operation)[1)]

in € thousand	2010	2009
Net income/-loss	**2,232**	**(2,906)**
Valuation result	4,238	6,370
Income from equity-accounted investments	(3,873)	(1,401)
Withdrawals from equity-accounted investments	2,758	1,902
Minority interests (profit, loss, disbursements)	(724)	(1,342)
Other adjustments to operating Cash-Flow	168	324
Operating cash flow (FFO)	**4,798**	**2,947**
FFO per share	0.51	0.32

[1)] A universal standard for calculating FFO does not exist. FFO figures from different companies are not necessarily directly comparable to those of Fair Value.

FFO In the year under review, the FFO with € 4.8 million was up by € 1.9 million or 65% compared with € 2.9 million reported in the previous year. About half of this increase is the result of higher cash inflows from equity-accounted participations, and around 40% is due to the lower minority interest in the result of subsidiaries. The reason for this is the significantly lower IFRS net loss of subsidiaries, which amounted to € 0.9 million in the year under review (previous year: € 2.3 million).

Net cash from operating activities Based on FFO, net cash from operating activities in 2010 amounted to € 5.1 million. This includes the partial payment of € 0.5 million towards the agreed compensation payment in the amount of € 2.5 million for the early termination of a lease in the IC 13 subsidiary. Net cash outflows from operating activities amounted to € 1.3 million in the previous year. The large difference in the FFO when compared to the previous year was the result of a decline in VAT liabilities in the amount of € 3.7 million.

Cash and cash equivalents

in € thousand	2010	2009
Cash flow from operating activities	5,129	(1,260)
Cash flow from investment activities	7,886	2,294
Cash flow from financing activities	(9,321)	(8,631)
Scope of consolidation change	–	1,839
Change of cash and cash equivalents	**3,694**	**(7,597)**
Cash and cash equivalent – start of period	8,281	14,039
Cash and cash equivalent – end of period	**11,975**	**8,281**

Cash Flow from Investment Activities

Investment activities resulted in a net cash inflow in the amount of € 7.9 million compared to € 2.3 million in the previous year. The net cash inflow in 2010 resulted from the disposal of properties which were sold in the previous year and the release of a fixed deposit pledged as security against the provision of a bank guarantee for the same amount.

Cash Flow from Financing Activities

Due to the repayment of bank borrowings, financing activities generated a net cash outflow of € 9.3 million compared to € 8.6 million in the previous year.

Cash and Cash Equivalents

In the reporting period cash and cash equivalents of the Group increased by € 3.7 million to around € 12.0 million (previous year: € 8.3 million).

Net Asset Position

The net asset value (“NAV”), calculated as the sum of the market values of the properties and participations after taking into account other balance sheet items, amounted to € 74.6 million as of December 31, 2010 compared to € 72.7 million in the previous year. This corresponds to a NAV per share of € 8.00 (2009: € 7.78). EPRA adjusted NAV increased to € 8.93 per share (2009: € 8.72).

The market value of the Group’s properties as well as properties held by companies, which are valued “at equity”, is determined once a year by independent experts using the discounted cash flow method. Further information on the method of property valuation is available on pages 132 and 133 of this Annual Report. The 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.

The real estate valuation result as of the balance sheet date showed that the valuation loss had halved to 2% of the proportionate figures for the previous year (4%).

Assets	12/31/2010		12/31/2009		Change	
	[€ thousand]	[%]	[€ thousand]	[%]	[€ thousand]	[%]
Total non-current assets	177,480	91	185,393	91	(7,913)	(4)
Total current assets	18,483	9	18,416	9	67	—
Total assets	**195,963**	**100**	**203,809**	**100**	(7,846)	(4)

Compared to the previous year, the balance sheet total was reduced by 4% from € 204 million to € 196 million, due to the disposal of four properties and the repayment of bank debts.

Non-current assets amounted to around € 177.5 million and represented, as in the year before, 91% of total assets. Investment properties accounted for 72% or € 128.7 million (previous year: 74% or € 137.6 million). Equity-accounted participations in associated companies represented 27% or € 48.5 million (previous year: 26% or € 47.4 million) of non-current assets.

At € 12 million, 65% of the current assets were cash and cash equivalents. Receivables and other assets accounted for another € 4 million (21%). Half of these have been received by the time of publication. Also included are € 2.5 million (14%) of non-current assets available for sale, which corresponds to the agreed purchase price for a property of the IC 01 subsidiary sold in December 2010. The transition of all benefits and obligations against payment of the purchase price took place in February 2011.

Equity and liabilities

	12/31/2010		12/31/2009		Change	
	[€ thousand]	[%]	[€ thousand]	[%]	[€ thousand]	[%]
Total equity	**74,558**	38	**72,720**	36	1,838	3
Total non-current liabilities	107,277	55	124,613	61	(17,336)	(14)
Total current liabilities	14,128	7	6,476	3	7,652	18
Total liabilities	**121,405**	62	**131,089**	64	(9,684)	(7)
Thereof financial liabilities	99,103	51	108,316	53	(9,213)	(9)
Total shareholders' equity and liabilities	195,963	100	203,809	100	(7,846)	(4)

As of balance sheet date, 62% (previous year: 64%) of assets were financed by debt and 38% (previous year: 36%) by equity. It should be noted that minority interests in subsidiaries in the amount of € 14.5 million (previous year: € 15.3 million) are listed as liabilities in accordance with IFRS. If the minority interests were to be considered equity, as proposed in the REIT Act, the equity would increase to € 89.1 million or 43% of the total assets (previous year: 43%).

Equity ratio pursuant to § 15 of the REIT Act When calculating the equity ratio according to § 15 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 an investment property (which would include the market value of real estate held for sale) and the net asset value of shares in associated companies. Due to the disposal of four properties and the valuation loss resulting from the market valuation of the property portfolio, immovable assets decreased year-on-year by 7% to € 179.7 million (previous year: € 193.3 million). At the same time, equity increased by € 1 million to € 89.1 million. Thus, the REIT equity ratio rose by 9% to 49.6% (previous year: 45.5%), which is significantly above the statutory minimum rate of 45.0% of immovable assets.

Determination of the equity ratio within the meaning of section 15 of the REITG

in € thousand	2010	2009
Investment property	128,650	137,587
Interests in associated companies	48,551	47,442
Non-current assets available for sale	2,500	8,237
Immovable assets	**179,701**	**193,266**
	≙ 100.0 %	≙ 100.0 %
Equity	74,558	72,720
Minority interests	14,494	15,296
Equity ratio within the meaning of section 15 of the REITG	**89,052**	**88,016**
	≙ 49.6 %	≙ 45.5 %

Financial Liabilities

Financial liabilities of the Group totalled 51% of the balance sheet total vs. 53% in the previous year, of which 12% or € 11.5 million (previous year: 4% or € 4.3 million) were due within one year as of December 31, 2010. The decrease in financial liabilities by € 9.2 million or 9% compared to the previous year, is also the result of (special) repayments in connection with the sale of four properties.

Other Liabilities

96% of other liabilities, which amounted to € 1.3 million as of the balance sheet date are due within one year.

Equity/Net Asset Value (NAV)

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 € 74.6 million as of December 31, 2010 compared to € 72.7 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 € 8.00, compared to € 7.78 in the previous year.

Balance sheet NAV

in € thousand		12/31/2010	12/31/2009
Market value of properties (including properties held for sale)		131,150	137,587
Equity-accounted participations		48,551	47,442
Miscellaneous assets minus miscellaneous liabilities		9,757	12,683
Minority interests		(14,494)	(15,296)
Financial liabilities		(99,103)	(108,316)
Other liabilities		(1,303)	(1,380)
Net Asset Value		**74,558**	**72,720**
Net Asset Value per share[1)]	in €	8.00	7.78

[1)] Based on 9,347,790 million shares in circulation as of December 31, 2010

The "Best Practice Recommendations" of the European Public Real Estate Association (EPRA) are accepted guidelines, which complement IFRS reporting of real estate companies and provide guidance on a transparent net asset value calculation. The EPRA-NAV indicator shown below has been calculated using this guideline. 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		12/31/2010	12/31/2009
NAV pursuant to consolidated balance sheet		74,558	72,720
Market value of derivative financial instruments		5,181	5,027
Thereof due to minority interests		(294)	(421)
Market value of derivate financial instruments of equity-accounted participations (proportionate)		3,802	4,196
EPRA-NAV		**83,247**	**81,522**
EPRA-NAV per share[1)]	in €	8.93	8.72

[1)] Based on 9,347,790 shares in circulation as of December 31, 2010

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.

Off-balance sheet financing instruments include a guarantee facility in the amount of € 2.3 million, which is used by Fair Value as a basis for a bank guarantee in the same amount. This was provided to the seller of the Sparkasse port folio as collateral in the event of Fair Value REIT-AG losing its REIT status within four years of signing the sales contract (deadline: October 2011). This loss of REIT status would lead to tax arrears payable by the seller, for which the buyer would be liable. This contingent liability represents approximately 2% of the Group's financial liabilities or 3% of the consolidated balance sheet equity.

Investment in the environmental sustainability of real estate 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.

At the balance sheet date, Fair Value REIT-AG invested directly and indirectly in a total of 75 commercial properties with a total leasable space of 434,000 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 portfolio to tenants with a good credit rating for as long as possible.

A good relationship with tenants is a critical success factor. The same applies to binding the tenant to "his" property. This in turn depends on many factors, which can be influenced by the landlord only to a limited degree. The factors, which the landlord can influence, include service charges, also described as the second rent, and the total of heat and electricity costs. Although these are usually settled directly with the suppliers, and depend on the consumption by the tenants, consumption of heat and electricity also depends to a large degree on the technical standards of the buildings. How high the total of rent, service charges and fuel-related costs can be from the perspective of the tenant will depend, not least 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 and ecologically sound waste disposal.

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

The high investment in the environmental sustainability of the property portfolio for the owners 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.

The overall portfolio of Fair Value has an average age since completion, weighted by market value, of 21 years. In the case of the direct investments in Schleswig-Holstein, it is 29 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 an economically justifiable cost.

Evaluating the Energy Efficiency of Direct Investments

The evaluation of energy certificates of 30 of the 32 properties held directly shows that the total consumption of heat and electricity of this portfolio section is about 26% below the average for comparable buildings.

All properties in the overall portfolio have been issued with consumption-based energy certificates. For the purposes of this sustainability report, we performed a representative analysis of the energy certificates of 30 of the 32 properties, which we hold directly. For two properties held directly, but jointly-owned, the energy certificates were not available as of the reporting date.

This sub-portfolio with a weighted building age of 29 years has a space-weighted total consumption of heat and electricity, which is approximately 26% below the average for comparable buildings. The overall analysis shows that, with respect to the consumption values, the assessed buildings meet the standards of new buildings.

Energy consumption

space-weighted

Heating energy consumption values		
Portfolio		**118**
Average		159
Deviation	in %	(25.4)
Power consumption values		
Portfolio		**86**
Average		116
Deviation	in %	(25.9)
Total consumption		
Portfolio		**205**
Average		275
Deviation	in %	(25.6)

In the case of heat consumption, the total deviation was 25% below average. The variations ranged between – 74% and + 165%. While the building with the lowest heat consumption is 27 years old, the building with the highest heat consumption is only 22 years old.

In the case of electricity consumption, the total deviation was 26% below average. The variations ranged between – 80% and + 135%. While the “best” building is 52 years old, the building with the highest electricity consumption is only 22 years old.

This leads to a conclusion that high real estate age is not an indication of lack of sustainability. 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.

During 2011, Fair Value will analyse the properties with consumption levels that are significantly above the average in order to identify and maximise potential savings through appropriate measures.

Furthermore, Fair Value will extend the evaluation of energy certificates to properties held by subsidiaries and associated companies and prepare a report on these as well.

Strategic Sustainability Aspects

Fair Value's capital market communication focuses on sustainability. The management of the Company aims to increase the transparency of its financial reporting beyond the mandatory requirements and 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 Fair Value rely on an active network of business partners. Reliability, trust and similar values are, therefore, the standard for 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 secured through a combination of fixed and variable, performance-related remuneration.

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

Remuneration Report

Remuneration of the Management Board

Remuneration paid to the Management Board consists of basic remuneration (€ 209,000 p.a. from 7/2010, previously, € 204,000 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 of the Company based on the market price on the day following the annual shareholder 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 of 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 available for private use.

Remuneration of the Supervisory Board

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 Supervisory Board, are available in Note 33 on page 122.

Other Information Pursuant to § 315 Section 4 HGB

Composition of the Share Capital, Voting Rights and Privileges

The Company's equity capital is divided into 9,406,882 no-par value ordinary bearer shares with voting rights of the same class. At the balance sheet date, the company held 81,310 of its own shares and thus there were only 9,325,572 shares in circulation at that time. All shares carry the same rights and obligations, and 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 without compensation.

At the balance sheet date, no shareholder held directly 10% or more of the voting rights. Indirectly, the voting rights held by UniCredito Italiano S.p.A. in Milan, UniCredit Bank 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 and H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG in Ebersberg amounted to 30.46%. Further, IC Immobilien Holding AG in Unterschleiß-heim held voting rights, directly and indirectly, in the amount 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 20% 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 10%.

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 deputy members 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 24, 2011, 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 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 ("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 2010

Criteria REIT Act	Requirement REIT Act	**Current Fair Value**
§ 11 Free float	≥ 15 %	39.4 %
§ 12, para. 2 a Asset requirement	≥ 75 %	92.1 %
§ 12, para. 3 a Revenue requirement	≥ 75 %	100.0 %
§ 13 Minimum disbursement to shareholders	≥ 90 %	93.5 %
§ 14 Exclusion of real estate trading	≤ 50 %	17.2 %
§ 15 Minimum equity-requirement	≥ 45 %	49.6 %

Supplementary Report

As of the balance sheet date, the property of the IC 03 subsidiary in Neuss had a vacancy of 39% of the potential rent of € 0.7 million. In addition, two lease agreements, which accounted for 10% of the potential rent, expired at the beginning of the year. However, both lease agreements were extended after the balance sheet date until January 31, 2011 on the same terms. Furthermore, a lease agreement for a period of 5 years was concluded with a new tenant starting from January 1, 2011. The rent for the space of 908 m² accounts for 6% of the potential rent of the property. The vacancy of this property was thus reduced by 25% at the beginning of the year through successful re-letting and a new lease.

The closing of the retail property in Essen, sold in December 2010 (subsidiary IC 01), took place in February 2011 for a purchase price of € 2.5 million and the debt of € 0.8 million associated with this property has been repaid. Fair Value REIT-AG used the proceeds arising from the sale to make a special repayment on a loan due by mid-2011. As a result, the loan value has been reduced to € 6.5 million compared to € 6.9 million at the balance sheet date.

The DIY store in Krefeld (subsidiary BBV 06), which has been vacant since the beginning of September 2010, will be relet on a long term basis after successful repositioning by Q4 2011. In recent months, a conversion of the property into a specialised store has been negotiated with Krefeld's city council. Subject to the final approval of the conversion, four long-term lease agreements with at least 10 years fixed term have been concluded. This represents an occupancy rate from the date of the handover of 93% of the potential rent of € 0.3 million. It is expected that the conversion and rental costs, which amount to around € 1.4 million, will be financed from existing liquidity and will add value to the building.

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 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 deal with risks proactively and efficiently. The Company's risk strategy also involves the services of an external service provider, IC Immobilien Service GmbH, 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 § 315 Section 2, 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, IC Immobilien Service GmbH (ICIS), which is responsible for 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 budgets. The information is analysed, validated and examined for recognizable risks. The identified risks are assessed and reported to the Supervisory Board in regular or ad-hoc risk reports.

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

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

In particular, its services include

- Accounting obligations pursuant to the German Commercial Code (HGB) as well as responsibility for payment transactions
- Preparation of monthly VAT returns, financial statements, account and business analysis
- Preparation of consolidated quarterly financial statements in accordance with IFRS as well as the provision of 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 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 provided by its subsidiaries.

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

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 analysis, the potential impact on the consolidated result of Fair Value is ascertained.

Risk Control

An essential part of risk control is the aforementioned reporting, as 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

Despite the improved economic climate in Germany, the 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 has 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 wrong strategic direction of the business. In addition, strategic risks arise from unexpected changes in market and economic conditions, which have a negative impact on profitability and the 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.

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 valuation 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).

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.

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 business and further growth will be affected by its ability to raise equity and debt and thus the general level of interest rates in the future.

Equity In order to maximise its long-term dividend potential, Fair Value REIT-AG will have to strengthen its capital base. Given that under German REIT legislation, 90% of Fair Value REIT-AG's balance sheet profit has to be distributed, this can in essence only take place through capital increase, such as a combination of capital increases in cash or in kind. However, it may not be possible to implement such capital action even under the current, more stable market conditions if, for example, the share price continues to trade below the par value of € 5 per share. Unplanned depreciation of properties held by affiliated companies may lead to distributions being classified as a refund of capital contributions rather than income, which would reduce the Company's dividend payment capacity.

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 associated companies. Assuming a prolongation of a financial liability maturing in the middle of the year, cash and cash flow from operating activities support the current needs and are, from today's perspective, sufficient to meet all liabilities as they fall due during the next twelve months.

Financial liabilities There is a risk that follow-up financing or credit extensions are not granted in the planned amount or are only granted on 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 thus expanding bank margins.

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 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 associated companies 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 prerequisite for the exemption of 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 REIT status is likely to result in shareholder compensation claims against Fair Value REIT-AG.

Overall Assessment of the Risk Situation of the Group

Assessment of the Risk Situation by the Management Board

Overall, the Management Board does not expect any risks to materialise in 2011 that could pose a threat to the continued existence of Fair Value REIT-AG.

Company Rating

Issuer ratings for Fair Value REIT-AG are not available.

Forecast

Economic Situation and Industry Outlook

The German economy is expected to grow by 2.2% and 2.0% in 2011 and 2012, respectively. This means that, at present, Germany is the fastest growing economy in the Eurozone. The office rental markets are likely to experience a recovery in demand and a moderate increase in rents. In view of the positive consumer sentiment, retail market rents are expected to continue to rise. High demand for investment property, which is becoming more widespread, should lead to stable or rising market values.

After the sharp economic recovery in 2010, the German economy is expected to continue to grow in 2011, albeit not as dynamically as in 2010. The International Monetary Fund (IMF) expects the German economy to grow by 2.2% and 2.0% in 2011 and 2012, respectively. This would make Germany the fastest growing economy in the Eurozone. At the same time, the IMF has also pointed out the ongoing risks to global economic development and mentioned, for example, the high levels of public debt in developed countries, primarily the United States, failure to reform the financial system and the high level of commodity prices.

The generally positive economic growth outlook should provide the commercial real estate markets in Germany with a further boost. A study by the German DG HYP bank has concluded that the local office real estate markets have weathered the recent crisis relatively well. This proved to be the case in the regional centres examined, in particular, which in contrast to prime locations reported no decline in office rents. Instead, slight increases were even implemented in 2008–2010. Although the trend in rents across all locations remained negative in 2010, there were clear signs of recovery–and significant rent increases in some cities. Based on a detailed analysis of local market data for 2011, a further recovery of office space markets is expected. In the analysed locations, rents are expected to increase by one per cent on average, while the vacancy rate should remain above nine per cent.

Despite the economic crisis, rents in the retail real estate market have increased in 1A locations in 2009 and 2010, and the DG HYP expects this positive trend to continue in 2011.

The investment climate improved significantly in 2010. The demand was mainly focused on long-term leased properties in prime locations (so-called core real estate). To a degree, this has already led to an increase in price levels. In 2011, the demand for investment properties is expected to continue to increase, which given the lack of available core real estate and the positive macroeconomic development is likely to increase the demand for higher risk properties.

The Focus of the Group

The Management Board of Fair Value is confident that the stable economic situation in Germany should help to retain tenants in properties held directly or indirectly by Fair Value. At the same time, the current economic development should help to reduce existing and future vacant space. The success in letting will ensure a high level of profitability for Fair Value's property portfolio in the coming years.

In order to secure its long-term profitability, Fair Value exploits the increased investor demand for commercial real estate by selling individual portfolio properties, while complying with the trade restrictions under § 14 of the REIT legislation. When selling properties, Fair Value focuses primarily on properties held indirectly through holding companies in order to save costs and to boost the earning strength of the Company through potential successive disposals of holding companies. The funds raised will be reinvested, while taking into account the distribution requirements under § 13 of the REIT Act.

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

However, the main priority of the Group is to expand its property portfolio substantially through the acquisition of properties or shares in property funds. This expansion will take place in connection with capital increases in cash or in kind, which require a stable and thriving capital market environment.

Due to the combination of very low interest rates with favourable acquisition conditions, Fair Value can, as a REIT, to a large extent, fulfil investor requirements to achieve long-term returns from property investments, while complying with high mandatory equity requirements.

Anticipated Earnings Position

The forecasts for 2011 assume an increase in maintenance and re-letting costs as well as temporary vacancies, which will decrease again in 2012. Adjusted consolidated net income is, therefore, expected to reach € 4.3 million and € 5.1 million in 2011 and 2012, respectively.

Income Position and Earnings Outlook for 2011 and 2012

The forecasts for the changes in market value for the adjusted consolidated net income (EPRA earnings) for 2011 and 2012 are based on the property portfolio as of December 31, 2010, while taking into account the disposal of a property in Essen in February 2011.

EPRA-Earnings	Current	Forecast	
in € million	2010	2011	2012
Revenues	**14.4**	**13.2**	**13.8**
Real estate-related expenses	(4.9)	(5.4)	(5.4)
Net rental result	**9.5**	**7.8**	**8.4**
General administrative expenses	(2.1)	(2.3)	(2.0)
Income from participations	4.8	4.2	4.4
Net interest expenses	(4.9)	(4.5)	(4.6)
Minority interests	(1.5)	(0.9)	(1.1)
EPRA-Earnings	**5.8**	**4.3**	**5.1**
EPRA-Earnings per share in €	0.62	0.46	0.55

Compared to the year under review, revenues in 2011 are expected to decline by 8% to € 13.2 million followed by an increase by 5% to € 13.8 million in 2012. The decrease in 2011 is due to re-lettings at market rents as well as temporary vacancies, which should be reduced again in 2012.

Compared to the year under review, real estate-related expenses will increase in 2011 by around 10% to € 5.4 million and remain at this level 2012. Re-letting and maintenance costs are the main reason for the increase in costs in 2011. For similar reasons, the results from associated companies are expected to decrease by 12% to € 4.2 million in 2011 and then increase again by 5% to € 4.4 million in 2012.

General administrative expenses include the costs on AG-level and company-related expenses of the subsidiaries. In 2011 they will slightly increase and in 2012, they will fall below the level of the year under review.

Net interest expense is expected to fall by 8% to € 4.5 million due to the decreased debt service levels. In 2012, net interest expense should increase to € 4.6 million as a result of an expected increase in short-term interest payments related to the variable portion of the debt.

After deduction of minority interests in subsidiaries, the adjusted consolidated net income (EPRA-Earnings) is expected to reach € 4.3 million or € 0.46 per share. We expect EPRA-Earnings to increase to € 5.1 million or € 0.55 per share in 2012.

FFO Forecast

In 2008 – 2010 FFO ("funds from operations") reached 65% of adjusted consolidated net income (EPRA-Earnings) on average, with a range of 49% (in 2009) to 83% (in 2010) of EPRA-Earnings. The reason for this broad variation was the respective balance of cash inflows from associated companies and cash outflows due to distributions to minority shareholders in subsidiaries. This cash balance was the result of the operational situation in the holding companies, but it was also directly related to Fair Value's management of the single entity net income according to German GAAP (commercial net income).

Given the aforementioned property-related expenses, FFO is expected to reach 50% of EPRA-Earnings in 2011 and 2012. Consequently, FFO is forecast to reach € 2.1 million or € 0.23 per share in 2011. In 2012, FFO is expected to increase to € 2.6 million or € 0.28 per share, as planned.

Commercial Net Income Forecasts

Taking into account the distribution of profits by associated companies due to property sales not yet secured, the Management Board expects to achieve a commercial net income in 2011 and 2012, which will allow a dividend of € 0.10 per share in circulation to be paid in the respective subsequent years, thus complying with the provisions of REIT Act.

Outlook Financial Position

Fair Value REIT-AG's loan in the amount of € 6.5 million is due to be repaid or refinanced by mid-2011. The Management Board expects the loan to be prolonged by up to two years on broadly similar terms as previously agreed upon.

Several real estate-related loans of the IC 13 subsidiary are due to be refinanced in the third or fourth quarter of 2011. As a precaution, the Company has planned for special repayments amounting to around 15% of the loan value at the expense of available liquidity and a new interest rate of 5% p.a.

The Company plans to increase the mortgage of the IC 03 subsidiary by € 0.5 million to finance its maintenance activities. Furthermore, it has held initial discussions with the financing bank about restructuring the loan at an interest rate of 4% p.a.

Considering the special repayments, investments and distributions to minority shareholders, the Management Board anticipates the Group's liquidity to decrease to € 6.2 million by the end of 2011 compared with around € 12.0 million as of December 31, 2010.

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

The projected economic growth in Germany provides favourable conditions for the real estate industry and thus for the Fair Value Group. This should have a positive impact on demand for space and thus new lettings and re-lettings. The scope for rent increases, as already implemented in 2010 for new leases in certain market segments, is likely to broaden in 2011 and 2012.

This would have a positive impact on the performance of the property portfolio and support the intended changes to the property portfolio.

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

At the same time, the Management Board expects a window of opportunity of roughly two years to purchase properties at attractive prices and very low borrowing costs.

Overall, the Management Board considers the conditions in the real estate sector to be sufficiently favourable to achieve Fair Value Group's growth objectives and to increase the dividend potential sustainably.

Munich, March 25, 2011

Fair Value REIT-AG

Frank Schaich

Consolidated Financial Statements

Consolidated Balance Sheet

Assets

in € thousand	Note no.	12/31/2010	12/31/2009
Non-current assets			
Intangible assets	5	3	4
Property, plant and equipment	5	7	12
Investment property	6	128,650	137,587
Equity-accounted investments	7	48,551	47,442
Other receivables and assets	8	269	348
Total non-current assets		**177,480**	**185,393**
Current assets			
Non-current assets available for sale	9	2,500	8,237
Trade receivables	10	1,291	1,307
Income tax receivables	11	71	63
Other receivables and assets	12	2,646	528
Cash and cash equivalents	13	11,975	8,281
Total current assets		**18,483**	**18,416**
Total assets		**195,963**	**203,809**

Equity and liabilities

in € thousand	Note no.	12/31/2010	12/31/2009
Equity	14		
Subscribed capital		47,034	47,034
Share premium		46,167	46,167
Reserve for changes in value		(5,732)	(5,446)
Loss carryforward		(12,513)	(14,745)
Treasury shares		(398)	(290)
Total equity		**74,558**	**72,720**
Non-current liabilities			
Minority interests	15	14,494	15,296
Financial liabilities	16	87,556	104,004
Derivative financial instruments	17	5,181	5,027
Other liabilities	18	46	286
Total non-current liabilities		**107,277**	**124,613**
Current liabilities			
Provisions	19	241	261
Financial liabilities	16	11,547	4,312
Trade payables		1,083	809
Other liabilities	18	1,257	1,094
Total current liabilities		**14,128**	**6,476**
Total shareholders' equity and liabilities		**195,963**	**203,809**

Income Statement

Consolidated income statement

in € thousand	Note no.	2010	2009
Rental income		12,081	10,460
Income from operating and incidental costs		2,363	1,737
Leasehold payments		(111)	(232)
Real estate-related operating expenses		(4,798)	(3,437)
Net rental result	22	**9,535**	**8,528**
General administrative expenses	23	**(2,252)**	**(2,611)**
Other operating income		68	120
Other operating expenses		(137)	(204)
Total other operating income and expenses	24	**(69)**	**(84)**
Net income from the sale of investment properties		8,508	—
Expenses in connection with the sale of investment properties		(8,617)	(190)
Result from sale of investment properties	25	**(109)**	**(190)**
Valuation gains		616	447
Valuation losses		(4,854)	(6,817)
Valuation result	26	**(4,238)**	**(6,370)**
Operating result		**2,867**	**(727)**
Result from equity-accounted investments	7	**3,873**	**1,401**
Interest income		103	155
Interest expense	27	(4,868)	(4,680)
Financial result		**(4,765)**	**(4,525)**
Taxes from earnings and income		2	—
Income before minority interests		**1,977**	**(3,851)**
Minority interest in the result	15	255	945
Net income/(loss)		**2,232**	**(2,906)**
Earnings per share in € (basic/diluted)	29	0.24	(0.31)

Statement of Comprehensive Income

Consolidated statement of comprehensive income

in € thousand	Note no.	2010	2009
Net income/(loss)		**2,232**	**(2,906)**
Other results			
Change in cash flow hedges	17	(267)	(702)
Thereof due to minority interests		(76)	29
Change in cash flow hedges of associated companies	7	57	(198)
Total other results		**(286)**	**(871)**
Comprehensive income/(loss)		**1,946**	**(3,777)**

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	Retained earnings	Own shares	**Total**
Balance at January 1, 2009	**9,406,882**	**47,034**	**46,167**	**(4,575)**	**(11,839)**	**—**	**76,787**
Purchase of treasury shares	(59,092)	—	—	—	—	(290)	(290)
Total net loss	—	—	—	(871)	(2,906)	—	(3,777)
Balance at December 31, 2009	**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**

Cash Flow Statement

Consolidated cash flow statement
(Explanation see Note 32)

in € thousand	2010	2009
Net income/(loss)	**2,232**	**(2,906)**
Adjustments to consolidated earnings for reconciliation to cash flow from operating activities		
Income tax expenses/(income)	(8)	–
Amortization of intangible assets and depreciation of property, plant and equipment	10	26
(Profits)/losses from the disposal of investment properties	109	190
Valuation result	4,238	6,370
Income from equity-accounted investments	(3,873)	(1,401)
Withdrawals from equity-accounted investments	2,758	1,902
Loss/(profit) for minority interests	(255)	(945)
Disbursement to minority interests	(469)	(397)
Result from the valuation of derivative financial instruments	(113)	108
Expenses connected to compensation payment received	169	–
Subtotal FFO (funds from operations)	**4,798**	**2,947**
Compensation payment received	500	–
Expenses connected to compensation payment received	(169)	–
Change in assets, equity and liabilities		
(Increase)/decrease in trade receivables	16	249
(Increase)/decrease in other liabilities	(39)	(53)
(Decrease)/increase in provisions	(20)	(85)
(Decrease)/increase in trade payables	274	(639)
(Decrease)/increase in other liabilities	(231)	(3,679)
Cash flow from operating activities	**5,129**	**(1,260)**
Payments for the purchase of interests in associated companies	(13)	(67)
Proceeds from the sale of subsidiaries	76	–
Investments in investment properties	(301)	(74)
Income from the disposal of investment properties	8,128	403
Payment for the acquisition of non-current assets	–	(250)
Income from repayment of non-current assets	–	2,300
Investments in property, plant and equipment and intangible assets	(4)	(18)
Cash flow from investment activities	**7,886**	**2,294**
Purchase of treasury shares	(108)	(290)
Receipts from financial liabilities	–	80
Repayment of financial liabilities	(9,213)	(8,421)
Cash flow from financing activities	**(9,321)**	**(8,631)**
Cash effective change of liquid funds	**3,694**	**(7,597)**
Scope of consolidation change	–	1,839
Cash and cash equivalents – start of period	8,281	14,039
Cash and cash equivalents – end of period	**11,975**	**8,281**
Additional disclosures: Interest received	108	164
Interest paid	4,775	4,547

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 (2009: 13) closed-end real estate funds, 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 315a 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, 2009, have been used as comparable figures.

First time application of accounting standards In fiscal year 2010, application of the following standards or interpretations of the stipulations of the European Union was mandatory for the first time. In cases where the dates specified by the IASB for their first application were earlier, the relevant amended stipulations were listed in the previous year's report.

- Amendments to IAS 27 (revised 2008): Consolidated and Separate Financial Statements
- Amendment to IAS 39 Financial Instruments: Valuation and Assessment; Suitable Underlying Transactions
- IFRS 1 (revised 2008): First-time Adoption of IFRS
- Amendments to IFRS 1: Additional Exceptions for First-time Adopters
- Amendments to IFRS 2: Group Cash-settled Share-based Payment Transactions
- IFRS 3 (revised 2008): Business Combinations
- IFRIC 12: Service Concession Arrangements
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation
- IFRIC 17: Distributions of Non-Cash Assets to Owners
- IFRIC 18: Transfer of Assets from Customers
- Collective Standard for Amendments to Various Standards (2009)

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:
– IAS 24 (revised): Related Party Disclosures
– Amendment to IAS 32: Financial Instruments: Presentation: Classification of Rights Issues
– Amendment to IFRS 1: First-time Adoption of IFRS: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
– Collective Standard for Amendments to Various Standards (published May 2010)
– Amendment to IFRIC 14: Prepayments of a Minimum Funding Requirement
– IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

The following disclosures published by the IASB have not yet been adopted by the EU:
– Amendment to IFRS 1 – Hyperinflation and Fixed Transition Dates
– Amendment to IFRS 7 – Statements in the Notes to the Financial Statements Regarding the Transfer of Financial Instruments
– IFRS 9 – Financial Instruments: Classification and Valuation
– Amendment to IFRS 12 – Deferred Taxes: Realization of the Book Value of an Asset

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.

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 six subsidiaries as part of full consolidation:

Full consolidated subsidiaries

Voting rights/fixed capital interest in %	12/31/2010	12/31/2009
IC Fonds & Co. Büropark Teltow KG, Regensburg ("IC 07")	76.74	75.73
IC Fonds & Co. Forum Neuss KG, Regensburg ("IC 03")	71.58	71.58
IC Fonds & Co. München Karlsfeld KG, Regensburg ("IC 01")	56.29	55.79
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, Munich ("BBV 06")	55.71	55.55
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG, Munich ("BBV 03")	53.83	53.79
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG, Regensburg ("IC 13")	50.04	50.04

The slight changes in individual participation levels are based on other partners exiting and on roundings. The majority of the voting rights in IC 13 were achieved on December 31, 2009 as a result of other partners exiting; the fund was therefore still equity accounted in terms of earnings for the 2009 financial year and only fully consolidated in the balance sheet on December 31, 2009.

Intra-group receivables and liabilities and intra-group income and expenses are netted. 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 seven following associated companies have been equity accounted in the consolidated financial statements; the participation in IC 13 (before the change in status of December 31, 2009) was taken into account in the income statement for the 2009 fiscal year using this method.

The participation in IC 10 was sold with effect October 1, 2010 (see Annex 4 b for further explanation).

Associated companies

Voting rights/fixed capital interest in %	12/31/2010	12/31/2009
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich ("BBV 14")	45.11	45.09
BBV Immobilien-Fonds Erlangen GbR, Munich ("BBV 02")	40.45	39.68
IC Fonds & Co. SchmidtBank-Passage KG, Regensburg ("IC 12")	40.27	40.22
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Regensburg ("IC 15")	38.89	38.37
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich ("BBV 10")	38.37	38.37
IC Fonds & Co. Rabensteincenter KG, Regensburg ("IC 10")	–	26.14
BBV Immobilien-Fonds Nr. 9 GmbH & Co. KG, Munich ("BBV 09")	25.16	25.10

Slight increases in the participations on the balance sheet date with regard to BBV 09 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, 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 € 128,650,000 as of December 31, 2010 (2009: € 137,587,000).

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 € 48,551,000 (2009: € 47,442,000).

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

a) **Acquisition of holdings** In the 2010 fiscal year, Fair Value REIT-AG increased its participation in BBV Immobilien-Fonds Nr. 9 GmbH & Co. KG by a nominal value of € 50,000. The purchase price was € 13,000 and it was settled with cash.

b) **Divestiture of holdings** During the reporting period Fair Value REIT-AG sold its participation in IC Fonds & Co. Rabensteincenter KG. The sales price was € 75,000 of which € 6,000 has already been paid by a purchaser; for the remainder of the purchase price, amounting to € 69,000, a loan has been granted to the second purchaser as from January, 2011, repayable no later than June 30, 2011. The interest on the loan is 5% p.a.

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 (software)	Property, plant and equipment (office and operating equipment)
Acquisition costs		
Balance as of January 1, 2009	**2**	**34**
Additions	3	15
Disposals	–	–
Balance as of December 31, 2009	**5**	**49**
Additions	–	4
Disposals	–	–
Balance as of December 31, 2010	**5**	**53**
Accumulated depreciation, amortization and write-downs		
Balance as of January 1, 2009	**–**	**(12)**
Additions	(1)	(25)
Disposals	–	–
Balance as of December 31, 2009	**(1)**	**(37)**
Additions	−1	(9)
Disposals	–	–
Balance at December 31, 2010	**(2)**	**(46)**
Carrying amounts		
Balance as of January 1, 2009	2	22
Balance as of December 31, 2009	4	12
Balance as of December 31, 2010	**3**	**7**

(6) Investment Property

Development of investment property

in € thousand	Direct investments	In subsidiaries	Total
Acquisition costs			
Balance as of January 1, 2009	**51,832**	**104,605**	**156,437**
Additions (subsequent acquisition costs)	—	74	74
Additions – change of status IC 13	—	21,380	21,380
Reclassification	—	(38)	(38)
Reclassification to available-for-sale	—	(8,050)	(8,050)
Balance as of December 31, 2010	**51,832**	**117,971**	**169,803**
Additions (subsequent acquisition costs)	—	301	301
Reclassification	—	—	—
Reclassification from available-for-sale	—	(2,900)	(2,900)
Balance as of December 31, 2010	**51,832**	**115,372**	**167,204**
Changes in value			
Balance as of January 1, 2009	**(4.562)**	**(21,135)**	**(25,697)**
Write-ups	115	332	447
Write-downs	(1.858)	(4,959)	(6,817)
Reclassification	—	38	38
Reclassification to available-for-sale	—	(187)	(187)
Balance as of December 31, 2009	**(6,305)**	**(25,911)**	**(32,216)**
Write-ups	186	430	616
Write-downs	(296)	(7,058)	(7,354)
Reclassification	—	—	—
Reclassification from available-for-sale	—	400	400
Balance as of December 31, 2010	**(6,415)**	**(32,139)**	**(38,554)**
Fair values			
Balance as of January 1, 2009	47,270	83.470	130.740
Balance as of December 31, 2009	45,527	92.060	137.587
Balance as of December 31, 2010	**45,417**	**83.233**	**128.650**

There were a total of 51 properties on December 31, 2010, with 42 freehold properties, 7 properties in co-ownership and 2 leasehold properties. Compared to December 31, 2009, the number of properties in the portfolio decreased by one. One property in the investment portfolio that was sold during the fiscal year 2010, but for which the closing will occur only in 2011, was reclassified as "non-current assets available for sale".

Properties with a carrying amount of € 121,890,000 (2009: € 130,767,000) are encumbered with mortgages as collateral for liabilities to banks. There are pre-emptive rights for the user or leaseholder of a hotel in Hanover and a supermarket in Frechen. There are no other material restrictions on the sale of properties or contractual agreements to improve properties. The order commitment for maintenance work commissioned totals € 144,000 (2009: € 155,000).

There are obligations from two long-term leasehold agreements (residual periods of 29 and 45 years) which lead to future annual leasehold payments of € 24,000. The agreements include index clauses.

CB Richard Ellis GmbH, Frankfurt/Main 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 6.0% and 8.4% (2009: 5.7% to 7.5%) 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 6.5% and 8.9% (2009: 6.5% to 8.1%) 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 23 properties with unchanged or increased valuations, three have an unchanged value. Two of these properties are held directly and the third is part of Waltrop (BBV 06).
Of the 20 properties that have increased in value, 18 of these are held directly (Sparkasse portfolio). Due to the annual automatic adjustment of the rent in line with changes in the consumer price index, rents had risen by the end of 2010 by approximately 1.5% 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 two properties held by subsidiaries. These are the properties in Teltow (IC 07) and Hanover (BBV 06). Rental income increased slightly for the property in Teltow compared to the previous year. Another reason for the increase in the market value was the reduction in the non-allocatable management costs defined in the valuation. For the property in Hanover there was an adjustment to the yields and the discounting and capitalisation rates.

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	12/31/2010	12/31/2009
Within one year	10,128	11,994
Between one to five years	27,446	32,020
After more than five years	23,908	25,631
Total of future rental income	**61,482**	**69,645**

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

There were contingent rental payments in fiscal year 2010 totalling € 264,000 (2009: € 146,000) from the rental of a hotel property. This relates to the sales-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 13	IC 15	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Proportionate equity									
Balance as of January 1, 2009	**(24)**	**2,512**	**1,558**	**5,887**	**183**	**12,228**	**18,694**	**15,424**	**56,462**
Additions (= acquisition costs)	—	—	—	—	—	57	10	—	67
Income from beneficial acquisition of participation	—	—	—	—	—	28	16	—	44
Withdrawals	—	—	(1)	(151)	—	(512)	(728)	(510)	(1,902)
Proportionate earnings	(45)	(67)	(619)	593	3	(231)	(511)	840	(37)
Loss from cash flow hedge	—	—	—	—	—	—	(198)	—	(198)
Reclassification (status change)	—	—	(938)	—	—	—	—	—	(938)
Balance as of December 31, 2009	**(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**
Value adjustment									
Balance as of January 1, 2009	**24**	**(215)**	**(705)**	**(781)**	**(78)**	**(1,340)**	**(2,324)**	**(2,600)**	**(8,019)**
Change	45	19	136	77	1	160	480	476	1,394
Reclassification (status change)	—	—	569	—	—	—	—	—	569
Balance as of December 31, 2009	**69**	**(196)**	**—**	**(704)**	**(77)**	**(1,180)**	**(1,844)**	**(2,124)**	**(6,056)**
Change	(26)	18	—	54	(19)	111	59	30	227
Disposals	(43)	—	—	—	—	—	—	—	(43)
Balance as of December 31, 2010	**—**	**(178)**	**—**	**(650)**	**(96)**	**(1,069)**	**(1,785)**	**(2,094)**	**(5,872)**
Carrying amounts									
Balance as of January 1, 2009	—	2,297	853	5,106	105	10,888	16,370	12,824	48,443
Balance as of December 31, 2009	—	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**

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

Income from equity-accounted participations in € thousand	**2010**	**2009**
Ongoing earnings		
Proportionate valuation result	(1,482)	(5,384)
Other ongoing earnings	5,042	5,347
Economic earnings	**3,560**	**(37)**
Income from beneficial acquisition of participation	10	44
Resolution of (addition to) value adjustment	227	1,394
Income from disposal of participations (IC 10)	76	—
Total income from equity-accounted participations	**3,873**	**1,401**

The fact that the company's market capitalization on December 31, 2010 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 property valuations dated December 31, 2010. These totalled between 6.72% and 7.62% (2009: 6.47% to 7.20%).

The cumulative value adjustments of € 227,000 were released to the income statement. This resulted primarily from reduced earnings-related corporate costs.

The interests in equity-accounted participations pledged as collateral for a bank loan valued at € 6,875,000 on December 31, 2010 (2009: € 7,500,000).

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, 2010, and December 31, 2009, is as follows:

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

in € thousand	IC 10[1]	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 %	
Property, plant and equipment	—	—	—	—	—	—	—	—
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**

[1] The participation of IC 10 was sold with effect October 1, 2010 (further details see Note No. 4 b)

Proportionate share of assets and liabilities of "at equity" accounted associated companies 2009

in € thousand	IC 10	IC 12	IC 15 (consolidated)	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Fair Value REIT-AG's share	26.14	40.22 %	38.37 %	39.68 %	25.10 %	38.37 %	45.09 %	
Property, plant and equipment	—	—	3	—	—	—	—	3
Investment property	2,337	2,952	13,472	655	31,325	44,985	37,840	133,566
Trade receivables	33	71	63	12	43	89	216	527
Other receivables and assets	—	1	249	13	85	10	478	836
Cash and cash equivalents	46	392	1,566	55	1,883	2,468	767	7,177
Provisions	(3)	(4)	(9)	(1)	(10)	(9)	(12)	(48)
Financial liabilities	(1,977)	(936)	(8,816)	(533)	(18,981)	(28,324)	(23,193)	(82,760)
Derivative financial instruments	—	—	—	—	(2,538)	(1,658)	—	(4,196)
Trade payables	(3)	(15)	(41)	(7)	(30)	(196)	(226)	(518)
Other liabilities	(502)	(16)	(158)	(8)	(207)	(82)	(116)	(1,089)
Net assets as of December 31, 2009	**(69)**	**2,445**	**6,329**	**186**	**11,570**	**17,283**	**15,754**	**53,498**

(7) Equity-accounted Participations – Proportionate Income Situation

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 2010

in € thousand	IC 10 [1]	IC 12	IC 15 (consolidated)	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Fair Value REIT-AG's share	26.14 %	40.27 %	38.89 %	40.45 %	25.16 %	38.37 %	45.11 %	
Rental income	138	203	1,160	87	2,985	3,913	2,722	11,208
Income from operating and incidental costs	58	113	128	11	68	327	671	1,376
Real estate-related operating expenses	(67)	(159)	(259)	(25)	(278)	(933)	(1,056)	(2,777)
Net rental income	**129**	**157**	**1,029**	**73**	**2,775**	**3,307**	**2,337**	**9,807**
General administrative expenses	(5)	(15)	(52)	(10)	(96)	(163)	(238)	(579)
Other operating expenses and income (balance)	(1)	(5)	17	(1)	(3)	(1)	42	48
Valuation result	—	(24)	584	(4)	(513)	(1,913)	388	(1,482)
Operating result	**123**	**113**	**1,578**	**58**	**2,163**	**1,230**	**2,529**	**7,794**
Net interest expense	(97)	(44)	(416)	(27)	(956)	(1,559)	(1,135)	(4,234)
Economic result 2010	**26**	**69**	**1,162**	**31**	**1,207**	**(329)**	**1,394**	**3,560**

[1] The participation of IC 10 was sold with effect October 1, 2010; the results belong to Fair Value REIT-AG until September 30, 2010.

Proportionate income situation for the "at equity" accounted associated companies 2009

in € thousand	IC 10	IC 12	IC 13	IC 15 (consolidated)	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Fair Value REIT-AG's share	26.14 %	40.22 %	50.04 %	38.37 %	39.68 %	25.10 %	38.37 %	45.09 %	
Rental income	183	210	1,276	1,190	92	2,985	4,091	2,765	12,792
Income from operating and incidental costs	80	117	178	133	12	50	318	771	1,659
Real estate-related operating expenses	(114)	(161)	(311)	(271)	(23)	(213)	(905)	(1,134)	(3,132)
Net rental income	**149**	**166**	**1,143**	**1,052**	**81**	**2,822**	**3,504**	**2,402**	**11,319**
General administrative expenses	(7)	(18)	(68)	(72)	(7)	(100)	(172)	(259)	(703)
Other operating expenses and income (balance)	(4)	—	14	(8)	4	(2)	(13)	10	1
Valuation result	(63)	(169)	(1,111)	86	(48)	(1,619)	(2,126)	(334)	(5,384)
Operating result	**75**	**(21)**	**(22)**	**1,058**	**30**	**1,101**	**1,193**	**1,819**	**5,233**
Net interest expense	(120)	(46)	(597)	(465)	(27)	(1,332)	(1,704)	(979)	(5,270)
Economic result 2009	**(45)**	**(67)**	**(619)**	**593**	**3**	**(231)**	**(511)**	**840**	**(37)**

(8) Other Assets (non-current)

in € thousand	**12/31/2010**	**12/31/2009**
Financial assets		
Deposited collateral	250	250
Non-financial assets		
Accrual tenant incentives	—	77
Over coverage pension plan	19	21
Total other assets (non-current)	**269**	**348**

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.

Fair Value took over an existing IC Fonds GmbH pension commitment in favour of Mr. Frank Schaich by way of an agreement dated July 10, 2008. Details are included in Note 33. This results in a defined benefit commitment for 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	2010	2009	2008
Present value of the obligation			
Balance – start of year	**52**	**47**	**–**
Transfer	–	–	45
Past service cost	3	2	3
Interest expense	3	3	2
Actuarial losses / (gains)	3	–	(3)
Balance – end of year	**61**	**52**	**47**
Fair value of plan assets			
Balance – start of year	**73**	**66**	**–**
Transfer	–	–	59
Payments by employer	5	5	6
Expected income from plan assets	2	2	1
Actuarial gains / (losses)	–	–	–
Balance – end of year	**80**	**73**	**66**
Over coverage pension plan	**19**	**21**	**19**

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	2010	2009
Past service cost		
Carried under adminstrative expenses	3	2
Actuarial losses		
Carried under adminstrative expenses	3	–
Interest expense	3	3
Anticipated income for plan assets	(2)	(2)
Carried under financial result	1	1
Total pension expenses	**7**	**3**

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

The following actuarial assumptions have been made:

Actuarial assumptions

in %	2010	2009
Discount rate	5.5	6.0
Anticipated income for plan assets	2.5	2.5

The Group paid contributions totalling € 12,000 (2009: € 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	12/31/2010	12/31/2009
Retail property Essen-Heidhausen ("IC 01")	2,500	–
Office property Aachen ("BBV 03")	–	1,520
Retail property Hamm (supermarket) ("BBV 06")	–	1,352
Retail property Seligenstadt (supermarket) ("BBV 06")	–	1,465
Retail property Passau (retail park) („BBV 06")	–	3,900
Total non-current assets available for sale	**2,500**	**8,237**

The retail property Essen-Heidhausen was sold by notarized contract of sale on December 2, 2010, at a purchase price of € 2,500,000. The purchase price was due on January 31, 2011 and was paid on time. At the same time, the Group paid back a loan to the lending bank of € 821,000, which had been taken out to finance the property sold. This resulted in an early repayment penalty of € 13,000.

(10) Trade Receivables

in € thousand	12/31/2010	12/31/2009
Rent receivables including settlement of incidental costs		
Undue	888	1,094
Overdue and not value adjusted		
Due since up to 30 days	139	31
Due since 30 to 90 days	136	47
Due since 90 to 360 days	55	99
Due since more than 360 days	73	36
Value-adjusted receivables	245	217
Total rent receivables	**1,536**	**1,524**
Value adjustments	(245)	(217)
Total trade receivables	**1,291**	**1,307**

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

Development of individual write-downs

in € thousand	12/31/2010	12/31/2009
Balance – start of year	**217**	**57**
Allocation	82	169
Drawdown	(35)	(7)
Release	(19)	(5)
Scope of consolidation change	–	3
Balance – end of year	**245**	**217**

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

Rent receivables totalling € –986,000 (2009: € –971,000) 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	12/31/2010	12/31/2009
Financial assets		
Accrued interest	1	6
Reversal of real estate acquisition	–	18
Compensation payment	2,000	–
Various companies in the IC Group	107	–
Others	33	22
Total financial assets	**2,141**	**46**
Non-financial assets		
Accrued interest	163	244
Different accruals	342	230
Value added tax	–	8
Total non-financial assets	**505**	**482**
Total other receivables and assets	**2,646**	**528**

The compensation payment was agreed as the result of the premature termination of a lease agreement for the Langenfeld property (IC 13) and has now been paid.

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

(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 had increased to € 3,130,000 (2009: € 1,544,000) 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, 2010, 9,325,572 (2009: 9,347,790 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. Within this authorisation, the Company purchased during the fiscal year 22,218 shares (2009: 59,092) at a price of € 108,000 (2009: € 290,000) including incidental acquisition costs. This equates to an average price of € 4.87 (2009: € 4.90). With the 81,310 (2009: 59,092) shares acquired, Fair Value REIT-AG holds approximately 0.86% (2009: approx. 0.6%) of the authorized capital as at December 31, 2010.

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, 2009	**1,126**	**1,152**	**1,605**	**—**	**4,805**	**7,817**	**16,505**
Loss from cash flow hedges	—	—	—	—	—	(29)	(29)
Proportionate earnings – expense/(income)	43	(54)	(95)	—	(146)	(693)	(945)
Disbursements	—	—	(2)	—	(395)	—	(397)
Reclassifications (compensation)	—	—	—	—	(18)	(188)	(206)
Scope of consolidation change	—	—	—	368	—	—	368
Balance as of December 31, 2009	**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**

(16) Financial Liabilities

in € thousand	12/31/2010	12/31/2009
Non-current liabilities		
Variable-interest bank borrowing	61,305	74,903
Fixed-interest bank borrowing	26,251	29,101
Total non-current liabilities	**87,556**	**104,004**
Current liabilities		
Variable-interest bank borrowing	8,698	2,253
Fixed-interest bank borrowing	2,849	2,059
Total current liabilities	**11,547**	**4,312**
Total financial liabilities	**99,103**	**108,316**

The bank loans bearing variable interest are based on EURIBOR plus a margin. These are hedged in the amount of € 41,415,000 (2009: € 42,155,000) 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 3.5% on average (2009: 3.4%) p.a. The weighted average interest rate for the fixed-interest bank loans (including the hedged variable-interest loans) totalled 4.8% as of December 31, 2010 (2009: 4.8%) p.a.

The loans are collateralized to a sum of € 92,228,000 with mortgages, partially from the transfer of receivables from lease agreements. One loan, amounting to € 6,875,000 (2009: € 7,500,000) 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	12/31/2010	12/31/2009
Between 1 and 2 years	32,309	10,802
Between 2 and 5 years	6,506	41,905
More than 5 years	48,741	51,297
Total non-current liabilities	**87,556**	**104,004**

With regard to liabilities to banks, unscheduled payments amounting to € 5,000,000 (BBV 06) and € 45,000 (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			12/31/2010			12/31/2009
in € thousand	Loans	Effects of interest rate swap	**Including interest rate swap**	Loans	Effects of interest rate swap	**Including interest rate swap**
6 months or less	71,612	(41,014)	30,598	78,186	(41,785)	36,401
6 to 12 months	21,320	399	21,719	1,029	370	1,399
1 to 5 years	6,171	12,925	19,096	29,101	12,685	41,786
More than 5 years	—	27,690	27,690	—	28,730	28,730
Total liabilities to banks	**99,103**	**—**	**99,103**	**108,316**	**—**	**108,316**

Covenants are to be adhered to with respect to two loans from the Westdeutsche Immobilien Bank AG. In the case of a loan of € 6,875,000 (2009: € 7,500,000) for the financing of interests in participations, the capital at risk (drawdown of the loan plus bank guaranty of currently € 2.3 million) is permitted to equate to a maximum of 20% of the share of 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.

In the case of a loan of € −32,270,000 (2009: € −33,010,000) 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. The covenants for both loans were met on December 31, 2010.

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). The market values of these swaps developed as follows:

Market value of derivative financial instruments

in € thousand	With hedge accounting	Without hedge accounting	Total
Balance as of January 1, 2009	**4,036**	**181**	**4,217**
Additions affecting income	–	108	108
Transfer at the expense of other result	702	–	702
Balance as of December 31, 2009	**4,738**	**289**	**5,027**
Additions affecting income/(reversal)	–	(113)	(113)
Transfer at the expense of other result	267	–	267
Balance as of December 31, 2010	**5,005**	**176**	**5,181**

An interest rate hedge was concluded in connection with a variable-interest loan agreed during the previous year 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 € 32,270,000 as of December 31, 2010. 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 € 11,268,000 as of December 31, 2010 (2009: € 11,585,000). 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 € 61,000 (2009: € 111,000) 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.

(18) Other Liabilities

in € thousand	12/31/2010	12/31/2009
Non-current		
Financial liabilities		
Exited minority interests	46	286
Total non-current liabilities	**46**	**286**
Current		
Financial liabilities		
Personnel	–	278
Exited minority interests	334	168
Interest payable	406	281
Supervisory Board remuneration	32	26
Deposits received	54	58
Various companies in the IC Group	6	–
Other	84	73
Non-financial liabilities		
Tax liabilities (value added tax)	236	121
Deferred income	105	89
Total current liabilities	**1,257**	**1,094**
Total other liabilities	**1,303**	**1,380**

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, 2010	**15**	**246**	**261**
Additions	24	207	231
Availment	(15)	(226)	(241)
Reversal	—	(10)	(10)
Balance as of December 31, 2010	**24**	**217**	**241**

(20) Contingent Liabilities and Pending Litigation

The sale of the Sparkasse portfolio to Fair Value REIT-AG enjoys tax relief under the conditions of Section 3 No. 70 of the Einkommensteuergesetz (EStG – German Income Tax Act), as only half of the tax rate applies. Under certain conditions, the tax relief can lapse retroactively, for example if the purchaser loses its status as a G-REIT within four years after notarization of the purchase contract (expiry October 5, 2011). According to Section 3 No. 70 of the Income Tax Act (EStG), the purchaser of the property is liable for any taxes resulting from retroactive reversal of the tax relief.

As part of the sale of the office property Airport Office II, Duesseldorf, 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 the 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 € 1,165,000 (2009: T€ 2,249,000).

(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 three cars have been leased, leading to expenses of € 53,000 (2009: € 74,000). The minimum leasing payments payable until the time of the first possible termination are:

Minimum leasing payments

in € thousand	12/31/2010	12/31/2009
Within 1 year	18	28
Between 1 to five 5	7	1
After more than 5 years	—	—
Total minimum leasing payments	**25**	**29**

Notes to the Income Statement

(22) Net Rental Result

Classification of net rental result

in € thousand	2010 Investment properties	2010 Non-current assets available for sale	2010 Total	2009 Investment properties	2009 Non-current assets available for sale	2009 Total
Rental income	11,577	504	12,081	9,380	1,080	10,460
Income from operating and incidental costs	2,305	58	2,363	1,605	132	1,737
Leasehold payments	(31)	(80)	(111)	(23)	(209)	(232)
Real estate-related operating expenses						
Real estate that generated income	(4,558)	(240)	(4,798)	(3,201)	(236)	(3,437)
Real estate that not generated income	—	—	—	—	—	—
Total net rental result	**9,293**	**242**	**9,535**	**7,761**	**767**	**8,528**

As a result of the full consolidation of the IC 13 subsidiary for the first time, rental income increased by € 1,621,000 in comparison to the previous year. IC 13 accounts for € 2,396,000 of the rental income.

The increase in the real estate-related operating expenses is essentially a result of the increase in maintenance and construction support costs (€ 542,000) as well as the full consolidation of the subsidiary IC 13 (€ 741,000).

Due to the compensation payment for the premature termination of the lease agreement relating to the tenant ABB Grundbesitz GmbH (IC 13) a property administration fee amounting to € 75,000 was payable.

(23) General Administrative Expenses

in € thousand	2010	2009
Personnel expenses	398	919
Office costs	49	67
Travel and vehicle expenses	53	68
Accounting	149	38
Stock market listing, general meeting and events	168	185
Valuations	132	240
Legal and consulting costs	143	231
Audit expenses	166	178
Remuneration (Supervisory and Advisory Boards, General Partner)	96	88
Fund management fees	465	300
Provision reversal of asset-management fee	—	(100)
Trustee fees	110	110
Amortization and depreciation	10	11
Other	134	114
Non-deductible VAT	179	162
Total general administrative expenses	**2,252**	**2,611**

The personnel costs include payments relating to the termination of the employment of a former board member amounting to € 325,000.

The increase in the fund management fees results mainly from the full consolidation of the subsidiary IC 13 (€ 194,000). It also covers the fund management fee of € 94,000, payable in connection with the compensation payment from the tenant ABB Grundbesitz GmbH for the premature termination of the lease agreement.

(24) Other Operating Income and Expenses (Balance)

in € thousand		2010	2009
Income			
Various		68	120
Total income		**68**	**120**
Expenses			
(Additions to)/reversal of individual write-downs for receivables		(28)	(156)
Write-off other receivables		(101)	(8)
Expenses due to exiting shareholders		(3)	(41)
Non-deductible VAT prior years		—	1
Other		(5)	—
Total expenses		**(137)**	**(204)**
Total other operating income and expenses (balance)	in %	**(69)**	**(84)**

(25) Earnings from the Sale of Investment Properties

in € thousand	2010	2009
Net income from the sale of investment properties (purchase prices)	8,508	—
Expenses in connection with the sale of investment properties		
Carrying amounts	(8,237)	—
Purchase costs	(380)	(190)
Total expenses in connection with the sale of investment properties	**(8,617)**	**(190)**
Earnings from the sale of investment properties	**(109)**	**(190)**

This relates to four properties sold during the fiscal year (contracts of sale concluded in 2009).

(26) Valuation Result

in € thousand	2010	2009
Valuation gains	**616**	**447**
Valuation losses	(7,354)	(6,817)
Compensation payment ABB Grundbesitz GmbH	2,500	–
Valuation losses after netting	**(4,854)**	**(6,817)**
Total valuation result	**(4,238)**	**(6,370)**

The valuation result of € 200,000 for 2010 (2009: € 1,363,000) concerns properties listed on the balance sheet date as non-current assets available for sale.

The valuation losses 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	2010	2009
Interests for loans and swaps	4,774	4,381
Changes in value of derivative financial instruments (as far as affecting net income)	(113)	108
Other	207	191
Total interest expenses	**4,868**	**4,680**

Interest expenses in 2010 include € 560,000 from the initial full consolidation of the IC 13 subsidiary.

(28) Additional Information Regarding the Consolidated Income Statement

Personnel expenses

in € thousand	2010	2009
Salaries	375	888
Social security contributions	23	31
Total personnel expenses	**398**	**919**
thereof expenses for pension scheme	11	5

On average during the year, there were three employees including the Management Board (2009: five). As of December 31, 2010, the company had a total of three 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	2010	2009
Audits of the financial statements	166	142
Other services	7	9
Total auditor's fees and services	**173**	**151**

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, to the extent that these are not audited by a different auditor. Other services are consulting services.

(29) Earnings per Share

Basic earnings per share are calculated as follows:

		2010	2009
Consolidated earnings	in € thousand	2,232	(2,906)
Divided by: Weighted average ordinary shares (basic)	in pieces	9,326,591	9,398,690
Earnings per share (basic/diluted)	in €	**0.24**	**(0.31)**

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 financial instruments must be identified in accordance with the following hierarchy:

- Level 1 using prices quoted in active markets
- Level 2 using valuation methods that are based on observable market inputs
- Level 3 using factors that are not based on observable market data

The Group's derivative financial instruments that are valued at fair value come under hierarchy level 2.

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

Fair values of financial instruments

in € thousand	12/31/2010 Carrying amounts	12/31/2010 Fair values	12/31/2009 Carrying amounts	12/31/2009 Fair values
Assets				
Loans and receivables				
Non-current assets	250	250	250	250
Trade accounts receivable	1,291	1,291	1,307	1,307
Other receivables	2,141	2,141	46	46
Cash and cash equivalents	11,975	11,975	8,281	8,281
Total assets	**15,657**	**15,657**	**9,884**	**9,884**
Equity and liabilities				
Liabilities measured at amortized cost				
Minority interests	14,494	14,667	15,296	15,447
Financial liabilities	99,103	99,596	108,316	108,802
Trade payables	1,083	1,083	809	809
Other liabilities	962	962	1,170	1,170
Liabilities recognized at fair value through profit and loss				
Derivatives without hedge accounting	176	176	289	289
Liabilities that do not belong to the valuation categories of IAS 39				
Derivatives with hedge accounting	5,005	5,005	4,738	4,738
Total equity and liabilities	**120,823**	**121.489**	**130,618**	**131,255**

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	2010	2009
Loans and receivables		
Other operating income	24	—
Other operating expenses	(132)	(164)
Total loans and receivables	**(108)**	**(164)**
Liabilities recognized at fair value through profit and loss liabilities		
Interest rate swaps without hedge accounting (interest expenses)	113	(108)
Net gains (losses)	5	(272)

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. This department acts 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. € 193,000 (2009: € 248,000) 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 2010 fiscal year rental defaults amounted to 0.9 % (2009: 1.34 %) 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	12/31/2010 Within 1 year	12/31/2010 Between 1 and 2 years	12/31/2010 Between 2 and 5 years	12/31/2010 After 5 years	12/31/2009 Within 1 year	12/31/2009 Between 1 and 2 years	12/31/2009 Between 2 and 5 years	12/31/2009 After 5 years
Minority interests	–	–	–	14,494	–	–	–	15,296
Liabilities to banks	13,989	34,675	11,765	49,929	7,311	13,625	48,059	51,224
Derivative financial instruments	1,678	1,118	1,492	440	1,811	1,456	2,341	1,351
Provisions	241	–	–	–	261	–	–	–
Trade payables	1,083	–	–	–	809	–	–	–
Other liabilities	1,257	46	–	–	1,094	286	–	–
Total maturities	**18,248**	**35,839**	**13,257**	**64,863**	**11,286**	**15,367**	**50,400**	**67,871**

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

		12/31/2010	12/31/2009
Equity	in € thousand	74,558	72,720
Total assets	in € thousand	195,963	203,809
Equity ratio	in %	**38.0**	**35.7**

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		12/31/2010	12/31/2009
Equity (consolidated balance sheet)		74,558	72,720
Minority interests		14,494	15,296
Equity within the meaning of Section 15 of the REIT Act		**89,052**	**88,016**
Immovable assets			
Investment property		128,650	137,587
Equity-accounted investments		48,551	47,442
Non-current assets available for sale		2,500	8,237
Total immovable assets		**179,701**	**193,266**
Equity ratio within the meaning of Section 15 of the REIT Act	in %	**49.6**	**45.5**

(31) Segment Reporting

The company holds real estate directly in Fair Value REIT-AG and 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

in € thousand	2010 Segment revenues	2010 Segment results	2009 Segment revenues	2009 Segment results
Direct investments	3,862	2,726	3,864	1,045
Subsidiaries	10,582	1,362	8,333	(220)
Total segment revenues and results	**14,444**	**4,088**	**12,197**	**825**
Earnings from equity-accounted participations		3,873		1,401
Central administrative expenses and other		(1,221)		(1,552)
Net interest expenses		(4,765)		(4,525)
Minority interest in the result		255		945
Profit tax		2		—
Net income (loss)		**2,232**		**(2,906)**

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	2010	2009
Main tenant 1 (Direct investments segment)	3,460	3,298
Main tenant 2 (Subsidiaries segment – BBV 06)	2,002	2,015
Main tenant 3 (Subsidiaries segment – IC 13)	1,495	—
Other each under 10 %	7,487	6,884
Total rental revenue	**14,444**	**12,197**

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

Segment revenues broken down by properties	2010		2009	
in € thousand	Direct investments	Subsidiaries	Direct investments	Subsidiaries
Office	3,862	3,763	3,864	585
Retail	—	3,305	—	4,050
Logistics	—	1,522	—	1,821
Other	—	1,992	—	1,877
Total revenues	**3,862**	**10,582**	**3,864**	**8,333**

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 of investment properties and from their sale	2010		2009	
in € thousand	Direct investments	Subsidiaries	Direct investments	Subsidiaries
Valuation gains	186	430	115	332
Valuation losses	(296)	(4.558)	(1.858)	(4.959)
Capital gains (losses)	—	(109)	—	(190)
Total results	**(110)**	**(4.237)**	**(1.743)**	**(4.817)**

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 2010

in € thousand	Direct investments FV AG	IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	Subsidiaries Total	Conso-lidation	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
Income tax	2	—	—	—	—	—	—	—	—	2
Annual result 2010	**1,591**	**(470)**	**(1,375)**	**418**	**374**	**344**	**(225)**	**(934)**	**1,575**	**2,232**

Income statement by segments 2009

in € thousand	Direct investments FV AG	IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	Subsidiaries Total	Conso-lidation	Group
Rental income	3,225	330	590	445	—	883	4,987	7,235	—	10,460
Income from operating and incidental costs	639	107	213	140	—	135	503	1,098	—	1,737
Segment revenue	**3,864**	**437**	**803**	**585**	**—**	**1,018**	**5,490**	**8,333**	**—**	**12,197**
Leasehold payments	—	—	—	—	—	—	(232)	(232)	—	(232)
Real estate-related operating expenses	(715)	(176)	(351)	(408)	—	(264)	(1,523)	(2,722)	—	(3,437)
Adminstrative expenses related to segment	(386)	(35)	(38)	(43)	—	(190)	(373)	(679)	7	(1,058)
Other operating expenses and income (balance)	26	(31)	1	11	—	(21)	(63)	(103)	(7)	(84)
Income from sale of investment properties	—	—	—	—	—	(69)	(121)	(190)	—	(190)
Valuation gains	—	100	—	—	—	—	232	332	—	332
Valuation losses	(1,743)	(100)	(400)	(390)	—	(800)	(3,269)	(4,959)	—	(6,702)
Segment profit	**1,046**	**195**	**15**	**(245)**	**—**	**(326)**	**141**	**(220)**	**—**	**826**
Central administration costs	(1,553)	—	—	—	—	—	—	—	—	(1,553)
Income from equity-accounted participations	1,747	—	—	—	—	—	—	—	(346)	1,401
Other income from participations	405	—	—	—	—	—	—	—	(405)	—
Net interest expenses	(2,410)	(98)	(204)	(145)	—	11	(1,679)	(2,115)	—	(4,525)
Minority interests	—	—	—	—	—	—	—	—	945	945
Annual result 2009	**(765)**	**97**	**(189)**	**(390)**	**—**	**(315)**	**(1,538)**	**(2,335)**	**194**	**(2,906)**

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

Segment assets and liabilities

in € thousand	12/31/2010 Assets	12/31/2010 Liabilities	12/31/2009 Assets	12/31/2009 Liabilities
Direct investments	48,457	539	47,839	858
Subsidiaries	99,019	2,092	108,650	1,594
Total segment assets/segment liabilities	**147,476**	**2,631**	**156,489**	**2,452**
Non-allocated assets/liabilities consolidation	48,479	118,774	47,320	128,637
Total Group assets/group liabilities	**195,955**	**121,405**	**203,809**	**131,089**

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 2010

in € thousand	Direct investments FV AG	IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	Subsidiaries Total	Conso-lidation	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**

Assets and liabilities by segments 2009

in € thousand	Direct investments FV AG	Subsidiaries IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	**Total**	Conso-lidation	**Group**
Intangible assets and property, plant and equipment	16	—	—	—	—	—	—	—	—	16
Investment property	**45,527**	**4,340**	**7,320**	**7,110**	**21,380**	**6,820**	**45,090**	**92,060**	**—**	**137,587**
Non-current assets held for sale	—	—	—	—	—	1,520	6,717	8,237	—	8,237
Trade receivables	319	139	109	13	54	34	639	988	—	1,307
Income tax receivables	63	—	—	—	—	—	—	—	—	63
Other receivables and assets	446	77	7	—	34	256	178	552	(122)	876
Cash and cash equivalents	1,468	73	92	2,565	1,839	691	1,553	6,813	—	8,281
Subtotal segment assets	**47,839**	**4,629**	**7,528**	**9,688**	**23,307**	**9,321**	**54,177**	**108,650**	**(122)**	**156,367**
Participtation in subsidiaries	30,404	—	—	—	—	—	—	—	(30,404)	—
Equity-accounted participations	47,540	—	—	—	—	—	—	—	(98)	47,442
Total assets	**125,783**	**4,629**	**7,528**	**9,688**	**23,307**	**9,321**	**54,177**	**108,650**	**(30,624)**	**203,809**
Provisions	(179)	(11)	(10)	(10)	(12)	(13)	(26)	(82)	—	(261)
Trade payables	(304)	(9)	(21)	(9)	(89)	(75)	(302)	(505)	—	(809)
Other liabilities	(375)	(58)	(64)	(51)	(69)	(45)	(720)	(1,007)	2	(1,380)
Subtotal segment liabilities	**(858)**	**(78)**	**(95)**	**(70)**	**(170)**	**(133)**	**(1,048)**	**(1,594)**	**2**	**(2,450)**
Minority interests	—	—	—	—	—	—	—	—	(15,296)	(15,296)
Financial liabilities	(40,510)	(1,907)	(3,569)	(3,405)	(22,400)	—	(36,645)	(67,926)	120	(108,316)
Derivative financial instruments	(4,080)	—	—	—	—	—	(947)	(947)	—	(5,027)
Total liabilities	**(45,448)**	**(1,985)**	**(3,664)**	**(3,475)**	**(22,570)**	**(133)**	**(38,640)**	**(70,467)**	**(15,174)**	**(131,089)**
Net assets as of December 31, 2009	80,335	2,644	3,864	6,213	737	9,188	15,537	38,183	(45,798)	72,720

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

Investments and amortisation/depreciation by segments	2010		2009	
in € thousand	Capital expenditure	Amortization and depreciation	Capital expenditure	Amortization and depreciation
Direct investments				
Intangible assets and property, plant and equipment	7	9	3	11
Total direct investments	**7**	**9**	**3**	**11**
Subsidiaries				
Investment property				
Subsequent acquisition costs (BBV 06)	—	—	74	—
Subsequent acquisition costs (IC 13)	301	—	—	—
Intangible assets (IC 01)	—	—	15	15
Total subsidiaries	**301**	**—**	**89**	**15**
Total group investments and amortisation/depreciation	**308**	**9**	**92**	**26**

(32) Aditional Information Regarding the Cash Flow Statement

The cash and cash equivalents in the cash flow statement correspond to the item "cash and cash equivalents" on the balance sheet.

The subtotal FFO (funds from operations) included in the consolidated cash flow statement does not include the agreed compensation payment of € 500,000 from ABB Grundbesitz GmbH, which has already been paid. As a result, payments that were directly linked to the compensation payment received were added to income from operating activities when calculating the FFO subtotal, and only deducted below the FFO subtotal. These are:

Payments that were directly linked to the compensation payment in € thousand	2010	2009
Administration expenses for funds and asset management	169	—

(33) 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 a member of IC Immobilien Holding AG's Management Board, 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 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 € 1,342,000 (2009: € 1,632,000). As of December 31, 2010 there were liabilities from loans amounting to € 30,857,000 (2009: € 36,645,000) and liabilities from the interests rate swaps and variable interest rate cap agreement amounting to € 664,000 (2009: € 947,000). As of December 31, 2010, there were bank balances with UniCredit Bank AG totalling € 4,671,000 (2009: € 2,236,000); there was interest income from fixed term deposits and other balances totalling € 17,000 (2009: € 29,000).

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	**2010**	**2009**
Service fees		
External management service (including fund administration)	590	481
Accounting	150	38
Property management fee	247	169
Trustee fees	121	135
Commission for arrangement of tenancy	33	79
Construction support	58	26
Other	84	18
Total services	**1,283**	**946**
Other income	(69)	–
Interest expense	–	2
Interest income	–	–
Total expenses and income	**1,214**	**948**

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

Receivables and liabilities with IC Immobilien Group in € thousand	**12/31/2010**	**12/31/2009**
Receivables	104	–
Liabilities from services	(171)	(20)
Total reveivables and liabilities	**(67)**	**(20)**

Remuneration Payments for Members of the Management Board

Remuneration payments IFRS in € thousand	**2010**	**2009**
Payments due at short term	224	366
Services rendered after termination of employment contract	10	4
Services rendered due to termination of employment contract	–	325
Share-based appreciation rights	4	–
Total remuneration	**238**	**695**

The previous year includes remuneration payments to a former Management Board member amounting to € 476,000. This is made up of the remuneration paid to him as an active member of the Management Board (€ 149,000), expenditure for his retirement pension (€ 2,000) and remuneration paid to him on termination of his employment contract (€ 325,000).

For 2010, payments solely relate to Management Board member Frank Schaich and are made up as follows:

Remuneration payments 2010 in € thousand	
Performance-unrelated remuneration	
Fixed salary	206,500
Benefits in kind and other	12,036
Performance-related remuneration	9,325
Benefits according to Section 285 No. 9 HGB	**227,861**
Expenses for pension plan	10,517
Total	**238,378**

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 (previously € 204.000) for his activities.

A bonus of 2% of the dividend less his fixed annual salary is paid as performance-related remuneration (previously 1.25% of the dividend less his fixed annual salary). The maximum amount payable as a bonus is 50% of his fixed remuneration plus fringe benefits. For the 2010 fiscal year Mr. Schaich is entitled to the bonus pro rata temporis, calculated as from July 1, 2010. 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 totalling € 27,000 (2009: € 16,000). 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.

(34) 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

(35) 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.

(36) 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 25, 2011

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, 2010. 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 25, 2011

BDO AG Wirtschaftsprüfungsgesellschaft

U. Volger	R. 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 25, 2011

Fair Value REIT-AG

Frank Schaich

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 Scientific Director of the Center for Real Estate Studies at DIA Freiburg and of 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 2002	CEO of IC Immobilien Holding AG
Since October 2005	Chairman of the Supervisory Board of Real Grundbesitz AG, Unterschleißheim
Since July 2009	CEO of the Günther Graf von Hardenberg Stiftung, Karlsruhe

Dr. Oscar Kienzle (born: 1947) founded IC Immobilien Consulting- und Anlagegesellschaft mbH in 1988 and is now IC Immobilien Holding AG's CEO. Previously, Dr. Kienzle held various positions in the real estate division of the WestLB Group, the last of which was serving as managing director of the WestLB-Immobilien Group. Dr. Kienzle is a lawyer by profession, and also holds a degree in mathematics and macroeconomics. In addition, he successfully completed a MBA program in Fontainebleau/France. He is a fellow of the Royal Institution 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,

The Management and Supervisory Boards of Fair Value REIT-AG have paid particular attention in recent years to the sustainable dividend capability of the company.

Our cost reduction measures became fully effective in 2010. This contributed to reaching our target of achieving for the reporting year a net income according to German-GAAP (HGB) that allows for a dividend of € 0.10 per share to be paid. A further increase in net income, however, calls primarily for external growth that will generate economies of scale.

After the easing of the global economic and financial crisis and despite new difficulties arising as a result of the natural disaster in Japan and political unrest in the Arab world – the stage is set for growth again on the global markets. The German real estate markets have benefited from a significant increase in demand and turnover. The capital markets are proving increasingly receptive again. Hence, we see good conditions for the growth objectives of the company and will, therefore, support the Management Board in its business operations.

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 2010 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 24, 2011 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 17, 2010. 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 2010 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 28, 2011. 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 2010 and approved the Consolidated Financial Statement 2010 on March 28, 2011.

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, which for the first time allowed the distribution of a dividend.

Munich, March 28, 2011

On behalf of the Supervisory Board

Prof. Dr. Heinz Rehkugler

Liabilities and Portfolio

Financial Liabilities in Detail

Financial liabilities Group
as of December 31, 2010

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	WIB Westdt. Immobilienbank	(6,875,000)	6/30/2011	5.18	–	20	13	18	21
FVAG	Portfolio	WIB Westdt. Immobilienbank	(21,181,480)	6/30/2018	6.04	SWAP	75	71	110	109
FVAG	Portfolio	WIB Westdt. Immobilienbank	(11,088,520)	6/30/2018	6.04	SWAP	75	71	110	109
Total direct investments			**(39,145,000)**							
IC 07	Teltow	HRE Hypo Real Estate	(2,688,720)	12/31/2013	5.15	–	n/a	–	n/a	–
Total IC 07			**(2,688,720)**							
IC 03	Neuss	HRE Hypo Real Estate	(3,305,722)	10/31/2011	5.55	–	n/a	–	n/a	–
Total IC 03			**(3,305,722)**							
IC 01	Alzey	HRE Hypo Real Estate	(993,419)	9/30/2013	5.15	–	n/a	–	n/a	–
IC 01	Essen	HRE Hypo Real Estate	(827,854)	9/30/2013	5.15	–	n/a	–	n/a	–
Total IC 01			**(1,821,273)**							
BBV 06	Portfolio	HVB HypoVereinsbank	(21,120,000)	6/29/2012	2.60	CAP	n/a	–	n/a	–
BBV 06	Hannover	HVB HypoVereinsbank	(4,938,862)	7/2/2012	4.94	SWAP	n/a	–	n/a	–
BBV 06	Cologne, Seligenstadt	HVB HypoVereinsbank	(4,645,697)	7/2/2012	4.70	SWAP	n/a	–	n/a	–
Total BBV 06			**(30,704,559)**							
IC 13	Potsdam	HRE Hypo Real Estate	(2,532,183)	10/31/2011	2.48	–	n/a	–	n/a	–
IC 13	Neubrandenburg	HRE Hypo Real Estate	(2,473,323)	7/31/2011	2.48	–	n/a	–	n/a	–
IC 13	Neubrandenburg	HRE Hypo Real Estate	(8,047,761)	10/31/2011	2.48	–	n/a	–	n/a	–
IC 13	Neubrandenburg	HRE Hypo Real Estate	(1,994,898)	12/31/2013	3.32	–	n/a	–	n/a	–
IC 13	Neubrandenburg	HRE Hypo Real Estate	(607,252)	12/31/2013	3.32	–	n/a	–	n/a	–
IC 13	Langenfeld	Corealcredit	(4,289,521)	10/31/2011	2.48	–	n/a	–	n/a	–
IC 13	Langenfeld	Corealcredit	(66,015)	10/31/2011	2.48	–	n/a	–	n/a	–
IC 13	Langenfeld	Corealcredit	(407,212)	10/31/2011	2.48	–	n/a	–	n/a	–
IC 13	Langenfeld	Corealcredit	(139,555)	2/28/2012	2.48	–	n/a	–	n/a	–
IC 13	Langenfeld	Corealcredit	(727,445)	2/28/2012	2.48	–	n/a	–	n/a	–
Total IC 13			**(21,285,165)**							
Total Group			**(99.103.139)**							

Financial liabilities associated companies

as of December 31, 2010

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	HSH Nordbank	(49.722.951)	12/31/2014	5.18	—	n/a	—	n/a	—
Total BBV 14			**(49.722.951)**							
IC 12	Bankgeb. Chem	WIB Westdt. Immobilienbank	(2.265.458)	9/15/2016	5.23	—	50	31	120	216
Total IC 12			**(2.265.458)**							
BBV 02	Erlangen	BBV Lebensversicherung	(179.677)	12/31/2011	5.06	—	n/a	—	n/a	—
BBV 02	Erlangen	BBV Lebensversicherung	(968.133)	12/31/2016	5.23	—	n/a	—	n/a	—
BBV 02	Erlangen	BBV Lebensversicherung	(138.882)	12/31/2016	5.23	—	n/a	—	n/a	—
Total BBV 02			**(1.286.692)**							
IC 15	Chemnitz (employment office)	HSH Nordbank	(3.270.716)	11/30/2012	5.10	—	n/a	—	n/a	—
IC 15	Chemnitz (employment office)	HSH Nordbank	(1.455.851)	11/30/2012	5.10	—	n/a	—	n/a	—
IC 15	Chemnitz (employment office)	HSH Nordbank	(286.850)	11/30/2012	5.10	—	n/a	—	n/a	—
IC 15	Quickborn	Eurohypo	(8.556.349)	12/31/2012	5.10	—	n/a	—	n/a	—
IC 15	Dresden	HSH Nordbank	(2.997.865)	9/30/2012	5.10	—	n/a	—	n/a	—
IC 15	Dresden	HSH Nordbank	(636.257)	9/30/2012	5.10	—	n/a	—	n/a	—
IC 15	Chemnitz-Passage	HVB HypoVereinsbank	(3.208.334)	12/31/2014	4.67	—	n/a	—	n/a	—
IC 15	Chemnitz-Passage	Archon Capital	(1.721.011)	12/30/2012	5.10	—	n/a	—	n/a	—
Total IC 15			**(22.133.233)**							
BBV 10	Portfolio	BBV Lebensversicherung	(23.395.730)	12/31/2012	5.10	SWAP	n/a	—	n/a	—
BBV 10	Portfolio	BBV Lebensversicherung	(2.795.286)	12/31/2012	5.10	SWAP	n/a	—	n/a	—
BBV 10	Bookvalue interest rate swaps	HVB HypoVereinsbank	(1.060.982)	12/31/2012	5.10	—	n/a	—	n/a	—
BBV 10	Portfolio	HVB HypoVereinsbank	(32.504.359)	12/31/2013	6.21	SWAP	n/a	—	n/a	—
BBV 10	Portfolio	HVB HypoVereinsbank	(2.691.367)	12/31/2013	6.21	SWAP	n/a	—	n/a	—
BBV 10	Portfolio	HVB HypoVereinsbank	(8.793.933)	12/31/2013	6.21	SWAP	n/a	—	n/a	—
Total BBV 10			**(71.241.657)**							
BBV 09	Portfolio	NordLB	(45.219.751)	12/31/2013	6.48	SWAP	n/a	—	n/a	—
BBV 09	Portfolio	NordLB	(27.800.201)	12/31/2013	6.48	SWAP	n/a	—	n/a	—
Total BBV 09			**(73.019.952)**							
Total associated companies			**(219.669.943)**							
Total Fair Value's share			**78.015.000**							

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, 2010. 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 Practical Statement (PS) 3.2 of the RICS Valuation Standards (6th edition) from the Royal Institution of Chartered Surveyors (RICS), London, 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.

Changes to the Valuation Model

In 2010, CBRE made some changes to its valuation model. The valuation parameters were adjusted to make it possible to achieve the same valuation results with the same data base as with the previous model. The adjustments are apparent in differing discount and capitalization rates. As a result, the interest rates applied on the valuation date of December 31, 2010 are not directly comparable with the previous year's figures.

Volatile Markets

According to Guidance note 5 of the RICS Valuation Standards CBRE points out explicitly in its valuation report as of February 11/February 15, 2011, 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, 2010

Address	Fund	Primary use	Year of construction	Last renovation/ modern-ization	Plot size [m²]	Market value 12/31/2009 [€ thousand]	Market value[1] 12/31/2010 [€ thousand]	Change [%]	Discount rate 12/31/2010 [%]	Capitalization rate 12/31/2010 [%]	Lettable space [m²]
Direct Investments											
Appen Hauptstr. 56e/d	n/a	Office	1975	1995	4,320	225	228	1.3	7.10	6.60	212
Bad Bramstedt Bleeck 1	n/a	Office	1973	2006	3,873	1,150	1,130	(1.7)	6.90	6.40	997
Bad Segeberg Oldesloer Str. 24	n/a	Office	1982	2007	5,152	8,900	8,960	0.7	7.00	6.50	9,144
Barmstedt Koenigstr. 19–21	n/a	Office	1911	ongoing	2,842	1,380	1,370	(0.7)	7.00	6.50	1,264
Boennigstedt Bahnhofstr. 9	n/a	Office	1992	2003	1,131	230	241	4.8	7.20	6.70	211
Boostedt Bahnhofstr. 14	n/a	Office	1989	2005	1,006	120	126	5.0	6.50	6.00	114
Bornhoeved Am alten Markt 9a	n/a	Office	1991	2005	873	660	665	0.8	6.70	6.20	664
Ellerau Berliner Damm 6	n/a	Office	1990	2000	1,177	400	405	1.3	7.00	6.50	369
Ellerbek Pinneberger Str. 155	n/a	Office	1985	2001	1,708	350	348	(0.6)	6.80	6.30	356
Geschendorf Dorfstr. 29	n/a	Office	1985	2006	1,154	235	233	(0.9)	6.80	6.30	316
Halstenbek Hauptstr. 33	n/a	Office	1969	2001	1,195	820	834	1.7	7.40	6.90	791
Halstenbek Seestr. 232	n/a	Office	1976	2002	549	87	90	3.3	7.20	6.70	188
Helgoland Friesenstr. 59	n/a	Office	1986	2000	194	570	552	(3.2)	6.50	6.00	488
Henstedt-Ulzburg Hamburger Str. 83	n/a	Office	1989	2004	1,219	1,060	1,070	0.9	6.90	6.40	1,005
Kaltenkirchen Holstenstr. 32	n/a	Office	1978	2005	1,893	1,830	1,830	—	7.25	6.75	1,581
Koelln-Reisiek Koellner Chaussee 27	n/a	Office	1990	2001	1,004	180	182	1.1	7.10	6.60	168
Leezen Hamburger Str. 40	n/a	Office	1989	2005	886	190	194	2.1	7.10	6.60	174
Nahe Segeberger Str. 21	n/a	Office	1971	2004	1,698	690	697	1.0	7.10	6.60	734
Neumuenster Ehndorfer Str. 153	n/a	Office	1971	2003	1,685	240	249	3.8	7.50	7.00	346
Neumuenster Kuhberg 11–13	n/a	Office	1989	2005	5,286	14,700	14,700	—	7.25	6.75	11,808
Neumuenster Roentgenstr. 120	n/a	Office	1972	1998	2,481	275	271	(1.5)	7.50	7.00	534
Norderstedt Ulzburger Str. 363 d/e	n/a	Office	1994	2004	2,762	1,420	1,410	(0.7)	7.40	6.90	1,340
Norderstedt Ulzburger Str. 545/547	n/a	Office	1960	—	1,313	620	611	(1.5)	7.90	7.40	1,005
Pinneberg Damm 49	n/a	Office	1996	2007	1,383	2,280	2,240	(1.8)	6.90	6.40	1,930
Pinneberg Oeltingsallee 30	n/a	Office	1970	2002	2,047	640	591	(7.7)	7.10	6.60	624
Quickborn Kieler Str. 100	n/a	Office	1980	2002	1,625	1,430	1,440	0.7	7.00	6.50	1,309
Rellingen Hauptstr. 49	n/a	Office	1983	2001	828	550	558	1.5	7.50	7.00	524
Sparrieshoop Rosenstr. 15	n/a	Office	1961	1999	984	195	196	0.5	7.30	6.80	237
Tornesch Willy-Meyer-Str. 3–5	n/a	Office	1977	2003	970	560	572	2.1	7.00	6.50	657
Trappenkamp Am Markt 1	n/a	Office	1985	2005	1,190	640	656	2.5	6.60	6.10	787
Uetersen Wassermuehlenstr. 5	n/a	Office	2001	—	2,348	1,790	1,780	(0.6)	6.90	6.40	1,726
Wahlstedt Markt 1	n/a	Office	1975	2005	1,848	1,110	988	(11.0)	7.00	6.50	1,346
Subtotal direct investments					**58,624**	**45,527**	**45,417**	**(0.2)**			**42,948**

[1] According to valuation by CB Richard Ellis GmbH, Frankfurt/Main, December 31, 2010; for the Essen property (IC 01) the agreed sales price in the amount of € 2.5 million was appointed.

			Fair Value REIT-AG's share									
Vacancies [m^2]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Participating interest 12/31/2010 [%]	Market value 12/31/2009 [€ thousand]	Market value 12/31/2010 [€ 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	225	228	1.3	7.0	100.0	20	20	8.7	8.7
—	80	80	100.00	1,150	1,130	(1.7)	13.9	100.0	80	80	7.1	7.1
378	616	643	100.00	8,900	8,960	0.7	12.1	95.8	616	643	6.9	7.2
—	95	95	100.00	1,380	1,370	(0.7)	13.1	100.0	95	95	6.9	6.9
—	20	20	100.00	230	241	4.8	7.0	100.0	20	20	8.2	8.2
—	11	11	100.00	120	126	5.0	7.0	100.0	11	11	8.4	8.4
—	52	52	100.00	660	665	0.8	6.3	100.0	52	52	7.9	7.9
—	32	32	100.00	400	405	1.3	7.0	100.0	32	32	7.8	7.8
—	28	28	100.00	350	348	(0.6)	5.1	100.0	28	28	8.1	8.1
—	20	20	100.00	235	233	(0.9)	5.4	100.0	20	20	8.8	8.8
—	66	66	100.00	820	834	1.7	7.0	100.0	66	66	7.9	7.9
—	8	8	100.00	87	90	3.3	7.0	100.0	8	8	9.4	9.4
—	36	36	100.00	570	552	(3.2)	11.9	100.0	36	36	6.4	6.4
—	73	73	100.00	1,060	1,070	0.9	15.0	100.0	73	73	6.8	6.8
—	125	125	100.00	1,830	1,830	—	14.9	100.0	125	125	6.8	6.8
—	16	16	100.00	180	182	1.1	7.0	100.0	16	16	8.6	8.6
—	16	16	100.00	190	194	2.1	7.0	100.0	16	16	8.3	8.3
—	61	61	100.00	690	697	1.0	7.0	100.0	61	61	8.7	8.7
—	24	24	100.00	240	249	3.8	5.3	100.0	24	24	9.5	9.5
—	977	977	100.00	14,700	14,700	—	14.4	100.0	977	977	6.6	6.6
—	29	29	100.00	275	271	(1.5)	6.0	100.0	29	29	10.7	10.7
89	105	108	100.00	1,420	1,410	(0.7)	12.5	97.5	105	108	7.5	7.6
408	49	70	100.00	620	611	(1.5)	2.7	69.9	49	70	8.0	11.4
—	180	180	100.00	2,280	2,240	(1.8)	2.0	100.0	180	180	8.0	8.0
104	42	51	100.00	640	591	(7.7)	4.9	82.8	42	51	7.1	8.6
—	102	102	100.00	1,430	1,440	0.7	15.0	100.0	102	102	7.1	7.1
—	43	43	100.00	550	558	1.5	7.0	100.0	43	43	7.7	7.7
—	18	18	100.00	195	196	0.5	4.6	100.0	18	18	9.0	9.0
—	56	56	100.00	560	572	2.1	5.2	100.0	56	56	9.8	9.8
—	55	55	100.00	640	656	2.5	5.6	100.0	55	55	8.3	8.3
—	126	126	100.00	1,790	1,780	(0.6)	12.3	100.0	126	126	7.1	7.1
332	65	93	100.00	1,110	988	(11.0)	7.0	69.6	65	93	6.5	9.4
1,311	**3,242**	**3,330**		**45,527**	**45,417**	**(0.2)**	**11.2**	**97.4**	**3,242**	**3,330**	**7.1**	**7.3**

Portfolio
as of December 31, 2010

Address	Fund	Primary use	Year of construction	Last renovation/ modern-ization	Plot size [m²]	Market value 12/31/2009 [€ thousand]	Market value(1) 12/31/2010 [€ thousand]	Change [%]	Discount rate 12/31/2010 [%]	Capitalization rate 12/31/2010 [%]	Lettable space [m²]
Subsidiaries											
Teltow Rheinstr. 8	IC 07	Office	1995	—	5,324	7,110	7,340	3.2	7.30	6.30	9,731
Neuss Im Taubental 9–17	IC 03	Other	1990	—	19,428	7,320	5,790	(20.9)	8.90	8.40	12,064
Essen-Heidhausen Heidhauser Str. 94	IC 01	Retail	1990	—	4,776	2,700	2,500	(7.4)	7.65	7.15	1,386
Alzey Hospitalstraße 17–19/ Judengasse 21	IC 01	Retail	1990	2007	2,243	1,640	1,500	(8.5)	7.80	7.30	1,989
Ahaus-Wuellen Andreasstr. 1	BBV 06	Retail	1990	—	5,513	1,060	1,030	(2.8)	8.00	7.50	1,496
Ahaus-Wuellen Andreasstr. 3–7	BBV 06	Retail	1973	—	13,036	4,220	3,800	(10.0)	7.85	7.35	3,915
Altenberge Marktplatz 3	BBV 06	Retail	1986	—	1,756	1,120	973	(13.1)	7.00	6.50	1,285
Emmerich Heerenbergerstr. 51	BBV 06	Retail	1987	—	4,314	850	834	(1.9)	8.00	7.50	1,415
Frechen Hubert-Prott-Str. 117	BBV 06	Retail	1988	—	4,282	1,210	1,180	(2.5)	8.00	7.50	1,225
Hannover Hinueberstr. 6	BBV 06	Other	1981	2006	3,204	18,800	19,000	1.1	6.90	6.40	19,460
Cologne Koehlstr. 8	BBV 06	Other	1982	—	40,591	9,550	9,450	(1.0)	8.80	8.30	23,626
Krefeld Gutenbergstr. 152/ St. Toeniser Str. 12	BBV 06	Retail	1990	—	8,417	3,440	2,820	(18.0)	8.20	7.70	4,683
Lippetal-Herzfeld Lippestr. 2	BBV 06	Retail	1990	—	3,155	1,590	1,560	(1.9)	7.75	7.25	1,452
Meschede Zeughausstr. 13	BBV 06	Retail	1989	—	1,673	470	446	(5.1)	7.30	6.80	1,095
Waltrop Bahnhofstr. 20 a–e	BBV 06	Retail	1989	—	1,742	2,780	2,780	—	7.75	7.25	2,124
Cologne Marconistr. 4–8	BBV 03	Other	1990	—	13,924	3,250	3,230	(0.6)	6.90	6.40	9,640
Weyhe-Leeste Hauptstr. 51–55	BBV 03	Retail	1989	2005	11,248	3,570	3,530	(1.1)	7.70	7.20	3,141
Langenfeld Max-Planck-Ring 26/28	IC 13	Other	1996	—	14,727	9,350	6,240	(33.3)	8.60	8.10	10,453
Neubrandenburg Friedrich-Engels-Ring 52	IC 13	Office	1996	—	4,705	8,330	8,050	(3.4)	8.05	7.55	7,558
Potsdam Großbeerenstr. 231	IC 13	Office	1995	—	2,925	3,700	3,680	(0.5)	7.20	6.60	3,824
Subtotal subsidiaries					**166,983**	**92,060**	**85,773**	**(6.9)**			**121,562**
Total Group					**225,607**	**137,587**	**131,150**	**(4.7)**			**164,510**

1) According to valuation by CB Richard Ellis GmbH, Frankfurt/Main, December 31, 2010; for the Essen property (IC 01) the agreed sales price in the amount of € 2.5 million was appointed.

			Fair Value REIT-AG's share									
Vacancies [m²]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Participating interest 12/31/2010 [%]	Market value 12/31/2009 [€ thousand]	Market value 12/31/2010 [€ 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 [%]
3,254	451	688	76.74	5,385	5,633	4.6	1.6	65.5	346	528	6.1	9.4
4,959	442	718	71.58	5,240	4,145	(20.9)	1.7	61.5	316	514	7.6	12.4
—	210	210	56.29	1,506	1,407	(6.6)	11.8	100.0	118	118	8.4	8.4
318	86	141	56.29	915	844	(7.7)	5.3	60.6	48	80	5.7	9.4
—	108	108	55.71	589	574	(2.5)	2.0	100.0	60	60	10.5	10.5
—	329	329	55.71	2,344	2,117	(9.7)	4.0	100.0	183	183	8.7	8.7
—	106	106	55.71	622	542	(12.9)	0.9	100.0	59	59	10.9	10.9
92	84	90	55.71	472	465	(1.6)	2.8	93.8	47	50	10.1	10.7
—	135	135	55.71	672	657	(2.2)	2.8	100.0	75	75	11.5	11.5
—	1,636	1,636	55.71	10,443	10,585	1.4	4.0	100.0	912	912	8.6	8.6
—	919	919	55.71	5,305	5,265	(0.8)	2.3	100.0	512	512	9.7	9.7
4,683	—	379	55.71	1,911	1,571	(17.8)	—	—	—	211	—	13.5
—	144	144	55.71	883	869	(1.6)	4.7	100.0	80	80	9.2	9.2
—	42	42	55.71	261	248	(4.8)	2.5	100.0	23	23	9.4	9.4
250	230	249	55.71	1,544	1,549	(0.3)	6.4	92.2	128	139	8.3	9.0
—	330	330	53.83	1,748	1,739	(0.6)	1.3	100.0	178	178	10.2	10.2
45	366	368	53.83	1,920	1,900	(1.1)	3.6	99.6	197	198	10.4	10.4
4,074	427	623	50.04	4,678	3,122	(33.3)	5.0	68.5	214	312	6.8	10.0
1,238	901	1,005	50.04	4,168	4,028	(3.4)	3.6	89.7	451	503	11.2	12.5
234	278	310	50.04	1,851	1,841	(0.5)	1.8	89.5	139	155	7.6	8.4
19,147	**7,222**	**8,529**		**52,459**	**49,101**	**(6.4)**	**3.4**	**83.6**	**4,086**	**4,889**	**8.3**	**10.0**
20,458	**10,465**	**11,859**										

Portfolio

as of December 31, 2010

Address	Fund	Primary use	Year of construction	Last renovation/ modern-ization	Plot size [m²]	Market value 12/31/2009 [€ thousand]	Market value[1] 12/31/2010 [€ thousand]	Change [%]	Discount rate 12/31/2010 [%]	Capitalization rate 12/31/2010 [%]	Lettable space [m²]
Associated companies											
Berlin Carnotstr. 5–7	BBV 14	Office	1995	—	4,583	15,100	15,300	1.3	6.80	6.30	9,853
Dresden Nossener Bruecke 8–12	BBV 14	Office	1997	—	4,134	7,520	7,580	0.8	8.10	7.60	8,852
Rostock Kroepeliner Str. 26–28	BBV 14	Retail	1995	—	7,479	61,300	61,900	1.0	6.50	6.00	19,307
Erlangen Henkestr. 5	BBV 02	Retail	1984	—	6,350	1,650	1,640	(0.6)	7.20	6.70	2,770
Chemnitz Hartmannstr. 3a–7	IC 12	Office	1997	—	4,226	7,340	7,280	(0.8)	7.10	6.60	8,380
Chemnitz Heinrich-Lorenz-Str. 35	IC 15	Office	1998	—	4,718	3,840	4,220	9.9	9.00	8.50	5,845
Chemnitz Am alten Bad 1–7, Theaterstr. 34a	IC 15	Office	1997	—	3,246	5,870	6,100	3.9	6.50	6.00	5,110
Dresden Koenigsbruecker Str. 121a	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	13,000	13,900	6.9	7.20	6.70	10,570
Ahaus Zum Rotering 5–7	BBV 10	Retail	1989	—	3,884	2,170	1,650	(24.0)	8.45	7.95	2,054
Celle Vor den Fuhren 2	BBV 10	Retail	1992	—	21,076	12,100	11,600	(4.1)	7.60	7.10	10,611
Eisenhuettenstadt Nordpassage 1	BBV 10	Retail	1993	—	20,482	49,800	48,300	(3.0)	7.80	7.30	40,101
Genthin Altmaerker Str. 5	BBV 10	Retail	1998	—	3,153	730	725	(0.7)	7.85	7.35	1,275
Langen Robert-Bosch-Str. 11	BBV 10	Office	1994	—	6,003	17,000	15,700	(7.6)	7.50	7.00	13,657
Muenster Hammer Str. 455-459	BBV 10	Retail	1991	—	15,854	7,960	7,790	(2.1)	7.50	7.00	7,353
Osnabrueck Hannoversche Str. 39	BBV 10	Retail	1989	—	7,502	3,870	3,420	(11.6)	7.75	7.25	4,207
Rheda-Wiedenbrueck Klingelbrink 10	BBV 10	Retail	1991	—	2,455	2,510	2,570	2.4	7.10	6.70	2,235
Wittenberg Lerchenberg-str. 112/113, Annendorfer Str. 15/16	BBV 10	Retail	1994	—	96,822	21,100	20,500	(2.8)	7.20	6.70	14,710
Bad Salzungen Leimbacher Str. 97/99	BBV 09	Retail	1992	—	22,979	12,800	13,800	7.8	7.20	6.70	10,985
Eisenach Muehlhaeuser Str. 100	BBV 09	Retail	1994	—	44,175	46,100	45,600	(1.1)	7.50	7.00	37,400
Munich Putz-brunner Str. 71/73, Fritz-Erler-Str. 3	BBV 09	Office	1986	—	10,030	36,000	34,000	(5.6)	8.30	7.80	19,018
Naumburg Weissenfelser Str. 70	BBV 09	Retail	1993	—	20,517	20,100	19,500	(3.0)	7.50	7.00	15,180
Weilburg An der Backstania 1	BBV 09	Retail	1994	—	17,211	9,800	9,860	0.6	7.30	6.80	8,145
Subtotal associated companies					**340,250**	**370,060**	**365,335**	**(1.3)**			**269,173**
Total portfolio					**565,857**	**507,647**	**496,485**	**(2.2)**			**433,683**

[1] According to valuation by CB Richard Ellis GmbH, Frankfurt/Main, December 31, 2010; for the Essen property (IC 01) the agreed sales price in the amount of € 2.5 million was appointed.

			Fair Value REIT-AG's share									
Vacancies [m²]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Participating interest 12/31/2010 [%]	Market value 12/31/2009 [€ thousand]	Market value 12/31/2010 [€ 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 [%]
135	1,226	1,267	45.11	6,808	6,902	1.4	4.3	96.8	553	572	8.0	8.3
1,040	658	761	45.11	3,391	3,419	0.8	0.7	86.5	297	343	8.7	10.0
696	4,262	4,349	45.11	27,640	27,923	1.0	5.6	98.0	1,922	1,962	6.9	7.0
—	220	220	40.45	655	663	1.3	1.6	100.0	89	89	13.4	13.4
1,805	491	634	40.27	2,952	2,932	(0.7)	2.9	77.6	198	255	6.8	8.7
—	533	533	38.89	1,473	1,641	11.4	0.6	100.0	207	207	12.6	12.6
384	427	468	38.89	2,252	2,372	5.3	1.9	91.1	166	182	7.0	7.7
—	899	899	38.89	4,758	4,822	1.3	18.5	100.0	350	350	7.3	7.3
—	1,145	1,145	38.89	4,988	5,405	8.4	6.1	100.0	445	445	8.2	8.2
40	140	142	38.37	833	633	(24.0)	3.7	98.8	54	54	8.5	8.6
—	1,103	1,103	38.37	4,642	4,451	(4.1)	1.7	100.0	423	423	9.5	9.5
—	4,988	4,988	38.37	19,107	18,531	(3.0)	2.8	100.0	1,914	1,914	10.3	10.3
249	65	81	38.37	280	278	(0.7)	2.8	80.7	25	31	9.0	11.1
2,654	1,176	1,477	38.37	6,522	6,024	(7.6)	1.3	79.6	451	567	7.5	9.4
—	674	674	38.37	3,054	2,989	(2.1)	8.2	100.0	259	259	8.7	8.7
—	302	302	38.37	1,485	1,312	(11.6)	3.7	100.0	116	116	8.8	8.8
638	175	220	38.37	963	986	2.4	5.5	79.3	67	85	6.8	8.6
1,657	1,594	1,732	38.37	8,095	7,865	(2.8)	9.3	92.0	611	665	7.8	8.5
—	1,260	1,260	25.16	3,213	3,473	8.1	11.2	100.0	317	317	9.1	9.1
—	3,485	3,485	25.16	11,572	11,475	(0.8)	13.6	100.0	877	877	7.6	7.6
—	4,391	4,391	25.16	9,037	8,556	(5.3)	3.0	100.0	1,105	1,105	12.9	12.9
—	1,743	1,743	25.16	5,046	4,907	(2.7)	7.6	100.0	439	439	8.9	8.9
—	839	839	25.16	2,460	2,481	0.9	7.3	100.0	211	211	8.5	8.5
9,298	**31,798**	**32,715**		**131,226**	**130,038**	**(0.9)**	**5.7**	**96.8**	**11,097**	**11,467**	**8.5**	**8.8**
29,756	**42,263**	**44,574**		**229,212**	**224,555**	**(2.0)**	**6.2**	**93.6**	**18,425**	**19,686**	**8.2**	**8.8**

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 non-cash 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. If a company sells an applicable property to a REIT within this period, tax is only due on 50 % of any difference between the carrying amount of the property and the selling price.

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

Financial calendar	
Fair Value REIT-AG	
May 12, 2011	Interim Report First Quarter 2011
May 31, 2011	Annual General Meeting, Munich, Germany
August 11, 2011	Semi-annual Report 2011
October 19, 2011	Presentation, 11th Conference of the Real Estate Share Initiative (Frankfurt/Main, Germany)
November 15, 2011	Interim Report First to Third Quarter 2011

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Disclaimer
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