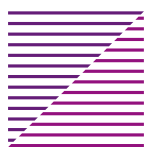




ANNUAL REPORT 2009



fair value
REIT

OVERVIEW

Business model	Direct and indirect investments in commercial real estate. First REIT in Germany to acquire interests in closed-end real estate funds against the issue of shares or payment of a purchase price (so-called UPREIT).
Sectors	Offices, Retail, Logistics / Light industrial
Region	Germany, focusing on regional locations
Portfolio	Direct investments and participations in closed-end real estate funds
Properties	32 properties (directly held) 48 properties (held indirectly via 13 closed-end real estate funds)
Market value	€ 236.1 million *)
Potential rent	€ 21.0 million **)

*) Fair Value's share based on market valuations as of December 31, 2009

**) Fair Value's share as of December 31, 2009

FINANCIAL KEY DATA

T€	January 1 to December 31	
	2009	2008
Revenues and earnings		
Rental revenues	10,460	12,392
EBIT	(727)	(1,754)
Consolidated net profit	(2,906)	(13,301)
Earnings per share (€)	(0.31)	(1.41)
Funds from operations (FFO)	2,947	3,501
FFO per share (€)	0.31	0.37
Assets and capital		
	December 31	
	2009	2008
Non-current assets	185,393	181,526
Current assets	18,416	16,717
Total assets	203,809	198,243
Equity / Net asset value	72,720	76,787
Equity ratio (in %)	35.7	38.7
Number of outstanding shares	9,347,790	9,406,882
Net asset value / share (€)	7.78	8.16
EPRA NAV / share (€)	8.72	8.99
Number of employees (including Management Board)	3	5

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To our shareholders

Letter to our shareholders

Dear shareholders, ladies and gentlemen,



last year was full of challenges for the economy, politics and the general public. In the second half of the year, the economy began to recover from an unprecedented nosedive. Consequently, the fall in German industrial output slowed down to finish up at an overall figure of approximately 5%. However, this heavy economic burden has so far had relatively little effect on consumer behaviour in Germany, and companies have also managed to keep employment levels relatively stable.

This relative stability also benefited the Fair Value Group and we are happy to report that the occupancy rate in our portfolio increased again and was at 95.5% at the end of the year. The dramatic drop in interest rates also led to significantly lower net interest expenses than in the previous year, and amortisation payments have also contributed to this fall in interest expenses. Notable savings were also made with regard to the general administrative expenses and the property related costs were lower than we had forecasted. As a result, the adjusted consolidated net income pursuant to EPRA was € 6 million or 65 ct per share, which was considerably better than we had expected at the beginning of 2009.

However, the market valuations of properties and interest derivatives had a negative effect on the overall result at the end of the year. A positive aspect of the market valuations on December 31, 2009, was that some of the properties were again already increasing in value, even though the proportionate valuation result for our real estate portfolio was on balance -3.4%. This was a considerably smaller fall than was the case in the previous year however (-6.4%). The market valuations of the interest derivatives also again placed a burden on the consolidated result and the consolidated equity position, although the negative effect was less than in the previous year. We consider the significantly smaller falls in the market valuations compared to the previous year to be a sign that a market bottom has been reached.

Due to the market valuations, the Group recorded a consolidated net loss in 2009 of € 2.9 million in 2009 (pursuant to IFRS), compared to € 13.3 million in the previous year. The consolidated equity was € 72.7 million on December 31, 2009, 4.7% below the previous year's figure.

The currently negative market values for the derivative financial instruments included in this position adds up to a proportionate amount for Fair Value of € 8.8 million. This amount will dissipate as the interest rate hedging transactions gradually expire, thus giving rise to an increase in the consolidated equity. The real estate related net assets of the Fair Value Group, pursuant to EPRA, amounted to € 81.5 million (€8.72 per share) on December 31, 2009, after adding up the derivative financial instruments.

The market valuation of the properties also had an impact on the non-consolidated financial statement of Fair Value REIT-AG on December 31, 2009, pursuant to the German Commercial Code (HGB). The extraordinary partial depreciation of directly owned properties and two participations resulted in a net loss of € 2.8 million, which was balanced by appropriations from retained earnings and from the capital reserve. There is thus no profit pursuant to HGB. As such a profit forms the basis for the distribution of dividends, there will be, as forecasted, no dividend payment made in 2010 for the past fiscal year.

From 2010 onwards, the cost cutting measures initiated last year for the general administrative expenses at the holding level will produce their full effect. Due to planned repair and letting costs, we are forecasting a somewhat lower EPRA result (45 ct per share) for the 2010 fiscal year than for the reported year, although the FFO (Funds from Operations) will remain relatively stable at 29 ct per share. It is expected that the EPRA result will increase in 2011 to 59 ct per share and the FFO to 32 ct per share.

Due to further savings in the cost structure of the participations as well as revenue inflows resulting from further portfolio adjustments, we are aiming to generate annual surpluses according to HGB that allow future payment of a dividend of 10 ct per share. The increasingly active investment market of the last few months should support this goal, as will the most recent rental successes in the portfolio, which provide evidence of the quality of our portfolio. The remaining vacancies in the Group on December 31, 2009, have now been halved and 75% of the upcoming lease renewals requiring action by 2012 have already been concluded early on.

We aim to use the solid basis provided by further stabilization in the capital markets to increase the size of the Fair Value Group by means of capital increases in kind and, subordinated, cash capital increases. We do not see an increase in size as being a goal in itself, but wish to use the size of the Group in order to further reduce operational costs per share and thereby sustainably increase the future dividend potential.

In this sense, transparent financial reporting has been an important issue since our stock market debut in autumn 2007. We are therefore very pleased about the outcome of a study published in December 2009 about the transparency of the financial reporting of forty so called Immobilien-AGs (real estate companies) listed on the stock market, which placed the financial reporting of Fair Value REIT-AG in top position for the 2008 fiscal year with regard to meeting the information needs of investors and analysts.

The results of this study provide us with a great incentive to further improve our provision of information to you and we hope that we have made a further step in this direction with the 2009 Annual Report.

We thank you for the confidence and trust you place in us and would be very happy to see you at this year's Annual General Meeting, which will be held in Munich on May 17, 2010.

Munich, March 24, 2010

Management Board



Frank Schaich

Report of the Supervisory Board

Dear shareholders,

Due to the high occupancy rates in our properties and the solvent tenant structure in the Fair Value portfolio, the global financial crisis and current difficult economic situation in Germany have had no disadvantageous effects on the operating results of the Fair Value Group. In fact, the occupancy rate increased slightly in comparison to the previous year. However, the increased yield requirements of market participants led to another valuation loss, which had a burdening effect on the consolidated result.

The reported net consolidated loss is thus a result of the adjusted market valuation of the real estate portfolio. A positive sign is that the percentage change in terms of loss of value among the properties was almost halved compared to the previous year, which gives rise to the expectation that on balance positive figures in the valuation result are again foreseeable.

The market valuation of the financial instruments used for interest rate hedging also impacted negatively again on the result for the fiscal year and had a noticeable effect on equity capital. However, the now significant amount represents a degree of certain relief for the coming years.

In this respect, the EPRA-NAV provides an accurate picture of the property-related net asset value of the Fair Value Group. Although the Fair Value REIT-AG share price has improved considerably in recent months, it is still well below this NAV value.

Apart from the uncertainty of capital market players regarding the effects of the ongoing recession on the German real estate market, possible reasons for the relatively low share price are the low liquidity of Fair Value shares and the company's dividend payment capabilities, which is currently being established.

With this background situation, the main focus of Fair Value REIT-AG's Management and Supervisory Boards was and continues to be the establishment of a sustainable ability to pay dividends. Accordingly, cost cutting measures were introduced in the holding

company in 2009 and these should take full effect from 2010 onwards. Further measures are planned in the subsidiaries and associated companies in order to support the continued development of the business.

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 Board 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.

Six meetings of the Supervisory Board were held in the 2009 fiscal year, three of which were conference calls. 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 updated in June 2009 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 and determined. The current declaration of compliance pursuant to § 161 of the AktG was submitted together with that of the Management Board on March 15, 2010 and has been published on the company's website.

The company management's declaration pursuant to § 289a of the German Commercial Code (HGB) was submitted by the Management Board on March 15, 2010 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 Deutsche Warentreuhand Aktiengesellschaft, Düsseldorf Branch, which was appointed by the Annual General Meeting on May 29, 2009. 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 2009 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 18, 2010. 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 2009 and approved the Consolidated Financial Statement 2009 on March 18, 2010.

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.

Changes in the Management Board

On September 30, 2009, and with effect from the end of that day, Management Board member Manfred Heiler left his position. Due to his contract of employment having a term until December 2012, Mr. Heiler was due severance payment that was determined by mutual agreement and in line with the recommendations of the German Corporate Governance Code.

With regard to the comparatively low current investment volume of the Fair Value Group, the Management Board and Supervisory Board consider it acceptable that the company be managed by a single-member Management Board until further notice.

The Supervisory Board would like to thank both the director that left the board and the remaining director, as well as the company's staff, for all their work during the past year.

Munich, March 18, 2010

On behalf of the Supervisory Board



Prof. Dr. Heinz Rehkugler

Corporate governance report

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 summarised for German companies in the German Corporate Governance Code (GCGC), which was most recently updated in June 2009.

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 2009 fiscal year.

MANAGEMENT AND CONTROL STRUCTURE

Following the departure of one of its members on September 30, 2009, the Management Board of Fair Value REIT-AG currently consists of only one person. He manages the company and acts exclusively in the interests of Fair Value REIT-AG. The Management Board is committed to sustainable growth in the value of the company. It confers with the Supervisory Board regarding the company's strategy and its implementation. It reports regularly, comprehensively and in a timely fashion to the Supervisory Board regarding corporate planning and strategic developments as well as about the current situation regarding business performance and risk.

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

REMUNERATION FOR THE MANAGEMENT BOARD

Remuneration paid to the Management Board consists of basic remuneration as well as variable remuneration. The total remuneration equates to 1.25% of the annual dividend payments made by Fair Value REIT-AG or to the basic remuneration, whichever is the larger sum. The remuneration does not consist of any bonuses involving long-term incentives which take both positive and negative developments into account and which aim at ambitious comparative documents. Further information as well as individual details of remuneration paid to the Management Board, including remuneration paid to the member of the board who left during the year, are included in the Group Management Report and in the Notes to the Consolidated Financial Statement.

REMUNERATION FOR THE SUPERVISORY BOARD

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

SHARE OWNERSHIP

The shares in Fair Value REIT-AG held directly and indirectly by the members of the Management and Supervisory Boards amounts in total to less 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.

DIRECTORS' DEALINGS

During the 2009 fiscal year, Fair Value REIT-AG received no reports regarding securities transactions on the part of members of the Management Board or the Supervisory Board, or people with a close relationship to these members as defined in § 15 WpHG (German Securities Trading Act).

TRANSPARENCY AND DISCLOSURE OF INFORMATION

The shareholders of Fair Value REIT-AG realise 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 June 18, 2009) within the meaning of Section 161 of the AktG on March 15, 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 June 18, 2009 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 (Item 3.8 GCGC). The mandatory deductible for the Managing Board shall be implemented within the time frame of the transitional period until June 30, 2010. It is also intended to implement a deductible for the Members of the Supervisory Board.
- **Number of Managing Board Members:** The Management Board only comprises one member after one member having left office (Item 4.2.1 GCGC). The Managing and Supervisory Boards find this acceptable given the comparably low amount of investments under management. The rules of procedure for the Management Board have been changed in the light of this.
- **Total remuneration for the Managing Board members:** The Management Board's total remuneration comprises fixed and variable components, but does not include a component as a long-term incentive which takes both positive and negative developments into account and aims at ambitious comparative documents (Item 4.2.3 GCGC). It is intended to change this in conjunction with future conclusions of contracts.
- **Compensation cap:** The Management Board's contract currently does not contain a compensation cap in case of premature termination of the board function (Item 4.2.3 GCGC). It is intended to change this in conjunction with future conclusions of contracts.
- **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 to change this 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).

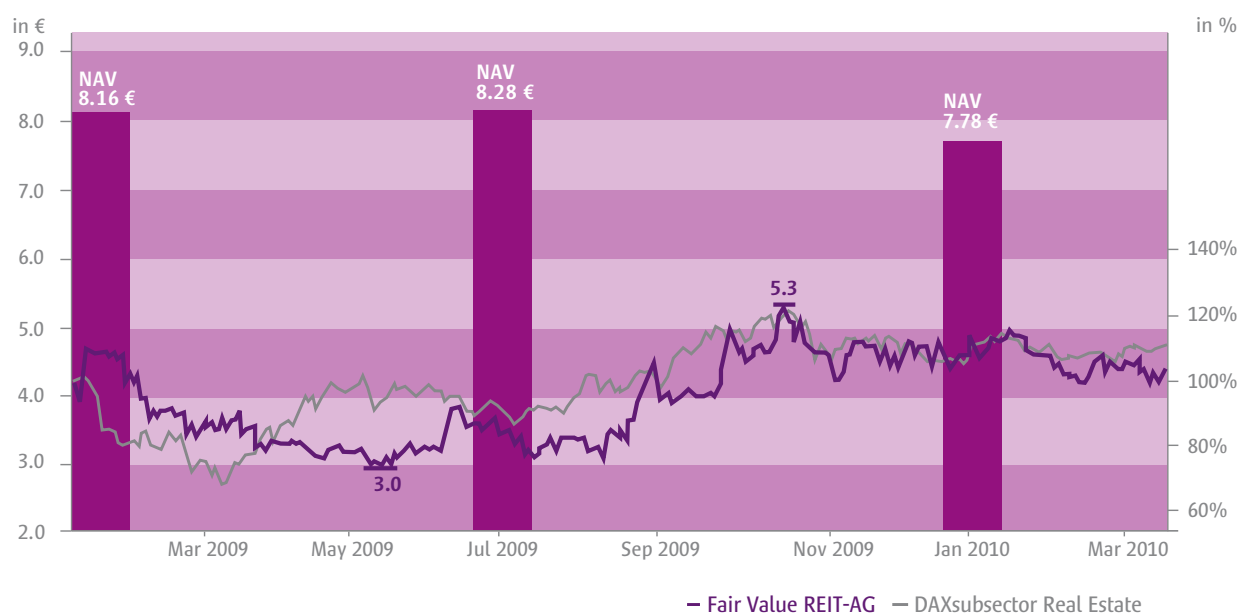
Fair Value's share

I. KEY DATA

Sector	Real Estate (REIT)
WKN (German Securities Code) / ISIN	A0MW97 / DE000A0MW975
Bloomberg	FVI:GR
Reuters	FVIG.DE
Share capital	€ 47,034,410.00
Number of shares (non-par value shares)	9,406,882
thereof circulating on December 31, 2009	9,347,790
Proportion per share in the share capital	€ 5
Initial listing	November 16, 2007
High / low 2009	€ 5.30 / 3.00 (XETRA)
Market capitalization on September 30, 2009	€ 43.7 million (XETRA)
Market segment	Prime Standard
Stock exchanges	Prime Standard: Frankfurt, XETRA OTC: Stuttgart, Berlin-Bremen, Duesseldorf, Munich
Designated Sponsor	DZ-Bank
Indices	DAXsubsector Real Estate-Index DAXsubsector All Real Estate-Index RX REIT-Index

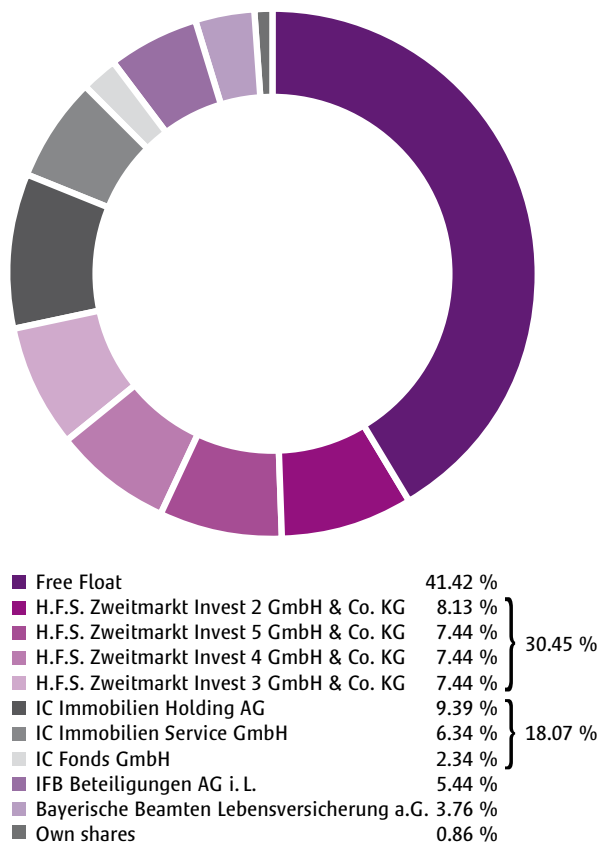
II. SHARE CHART

Share chart Fair Value REIT-AG incl. NAV vs. DAX Subsector Real Estate
(January 1, 2009 – March 18, 2010)



Comparison of Fair Value REIT-AG with the DAXsubsector Real Estate-Index (ISIN DE0007203820, German Securities Code (WKN) 720382, I2VB), which currently comprises 19 companies including Fair Value REIT-AG (Source: Deutsche Börse AG).

Fair Value REIT-AG's shareholder structure



III. DEVELOPMENT OF SECURITIES MARKETS AND THE FAIR VALUE SHARE

In the past fiscal year, international stock markets continued to be characterised by the global financial and economic crisis. The bankruptcy of the American investment bank "Lehman Brothers" in September 2008, and the resulting turmoil, caused a huge shock in the stock markets. The effects were still tangible in 2009, particularly during the first few months, and this was apparent in market nervousness and high share price volatility. The stock market situation did gradually improve as the year progressed, but generally capital markets remained tense.

In this atmosphere of uncertainty, the Fair Value REIT-AG share price actually performed relatively well early in the year, comparing very favourably during the first quarter of 2009 with the benchmark index for German real estate companies, the DAXsubsector Real Estate. However, the share price was unable to escape the general downward trend in the sector and it fell until it reached a low for the year of €3.00 per share on May 15, 2009.

By this time, the general situation in the financial markets had improved but the Fair Value share was slow to benefit from this recovery. After some initial hesitation, a gradual recovery against the benchmark index occurred, a trend that was helped in particular by the publication of the interim reports. The announcement of the half-year results for 2009 was the trigger that set the Fair Value share on a strong and sustainable upward course until it reached its high for the year of € 5.30 on October 16, 2009. At that point the share was again tracking the index level.

In line with the DAXsubsector Real Estate-Index, the share price subsequently entered a sideways phase and has been hovering around a value of € 4.50 per share ever since. On December 30, 2009 the Fair Value share price was € 4.60, a 15% improvement on the price of € 4.00 at the beginning of the year. On the balance sheet date, the company's market capitalisation thereby amounted to approximately € 43.3 million.

A total of 660,308 Fair Value REIT-AG shares were traded during the 2009 fiscal year on all the stock markets on which the share is listed. This resulted in a trading volume of € 2,585,086, which corresponds to an average price of € 3.91 per share and an average daily volume of 2,600 shares or € 10,178.

IV. INVESTOR RELATIONS

Fair Value REIT-AG aims to provide all stakeholders with comprehensive and traceable information. one of the company's particular objectives is the attainment of the best possible transparency and credibility of its corporate communication. For this reason, as part of its financial reporting process, Fair Value regularly provides extensive insights into the business developments of its holdings, as well as detailed additional information regarding the real estate portfolio as well as financial liabilities in the Group's and in the associated companies. This is intended to provide the existing and potential shareholders of the company with the opportunity to form a sophisticated assessment regarding the company's business developments and equity story of the Fair Value Group.

Moreover, Fair Value REIT-AG maintains a constant dialogue with the capital markets, and the Management Board has established frequent

contacts with analysts, investors and capital markets media. The company regularly participates in capital market conferences and presents its business results to domestic and international investors during roadshows. In the course of 2009, the company has presented its current financial figures at the 4. DVFA Real Estate Conference (Frankfurt/Main) in April, at the NAREIT- Week (New York) in early June as well as the 9th Conference of the Real Estate Share Initiative in October and the German Equity Forum in November (both in Frankfurt). Furthermore, the Management Board has introduced the company to institutional investors at roadshows in Frankfurt/Main, Zürich, Amsterdam, Paris and New York.

Currently the company is covered by two research companies. The Company intends to successively increase its research coverage.

Additional information on the share can also be obtained from its website www.fvreit.de in the investor relations section.

V. FINANCIAL CALENDER

May 11, 2010	Interim Report First Quarter 2010
May 17, 2010	Annual General Meeting (Munich, Germany)
August 12, 2010	Semi-annual Report 2010
October 2010	Presentation, 10th Conference of the Real Estate Share Initiative (Frankfurt, Germany)
November 15, 2010	Interim Report First to Third Quarter 2010
November 22 - 24, 2010	Presentation at „German Equity Forum“ (Deutsches Eigenkapitalforum, Frankfurt, Germany)



Portrait of Fair Value REIT-AG

REAL ESTATE PORTFOLIO AT A GLANCE

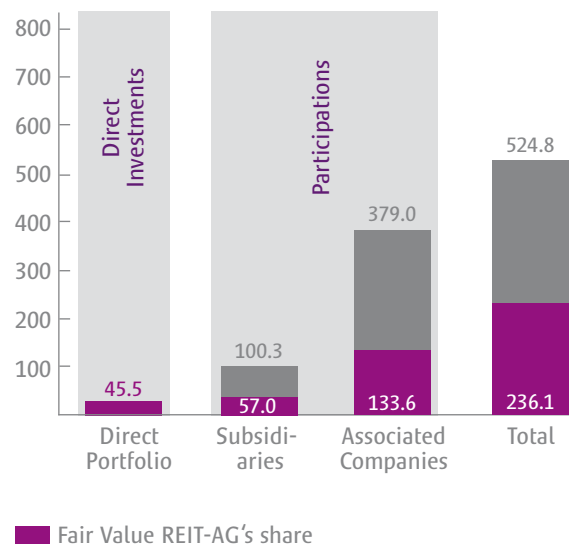
The key expertise of Fair Value REIT-AG relates to the acquisition and management of German commercial properties. The company also has a business model that makes it unique among real estate companies listed on the stock market in Germany: the company acquires properties directly as well as via participations in real estate partnerships, in particular closed-end real estate funds.

The portfolio currently consists of 80 properties with a lettable space of approximately 457,000 m². These properties are spread throughout Germany. Of this lettable space, approximately 43,000 m² is available in the 32 properties held directly by the company. The company also holds 24 further properties via six subsidiaries, with lettable space of approximately 135,000 m². The remaining 279,000 m² are available in 24 properties held by seven associated companies.

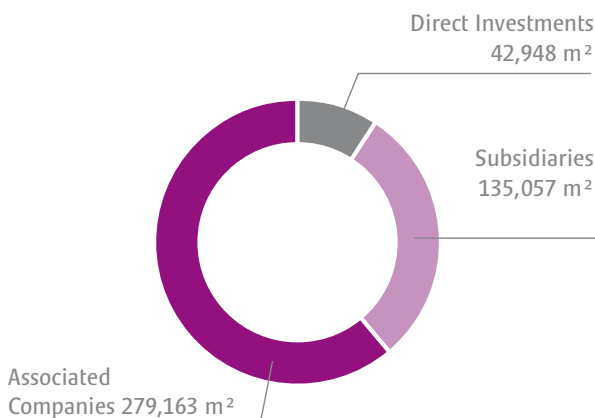
Based on individual valuations, the market value of all the properties on December 31, 2009, amounted to € 524.8 million. It should be noted here that four properties* held by subsidiaries were sold during 2009 but the closing had not yet taken place by the balance sheet date. These properties are valued using the notarized purchase price, in one case with a reduction corresponding to the cost of renovation work still to be carried out by the seller. Based on the size of the participations in the respective individual closed-end real estate funds, the total market value of Fair Value properties was calculated as € 236.1 million.

With a current proportionate contractual annual rent of € 20 million, the portfolio thereby generates attractive rental returns before costs of 8.5% of the total market value. Full occupancy would provide potential rental returns of 8.9% before costs. At the same, considerable planning certainty and sustainability of rental revenues are provided by a revenue-based occupancy rate of 95.5% (previous year 94.9%) of the potential proportionate rent and an average remaining contractual lease period of

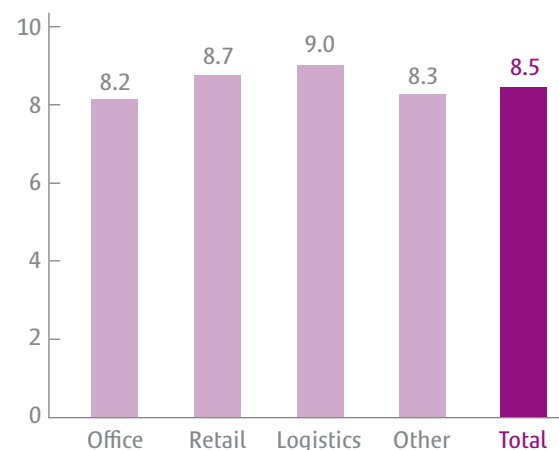
Market values as of December 31, 2009 (€ million)



Portfolio structure by rentable area



Contracted rental return in% based on proportionate market values



* Aachen (BBV03) as well as Hamm, Passau and Seligenstadt (all BBV06)

6.3 years (previous year 6.9). The earnings prospects were thus improved further even in difficult market conditions.

The remaining term of the existing rental agreements on December 31, 2009, shows a fairly even spread over the next five years. In 2013, approximately 18.4% of the potential rent will be subject to contract renewal. This equates to double the average expiry rate for the other four years. However, it has already been possible, with the concluding of early follow-up rental agreements, to extend 75% of the 10.4 percentage points of contracted rent that would have been subject to renewal in 2012 by five years i.e. until 2017. This clearly demonstrates the expertise of Fair Value with regard to proactive asset management.

Due to the generalised approach of the company regarding the type of use of the properties, the portfolio is comparatively independent from developments in individual locations and industry sectors. Currently, 45% of the potential rent relate to retail properties and a further 40% come from office buildings. The renting of logistics properties provide 8% of the potential overall rent and other properties contribute 6%.

Fair Value REIT-AG also has a tenant structure characterised by high credit ratings. The largest individual tenant is Sparkasse Südholfstein, which contributes a 14% share of the proportionate contracted rent of the portfolio. Other important tenants include strong retailers such as the Edeka Group, the Metro Group, the Kaufland Group and the REWE Group in total amounting to 27%. Approximately 40% of the potential rent relates to a large number of small business partners. This well-distributed tenant structure improves the already established risk diversification approach in the Fair Value REIT-AG investment strategy.

The Fair Value REIT-AG real estate portfolio is also characterised by a large number of properties and

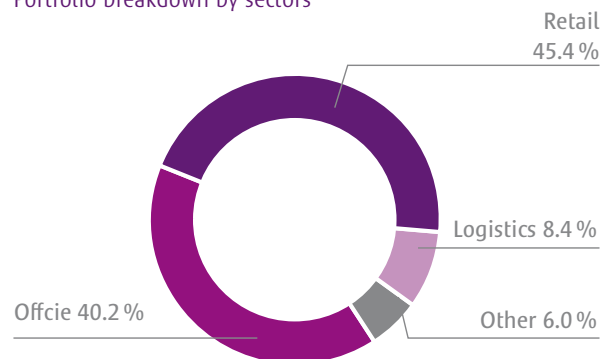
Occupancy rate in% of proportionate potential rents



Ten largest tenants in% of proportionate contracted rent

	December 31, 2009
Sparkasse Südholfstein	14.1 %
Edeka Konzern	9.7 %
Metro Group	9.6 %
BBV Holding AG	5.5 %
Kaufland Gruppe	5.5 %
Schweizerhof Hotel	4.5 %
ABB Grundbesitz GmbH	2.9 %
HPI Germany	2.9 %
REWE Group	2.6 %
comdirect bank AG	2.5 %
Other	40.2 %
Sum	100.00 %

Portfolio breakdown by sectors*



* according to potential rent

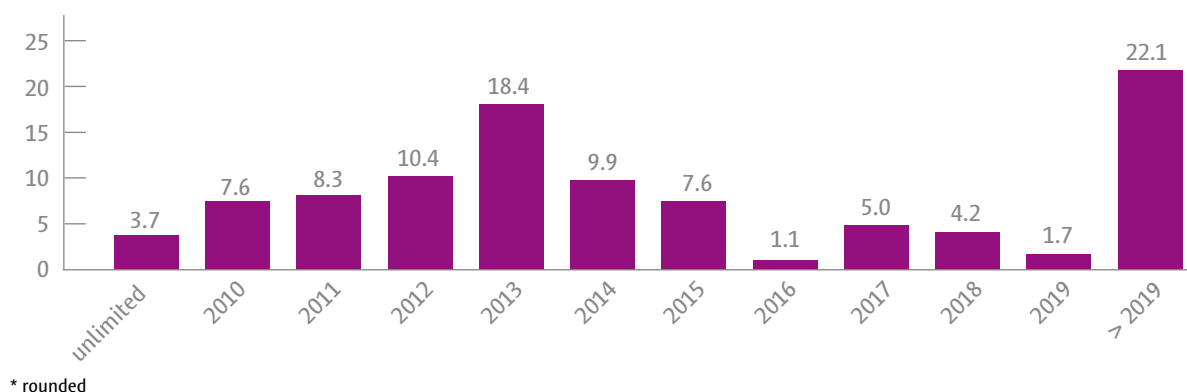
considerable regional diversification. The portfolio properties are spread across Germany and Fair Value is represented in almost all of the 16 Federal States. The dependence of the portfolio on regional developments, both in terms of rental trends and valuation changes, is thereby reduced considerably.

By depicting the proportional market values of the portfolio based on the size of the cities and towns, the company's regional investment strategy can be seen very clearly. The company focuses in particular on medium-sized cities and regional centres. This is reflected in the fact that the majority of the contractual rental revenues attributable to Fair Value

are generated in these locations. Because of the economic structure in Germany being characterised by many specialised medium-sized companies, these locations actually provide more stable rent and value conditions than large urban centres that are more sensitive to economic cycles.

On balance, the real estate valuation of December 31, 2009 was characterised by slight depreciations, although these were considerably less pronounced than those of the previous year. The trend was almost identical regardless of the type of use. Taking into account the attributable participations of Fair Value, the market value of the proportionate portfolio was

Lease expiry schedule in % of proportionate contractual rent as of December 31, 2009*

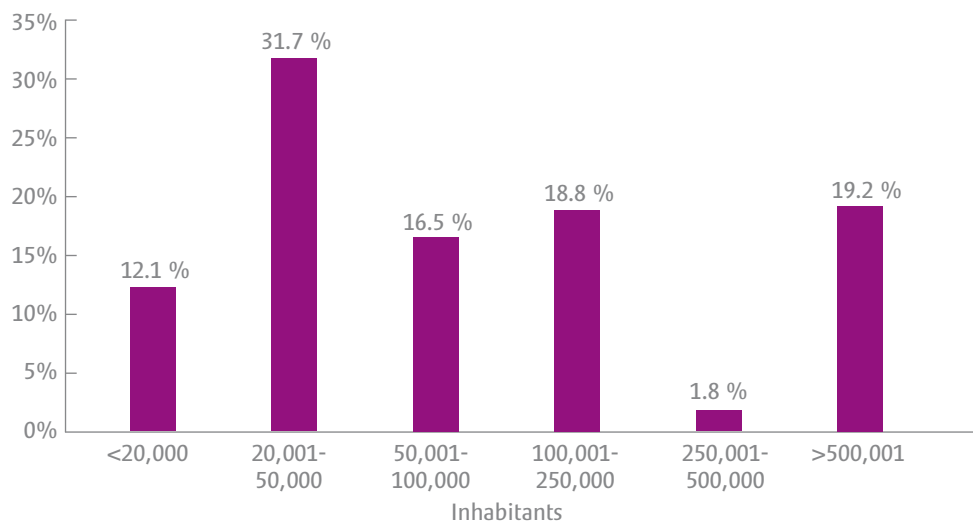


Number of properties and market values of overall portfolio to town size*



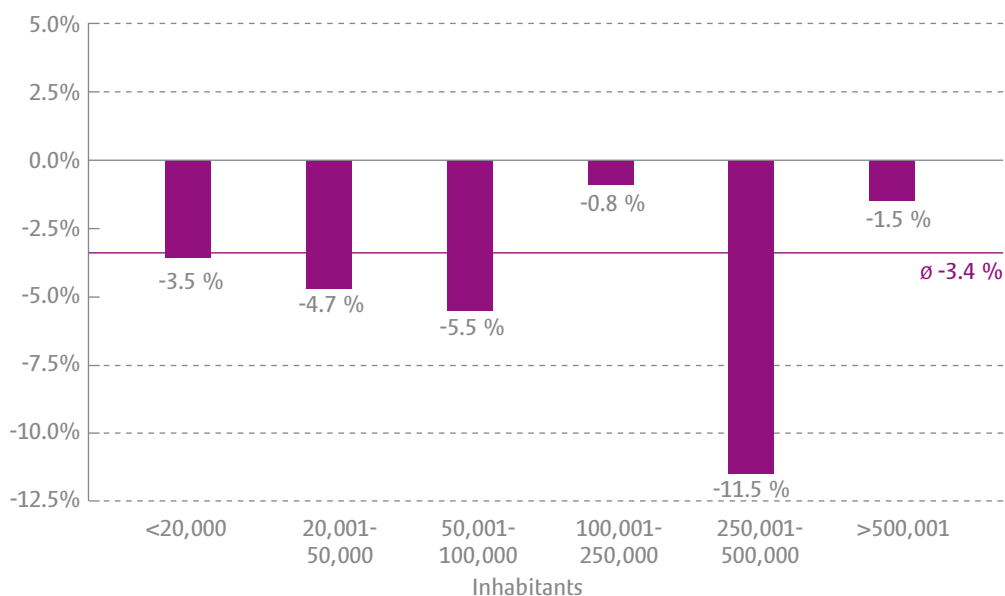
* After taking Fair Values share into consideration

Percentage of contractual rent of overall portfolio according to town size*



* After taking Fair Values share into consideration

Change in market values according to town size*



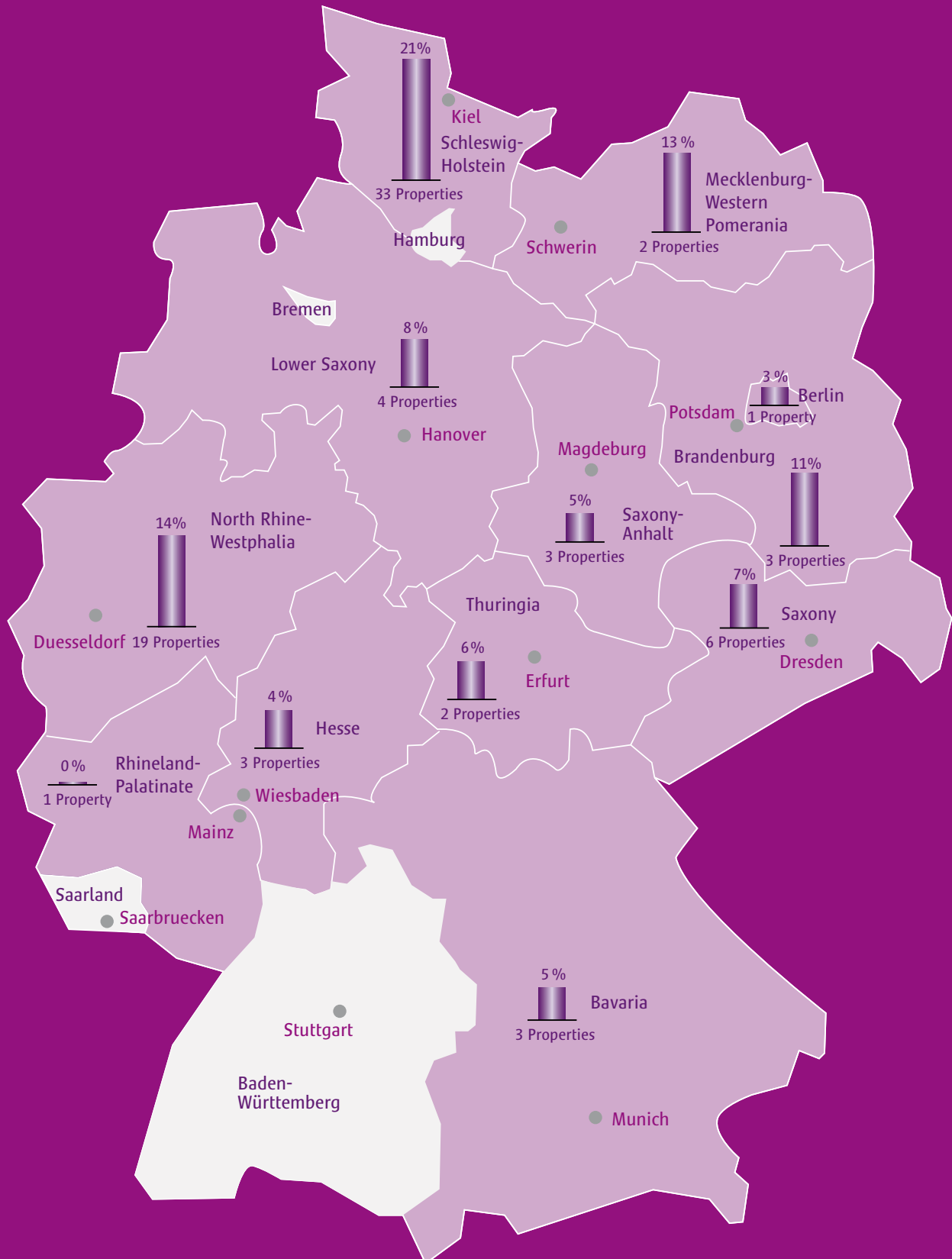
* Comparison to previous year after taking Fair Values share into consideration

calculated as € 236.1 million. Four properties that had already been sold but for which closing had not yet taken place were valued in accordance with the net sale proceeds. Compared to the figure in the previous year of € 244.5 million, this corresponds to a decrease in the market value on balance of € 8.4 million, or approximately 3.4% (previous year

6.4%). The main reason for this adjustment was, in the majority of cases, an increase in the discount and capitalization rates in the property valuations, which relate to the current general investment market environment.

Portfolio Split by Region

(Market value of € 236.1 million of Fair Value's proportionate portfolio by federal state as of December 31, 2009)



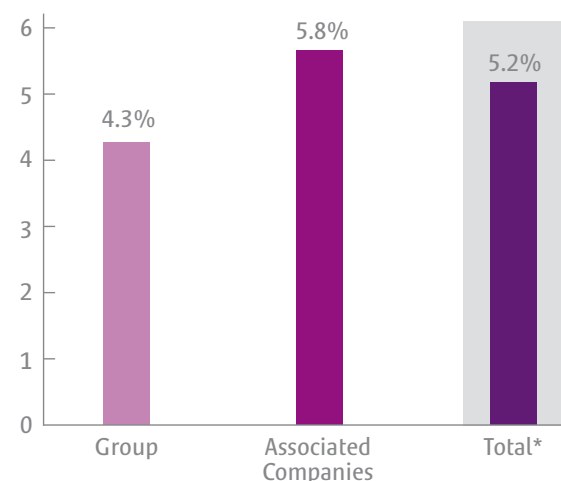
In addition, the actual contractual rents for some of the properties are above what the surveyor deemed achievable in the current market. Such “over rents” give rise in the market valuations of the properties to slight annual depreciations until the expiry of the existing (above the market level) rental contracts. In contrast, the contractual rent for some of the properties is lower than the current market level. Such “under rents” have the opposite effect and result in positive market value adjustments. The resulting balance of the over rent and under rent effects leads, when viewed in isolation and in the event of an unchanged portfolio, to annual depreciation of approximately € 1.2 million in the proportionate overall market value.

In contrast to the previous year, not all the properties in the portfolio experienced valuation losses. In fact, approximately 18% of the properties experienced stable or increasing market values. In many cases this was due to letting successes that exceeded the expectations of the surveyor and led to a consequent reduction in vacant areas. This positive trend demonstrates that property-specific factors are becoming increasingly important again. The company considers this trend to be a sign of the bottom having been reached in the investment market.

FINANCING

The Group’s financial liabilities (parent company and subsidiaries), which amount to approximately € 108 million, are underpinned by fixed-term loans and effective interest rate swaps (68%), for which the weighted average interest rate including bank margins was 4.8% on December 31, 2009, and variable loans without interest rate hedging (32%), for which the weighted average interest on December 31, 2009, was 3.3%. Overall, the weighted average interest rate for the Group at the end of 2009 was 4.3%. The average remaining term of the current agreements totalled 4.3 years, and the distribution of the remaining term can be seen in the graph on the next page.

Weighted Ø interest rate



* After taking Fair Values share into consideration

The financial liabilities of the associated companies totalled € 235 million on December 31, 2009, (of which approximately € 83 million can be proportionately attributed to Fair Value). The current terms of credit have an average remaining term of 4.2 years. Approximately 50% of the liabilities held by the associated companies consist of fixed-term loans, with the rest being variable rate loans. As the latter are equipped with interest rate hedging transactions, they are viewed in the results as also

being fixed-term loans. The average weighted interest rate for the associated companies on the balance sheet date was 5.8%.

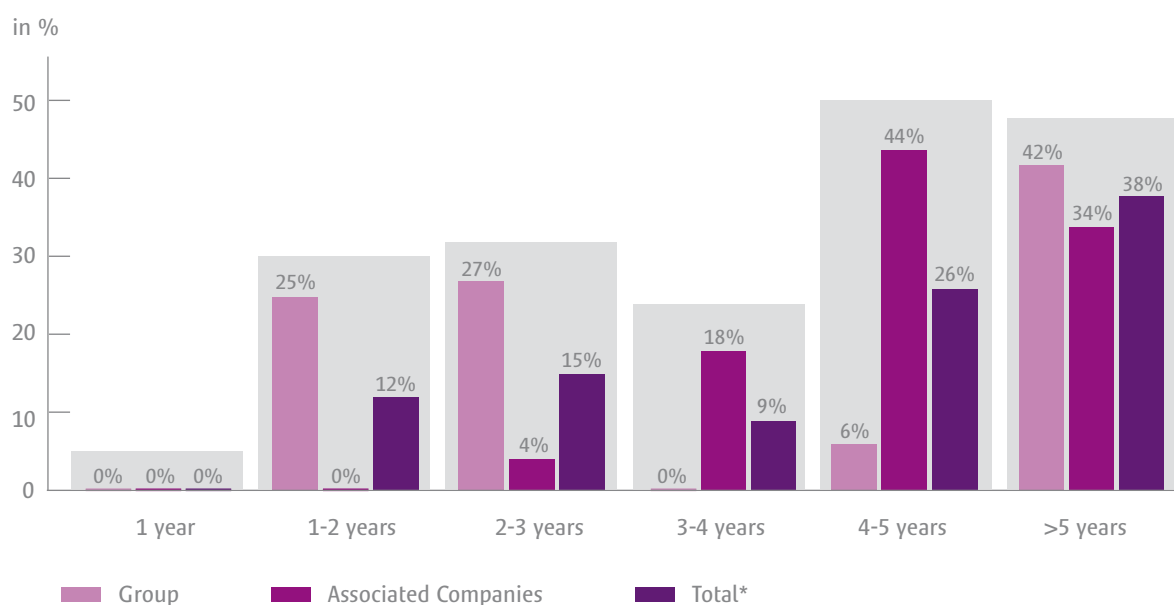
Taking into account the proportionate participations of Fair Value REIT-AG in the subsidiaries and associated companies, the pro-forma, proportionately consolidated weighted average interest rate was 5.2% and the remaining term was 4.6 years.

A detailed breakdown of the individual financial liabilities in accordance with IFRS (including

allocation to the respective companies) on December 31, 2009, as well as information about compliance with any mortgage lending level requirements for and the debt service coverage, is available in the "Financing and portfolio in detail" chapter.

In conjunction with its good liquidity situation and its – legally mandatory – high equity ratio, Fair Value REIT-AG achieves a high degree of financial solidity with regard to its investments.

Remaining term until reconditioning



* After taking Fair Values share into consideration

KEY FIGURES REIT CRITERIA

Section REIT-G	Criterion	Reference Value	Requirement	Actual figure Fair Value as of December 31, 2009
§ 11	Free Float	Rights to vote	Minimum 15%	42.3%
§ 12 para. 2a	Asset requirement	Immovable Assets	Minimum 75%	94.8%
§ 12 para. 3a	Revenue requirement	Revenues from immovable assets	Minimum 75%	100.0%
§ 13	Minimum disbursement to shareholders	Balance sheet profit (according to German GAAP)	Minimum 90%	No balance sheet profit 2009
§ 14	Exclusion of real estate trading	Proceeds from sale of properties within 5 years	Maximum 50%	12.4%
§ 15	Minimum equity requirement	Equity on the balance sheet incl. minority interests in% of immovable assets	Minimum 45%	45.5%



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Group Management Report

Business report

I. PRESENTATION OF BUSINESS ACTIVITIES AND GENERAL CONDITIONS

i. Overview of business activity and corporate structure

Fair Value REIT-AG (also referred to hereinafter as Fair Value) acquires and manages commercial real estate in Germany. Investment activities currently primarily focus on office and retail properties in regional centres.

The uniqueness of the Fair Value REIT-AG business model lies within the combination of direct investments in real estate and the purchase of interests in real estate partnerships. Participation may be made by way of a contribution in kind, hence the exchange of interests against shares in Fair Value, but also through the purchase of interests against the payment of a purchase price.

In terms of direct ownership, the company has had a portfolio of 32 commercial properties since 2007. The majority of these are used as branches of the Südholstein Sparkasse (savings bank). The lettable space of these properties, which are located in the German state of Schleswig-Holstein, amounts to 42,948 m². Using individual valuations, the market value of the "Sparkasse portfolio" on the balance sheet date was determined to be approximately € 45.5 million (previous year € 47.3 million).

The company also has participations in 13 closed-end real estate funds. Due to the change of status of one company as of the balance sheet date, these consist of six subsidiaries and seven associated companies. The participations in the associated companies vary between 20% and 50%.

The subsidiaries hold a total of 24 properties with a total lettable space of 135,057 m² and a market value of € 100.3 million (previous year € 107.1 million).

The associated companies hold a total of 24 properties with a total lettable space of 279,163 m² and a market value of € 379.0 million (previous year € 392.0 million).

On December 31, 2009, the overall portfolio of direct holdings and participations had an income-based occupancy of 95.5% (previous 94.9%) of the potential rent of € 21.0 million (previous year € 20.8 million). The potential rent consists of the sum of rental contract income and market rents for vacant areas.

The positive trend in occupancy lead to a number of properties showing significant valuation gains according to property evaluations carried out by an independent surveyor on the balance sheet date. However, the increased return requirements of real estate investors led on balance to a proportionate valuation loss for Fair Value of 3.4% (previous year 6.4%) to € 236.1 million (previous year € 244.5 million), with the decrease thus being reduced by 47% compared to the previous year.

Fair Value REIT-AG is independently led by the company's Management Board, who has many years of experience in commercial property acquisition, portfolio management and participation in closed property funds. The main activities of the three members of staff (including the Management Board) involve the strategic management of the group, risk management and investor relations.

The Management Board works closely with the company's Supervisory Board, which is involved in all important company decisions. The Supervisory Board has three members.

Major parts of the accounting and property management activities are outsourced via service agreements to IC Immobilien Service GmbH, an IC Real Estate Group company based in Unterschleißheim near Munich in Germany.

This group of companies has approximately 160 employees and manages an investment volume of approximately € 5 billion for private and institutional investors.

ii. Economic environment

Macroeconomic environment

Following an unprecedented nosedive in the global economy that started towards the end of 2008, the forecasts for the German economy in 2009 portrayed a very gloomy image. However, thanks to a strong rate of expansion during the summer and autumn months, some of the lost ground was regained in terms of production. However, this growth spurt was mainly the result of one-off domestic and overseas restocking of inventories, and the pace of recovery slowed towards the end of the year. Overall German economic output (GDP) fell in 2009 by 4.8% compared to the previous year.

The rate of inflation continues to be low. The German Federal Statistics Office (Destatis) reports that the consumer price index in Germany for 2009 was, on average, only 0.4% higher than in 2008, which is considerably lower than the 10 year average value of 1.5%. Falls, in particular in the price of oil and petroleum products as well as food, contributed to holding inflation in check. Taking this price stability into account, the European Central Bank lowered interest rates in May 2009 to a historical low of 1% and has not increased rates since then.

Although the labour market was faced with a deep recession in 2009, the effects have been relatively moderate, primarily due to the considerable utilisation of short working hours legislation as well as the phasing out of flexitime accounts. During the 2009 fiscal year, approximately 3.42 million people (previous year 3.27 million) in the civilian workforce were unemployed, equating to 8.2% (previous year 8.0%).

Sources: German Federal Employment Agency, Destatis – German Federal Statistics Office, DIW, ifo Institute

Real estate market in Germany

The rental market

Office space

In view of the overall economic situation, companies have postponed planned moves and changes of corporate location in order to concentrate on utilising existing office space. As a consequence, rental volumes decreased in the six office centres* in 2009 by almost 28% (compared to 2008) to 2.1 m² million and the net absorption, i.e. the difference between the currently used space and the space used in the previous year, was slightly negative.

In contrast to the crisis in the office rental market at the beginning of the previous decade, there was a distinctly low level of new construction activity in 2009 yet the level of preletting was high. Nevertheless, the vacancy rate increased by the end of the year, due to the weak demand for space, to approximately 7.9 million m² (previous year 7.0 million) or 9.9% (previous year 8.9%).

As a consequence, there was a decrease in top and average rents during the first three quarters of 2009. In addition, the provision of rental incentives has continued to increase, and the effective rents are therefore 10% to 15% lower than the nominal rents.

Retail space

The retail market remained stable on average in 2009 due to the continued strong expansion of domestic and international retail chains, particularly in prime locations both in large cities and in medium-sized and small towns. The absolute number of rental transactions conducted in inner city areas also remained stable in 2009 compared to 2008, but the real growth was in outlying city districts and in non-integrated outskirts, which saw increases in rental rates of 173% and 285% respectively. This trend was driven by rentals in the supermarket and hypermarket sector, as well as among health and pharmacy retailers, with small supermarkets playing a minor role.

Logistics space

By the end of 2009, the situation for the logistics sector had improved considerably. In particular logistics service providers assessed their capacity utilisation and incoming order situation as being much more positive than was the case at the beginning of the year. In a similar way to the performance of the logistics situation index during the year, the rental turnover in 2009, which amounted to approximately 1.8 million m², was around 35% lower than the same figure for the previous year 2.8 million m²). The rental space was fairly equally split between the five metropolitan areas** and markets outside these regions. In contrast, owner occupied turnover increased by approximately 73% compared to the previous year to around 1.4 million m², as retailers expanded and modernised their own networks. In terms of the overall perspective, a turnover result of around 3.3 million m² (previous year 3.6 million m²) was achieved.

The investment market

Optimism has been slowly returning to the investment market since summer 2009, although the 2009 fiscal year witnessed a significant fall in transaction volumes to approximately € 10.3 billion (previous year € 19.6 billion). This was the result of the need for security on the part of investors. In particular the large centres, low risk core investments and retail centres with good long-term rental income benefited from this trend. This led to the top returns for prime products in the A and B locations falling slightly again in the fourth quarter of the 2009 fiscal year due to the limited supply of properties. Beyond these prime products there was a low level of activity in terms of investment and a yield gap of 270 points was still evident, thus providing opportunities in the value add sector for investors with good reserves of equity capital.

Source: Jones Lang LaSalle, Kempers, CB Richard Ellis, BVL/DIW

** Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Munich, Stuttgart*

*** Berlin, Düsseldorf, Frankfurt/M. incl. Wiesbaden/Mainz, Hamburg, Munich*

iii. Corporate goals and strategies

Fair Value REIT-AG aims to offer its shareholders a high level of sustainable earning strength together with the prospect of attractive dividend payments. The company focuses on the German real estate market and invests primarily in regional centres. By investing in office, retail and logistics properties, Fair Value aims to ensure a good diversification of risk and high yield stability.

Fair Value REIT-AG utilises the benefits provided by the German REIT legislation, which consist primarily of exemption from corporation and trade tax. To this end, Fair Value ensures adherence to a range of legal requirements in order to retain this tax status. These include, in particular, the obligation to underpin immovable real estate holdings in accordance with IFRS consolidated financial statements with equity capital of 45% and the payment of dividends amounting to at least 90% of the respective surplus according to German GAAP (HGB).

The key aspects of the strategic implementation are a streamlined organisational structure of internal management and a policy of restricting costs and expenses to only items that are strictly necessary. The non-strategic, operative functions in the area of accounting, as well as commercial and technical management of the properties, are outsourced to an external service provider on the basis of partly fixed and partly variable performance-related remuneration packages.

Access to secondary market for closed-end real estate funds

In 2007, Fair Value REIT-AG became the first and currently only real estate company listed on the stock market to offer investors in certain closed-end real estate funds the opportunity as part of a structured offering to sell their fund holdings to Fair Value REIT-AG in exchange for cash or for Fair Value shares.

Closed-end real estate funds in Germany represent an investment volume of more than €140 billion. The equity capital of these funds is primarily supplied by private investors, some of whom wish to exit the investment during the retention phase of the properties for various reasons. Possible reasons for selling their participations include the desire to obtain liquid capital, to participate in a significantly more diversified real estate portfolio or to increase their own spread of risk.

Fair Value REIT-AG again wishes to play an active role in the secondary market for closed-end real estate funds. To this end, a mix of capital increases in kind and share acquisitions against purchase price payment will form part of structured offerings. Such transactions may take place when a majority position for Fair Value in the particular fund management company is at least within reach. A further necessary condition is a positive capital market environment for the acquisition of liquid funds for the cash component of the respective structured offering.

Growth with high transparency

Fair Value strives to ensure high liquidity levels for the Fair Value share by means of transparent financial reporting and capital market communication. A sustainable increase in market capitalisation is another of the company's aims. Accordingly, Fair Value REIT-AG wishes to successively increase its equity capital base during the next few years and to expand the portfolio of properties considerably by means of investment, primarily involving capital increases in kind and possibly also corporate mergers. The resulting economies of scale achievable, in particular in the area of general administrative expenses, should lead to an increased earning strength per share.

Future investment focus on office and logistics space

For future investments, Fair Value REIT-AG will focus in particular on office and logistics properties and thereby generally reduce the share of retail properties in its portfolio. Individual investments should in future show a volume of investment that

ranges from a purchase price of € 5 million to € 30 million per property. The concentration on medium-sized cities as well as regional centres in Germany will be maintained.

In general, the medium-term aim is to create a portfolio structure, by means of specific investments and divestments, with 50% of its rental revenues coming from office properties and 25% each from logistics and real estate properties.

Fundamental principles of financial and capital management

The Fair Value REIT-AG financial and capital management strategy aims to preserve capital, ensure debt servicing and generate attractive yields for Fair Value REIT-AG shareholders. This also includes ongoing monitoring of loan agreements made with regard to possible savings in terms of interest costs.

Where direct influence can be exercised, financial and capital management is carried out centrally. In the case of participations, direct consultation is made with the respective company management or carried out in the context of the opportunities for intervention regulated by the respective articles of association.

In order to hedge debt service fluctuations for loans with variable interest rates, the company may make use in certain cases of derivative financial instruments (interest rate hedges). For example, for the long-term end financing of the Sparkasse portfolio, the company selected a 10 year hedge of the interest rate by means of a swap transaction, in order to ensure a greater degree of flexibility with regard to early repayment of loans in the event of possible property disposals or in the event of medium-term increases in interest rates. On the other hand, the company has dispensed with the option of hedging regarding a two year extension for the equity financing due to the expectation of continuing low interest rates during this period.

II. INFORMATION ABOUT THE REAL ESTATE PORTFOLIO

The properties in the Fair Value Group's portfolio are owned directly by the parent company and are held by subsidiaries (defined as companies in which the parent company has a participating share of more than 50%). Properties held by associated companies (participating share less than 50%) are also included in the portfolio. This structuring of the portfolio influences the accounting for the consolidated balance sheet as well as the consolidated profit and loss statement. By fully consolidating the subsidiaries, net assets attributable to minority interests emerge and these are registered in accordance with IFRS accounting as liability of the Fair Value Group.

The participations in the associated companies are equity-accounted, which means that only proportionate net assets attributable to Fair Value REIT-AG appear on the assets side of the balance sheet. The consolidated profit and loss statement displays the proportionate, ongoing results of the associated companies in the income from participations.

The following table provides information about real estate attributable to the Group and to the associated companies. The right hand part of the table shows rents and market values, taking into account the respective proportionate participation of Fair Value REIT-AG on December 31, 2009.

The occupancy rate of the properties held by the Group and by associated companies improved compared to the previous year from 94.9% to 95.5% if the proportionate share held by the parent company Fair Value REIT-AG is taken into account. The weighted average of the remaining terms of the leases amounted on the balance sheet date to 6.3 years, compared to 6.9 years in the previous year.

In view of the intended reduction of retail properties in the portfolio, three retail buildings in Hamm, Passau and Seligenstadt (BBV 06) as well as an office property in Aachen (BBV 03) were sold to several buyers for a total purchasing price of € 8.2 million. The closing had not yet taken place at the end of the year. The sale of the office property was considered strategically appropriate due to its problematic microlocation with a resulting vacancy rate of around 50% of the property's floor space. Around 70% of the funds accruing to the subsidiaries which held the properties will be used to repay financial liabilities, and the remainder will be added to cash and cash equivalents.

Short name	Direct investments and participations	Plot size ⁰⁾	Lettable space ^{0) 6)}	Annualised contractual rent December 31, 2009 ⁰⁾	Market value December 31, 2009 ^{0), 1)}	Fair Value REIT-AG's share				
						Participating interest December 31, 2009	Annualised contractual rent December 31, 2009 ²⁾	Market value ^{1), 2)}	Occupancy level ^{3), 5)}	Average remaining term of rental agreements ^{4), 5)}
		[m ²]	[m ²]	[€ K]	[€ K]	[%]	[€ K]	[€ K]	[%]	[years]
	Direct investments									
	"Sparkassen-Portfolio"	58,624	42,948	3,243	45,527	100.00	3,243	45,527	98.5	12.1
	Total direct investments	58,624	42,948	3,243	45,527	100.00	3,243	45,527	98.5	12.1
	Subsidiaries									
IC07	IC Fonds & Co. Büropark Teltow KG ⁶⁾	5,324	9,731	440	7,110	75.73	333	5,385	63.4	2.5
IC03	IC Fonds & Co. Forum Neuss KG	19,428	12,064	576	7,320	71.58	412	5,240	91.3	1.1
IC01	IC Fonds & Co. München-Karlsfeld KG	7,019	3,375	326	4,340	55.79	182	2,421	94.4	10.7
BBV 06	BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG	97,232	73,007	4,944	51,807	55.55	2,746	28,778	93.1	4.2
BBV 03	BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG	26,210	15,046	882	8,340	53.79	475	4,486	92.9	2.4
IC13	IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG	22,357	21,834	2,553	21,380	50.04	1,278	10,698	95.2	4.7
	Total subsidiaries	177,570	135,057	9,721	100,297		5,426	57,008	90.8	4.1
	Total Group	236,194	178,004	12,964	145,824					7.1
	Associated companies									
BBV 14	BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG	16,196	38,022	6,121	83,920	45.09	2,760	37,839	96.5	4.6
IC12	IC Fonds & Co. SchmidtBank-Passage KG	4,226	8,380	478	7,340	40.22	192	2,952	77.8	3.1
BBV 02	BBV Immo-Fonds Erlangen GbR	6,350	2,770	220	1,650	39.68	87	655	100.0	2.6
IC15	IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG	21,335	33,080	3,155	35,110	38.37	1,211	13,472	98.8	6.9
BBV 10	BBV Immo-Fonds Nr. 10 GmbH & Co. KG	177,231	96,203	10,335	117,240	38.37	3,965	44,981	95.9	4.9
IC10	IC Fonds & Co. Rabensteincenter KG	11,203	9,981	707	8,940	26.14	185	2,337	95.5	2.1
BBV 09	BBV Immo-Fonds Nr. 9 GmbH & Co. KG	114,912	90,728	11,716	124,800	25.10	2,941	31,327	100.0	7.9
	Total associated companies	351,453	279,163	32,731	379,000		11,341	133,563	97.0	5.7
	Total proportionate portfolio						20,009	236,098	95.5	6.3

Explanations

⁰⁾ Does not consider the respective participating interest

¹⁾ According to valuation by CB Richard Ellis GmbH, Frankfurt/Main, December 31, 2009

²⁾ Proportionate market values attributable to Fair Value based on percentage of participations; IC15 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 IC15 with 100%

³⁾ Contractual rent/(contractual rent + vacant space at standard market rent)

⁴⁾ Income-weighted

⁵⁾ (Sub) totals for rental level and average remaining term taking the respective percentage of participations into account

⁶⁾ The reduction of lettable areas compared to the list of the previous report is due to space reductions at some properties due to market situations with subsequent letting effectively not rentable surfaces such as general surfaces etc. as well as changes of renting surfaces in the course of new measurements

III. OVERALL ASSESSMENT OF THE GROUP'S ECONOMIC SITUATION AND ANALYSIS OF EARNINGS, ASSETS AND THE FINANCIAL STATUS

i. Overall statement on the economic situation of the Group

The strained economic situation in Germany during the year had no disadvantageous effects on the operative results of the Fair Value Group due to the good occupancy rate and the solvent tenant structure. However, the business was again hit by the market valuations of the properties, although there was a significant improvement compared to the previous year. In addition to the reduction in the cash value of above market rental contracts, the negative valuation result in the recently completed fiscal year is primarily the result of increased yield demands on the part of market participants. These reflect ongoing uncertainty resulting from the general economic crisis.

In its results, Fair Value REIT-AG recorded an annual loss for the 2009 fiscal year of € 2.9 million (previous year €13.3 million). This equates to a loss of € 0.31 per share (previous year €-1.41).

The adjusted consolidated net income (EPRA-Earnings), calculated in accordance with the recommendations of the EPRA and adjusted for market value changes of the properties and interest rate derivatives as well as miscellaneous one-off effects amounted to € 6.0 million or € 0.64 per share.

The previous year's EPRA-Earnings of € 5.7 million were therefore improved by almost € 0.4 million. Starting with a net rental result of € 2.9 million less than the previous year, this decline was more than compensated mainly by a reduction in net interest expenses of € 1.9 million (-30%), savings of € 0.6 million in general administrative expenses (-21), the

lower share of minority interests amounting to € 0.5 million and reduced other operating expenses of € 0.3 million.

The adjusted consolidated net income is also considerably better than the forecasted value for 2009, which was € 4.5 million (€ 0.48 per share). This difference is based 40% on savings made within the Group relating to real estate related operational expenses, general administrative costs and interest payments. The other 60% of the positive deviation in the adjusted consolidated net income compared to the forecast is the result of a higher adjusted income from participations. The reason for this is the savings made with regard to interest payments, which were not taken into account in the planning.

Adjusted consolidated income 2009 (EPRA-Earnings)

	According to Consolidated Income Statement	Adjustment for extraordinary factors					Adjusted Consolidated Income Statement
		Compensations	Profits/ losses on sale	Real estate valuation	Valuation of associated companies	Redemption Gains/ Interest rate swaps/ interest rate caps	
Net rental income	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				0
Valuation result	(6,370)			6,370			0
Operating income	(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

Adjusted consolidated income 2008 (EPRA-Earnings)

	According to Consolidated Income Statement	Adjustment for extraordinary factors					Adjusted Consolidated Income Statement
		Compensations	Profits/ losses on sale	Real estate valuation	Valuation of associated companies	Redemption Gains/ Interest rate swaps/ interest rate caps	
Net rental income	10,783	661					11,444
General administrative expenses	(3,797)	851					(2,946)
Other operating income and expenses	(351)						(351)
Earnings from sale of investment properties	1,345		(1,345)				0
Valuation result	(9,734)	(15,438)		25,172			0
Operating income	(1,754)	(13,926)	(1,345)	25,172			8,147
Income from participations	(7,075)		(149)	10,744	466	1,426	5,412
Interest income	332						332
Interest expense	(5,239)					(1,381)	(6,620)
Income before minority interests	(13,736)	(13,926)	(1,494)	35,916	466	45	7,271
Minority interests	435	3,380	166	(6,213)		623	(1,609)
Consolidated net income (loss)	(13,301)	(10,546)	(1,328)	29,703	466	668	5,662

During the period under review, Fair Value REIT-AG achieved an operating cash flow at the Group level (Funds from Operations, FFO) of € 2.9 million or € 0.31 per share (previous year € 3.5 million or € 0.37 per share). On the balance sheet date, the Group's cash and cash equivalents amounted to € 8.3 million (previous year € 14 million). The reduction of € 5.8 million in liquidity compared to the previous year is the result of the redemption of financial liabilities amounting to € 8.4 million.

With consolidated total assets of € 203.8 million (previous year € 198.2 million), consolidated equity amounted to € 72.7 million (previous year € 76.8 million) on the balance sheet date.

In accordance with § 15 of the REIT Act, the equity including minority interests of € 15.3 million amounts to € 88 million, which equates to 45.5% of the immovable assets.

ii. Income position

In the 2009 fiscal year, the Fair Value Group registered revenues (rental income plus income from operating and ancillary costs) of €12.2 million (previous year €13.9 million). Of this sum, 68% was from the subsidiaries segment and 32% from direct investments. The reduction in rental income resulted primarily from the sale of a directly owned office property during the previous year as well as from the termination of a general lease contract at the subsidiary IC 07, in return for a compensation income.

The net rental income of the Group amounted to € 8.5 million (€ 10.8 in the previous year). The general administrative expenses incurred during the reporting period fell significantly, to € 2.6 million compared to € 3.8 million in the previous year. It should be noted in this respect that the figure from the previous year includes services fees of € 0.9 million relating to the compensation payment obtained.

On balance, the market valuation of the properties in the 2009 fiscal year resulted in a consolidated valuation loss of € 6.4 million, compared to € 9.7 million in the previous year, a reduction of 34%. The operating result of € -0.7 million was approximately € 1.0 million better than the previous year's result of € -1.8 million.

The results from Fair Value REIT-AG's seven non-controlling interests (associated companies) are shown in the participation income. The loss in the previous year of € 7.1 million was bettered by € 8.5 million, giving rise to a positive result of € 1.4 million. With almost identical net rental income and general administrative expenses for the associated companies, the increase in profit is a result of the valuation loss being halved and interest payments being reduced by approximately 19%. In particular the comparatively low costs associated with market value changes in the interest rate derivatives had a positive effect. Furthermore, the impairment deduction for the participations in associated companies could be released due to the expectation of a reduction in fund costs of € 1.4 million, or approximately 17%.

At the group level, interest rate expenses for the 2009 fiscal year were € 4.7 million, a reduction of approximately € 0.6 million or 11% compared to the sum in the previous year of € 5.2 million. It should also be noted here that interest rate expenses in the previous year were reduced by € 1.5 million due to a one-time income resulting from the restructuring of the financing at BBV 06. Without this exceptional income, the interest expenses in the 2009 fiscal year would have been € 2.0 million less than in the previous year.

The negative results relating to the subsidiaries are improved by the minority interest in the result. The increase in this item of € 0.5 million is partly attributable to the reduction in the income at BBV 06 caused by the elimination of the exceptional income already mentioned.

As a result, the Fair Value Group registered a consolidated loss of € 2.9 million in the 2009 fiscal year, which represents a considerable improvement in comparison to the previous year (loss of € 13.3 million).

iii. Financial position

During the reporting period, Fair Value achieved an operating Cash Flow ("Funds from Operations", FFO) of € 2.9 million or € 0.31 per share compared to figures of € 3.5 million or 0.37 € per share in the previous year.

Taking into account changes in the assets and liabilities, a cash outflow from operational activities of € 1.3 million was recorded. The previous year saw a cash inflow from operational activities of € 21.5 million, with the difference resulting primarily from the compensation payment received in the previous year due to the early termination of a long-term general rental contract at the subsidiary IC 07.

Investment activities resulted in a net cash inflow of € 2.3 million. This inflow resulted from the release of a fixed deposit pledged as security against provision of a bank guarantee for the same amount. The background to this is the contractually required provision of security in favour of the seller of the Sparkasse portfolio in the event of a possible loss of the exit tax privilege.

Cash and cash equivalents in the Group fell by € 5.8 million, from € 14 million at the end of the previous year to € 8.3 million. This reduction is a result of the repayment of debts amounting to € 8.4 million, the purchase of own shares amounting to € 0.3 million as well as a non-cash increase resulting from the change in the consolidation scope (€ 1.8 million).

iv. Net asset position

Assets

There was a change in the scope of consolidation on December 31, 2009. Due to the departure of one of the partners in the associated company IC 13, the participating interest of Fair Value REIT-AG in the company increased to just over 50% on the balance sheet date. Due to the full consolidation of this company on the balance sheet date the total assets increased to € 203.8 million from € 198 million in the previous year.

Of these assets, 91% (€ 185.4 million) are non-current assets. Thereof € 137.6 million relates to property held as financial investments (previous year € 130.7 million). The change in investment properties (€ -6.8 million) includes accruals due to the initial consolidation of IC 13 to the amount of € 21.4 million, the balanced valuation loss (€ -6.4 million) and the reclassification in current assets (€ -8.2 million). The equity-accounted participations in the associated companies are assessed at € 47.4 million (previous year € 48.4 million).

Current assets of € 18.4 million are made up of non-current assets available for sale (45%) and cash and cash equivalents (45%) as well as a further 10% (€ 1.9 million) consisting of receivables and miscellaneous assets. The non-current assets available for sale equate to the sum of the contractually agreed purchase prices for four properties held by subsidiaries for which closing is expected to occur in the second quarter of 2010. In the case of one of these properties, the purchase price has been reduced by the sum required to cover renovation work to be paid for by the Fair Value Group.

Liabilities

The property assets were financed by loans (€ 131 million or 64%) and by equity capital (€ 72.2 million or 36%). It should be noted here that the minority interests in subsidiaries (€ 15.3 million) are listed as liabilities in accordance with IFRS. If the minority interests are considered as equity, as proposed in the REIT Act, the equity would increase to 43% of the total assets.

Financial liabilities

The Group's financial liabilities amounted to a total of € 108.3 million (previous year € 94.3 million) or 53% of the balance sheet total (previous year 48%). Of these liabilities, 4% or € 4.3 million (previous year 17% or € 15.9 million, respectively) are due for repayment within one year.

The change in financial liabilities stem from accruals of non-current financial liabilities totalling € 21.3 million and current financial liabilities of € 1.1 million due to the initial consolidation of the subsidiary IC 13.

Taking the increase caused by IC 13 into account, the reduction in current financial liabilities of € 11.6 million mainly results from the redemption of a loan for participation financing of € 6 million paid in summer 2009 as well as the refinancing of the remaining amount of € 7.5 million. As of the balance sheet date, a share of € 7 million was included in non-current financial liabilities.

Other liabilities

Of the total other liabilities of € 1.4 million, 79% (€ 1.1 million) are due for repayment within one year. This figure includes deferred income (34%), a severance payment to the former member of the Management Board (25%), exit payments to departing partners in the subsidiaries (15%) and tax liabilities (11%).

Equity / net asset value (NAV)

From the addition of the market value of the properties and the participations, there was a net asset value (NAV) after deduction of financial liabilities and other balance sheet items on December 31, 2009, of € 72.7 million compared to € 76.8 million at the same time in the previous year.

The net asset value is a key indicator for the evaluation of real estate investment companies. Based on the 9,347,790 shares in circulation on the balance sheet date, the NAV per share was € 7.78, compared to € 8.16 in the previous year.

Balance sheet NAV in € thousand	December 31	
	2009	2008
Market value of properties	137,587	130,740
Equity-accounted participations	47,442	48,443
Miscellaneous assets minus miscellaneous liabilities	12,683	13,150
Minority interests	-15,296	-16,505
Financial liabilities	-108,316	-94,257
Other liabilities	-1,380	-4,784
Net asset value	72,720	76,787
Net asset value per share *	7.78	8.16

* on balance sheet date December 31, 2008 – based on the 9,406,882 circulating shares

The “Best Practice Recommendations” of the European Public Real Estate Association (EPRA) provide an acknowledged guideline for supplementing the IFRS reporting for real estate companies with a transparent NAV calculation. The performance figure calculated below (EPRA-NAV) is determined using this guideline. As deferred taxes are not relevant to Fair Value REIT-AG due to its REIT status, the EPRA-NAV figure also equates to the NNAV performance figure applied by some experts.

EPRA-NAV in € thousand	December 31	
	2009	2008
NAV pursuant to consolidated balance sheet	72,720	76,787
Market value of derivative financial instruments	5,027	4,217
Thereof due to minority interests	-421	-350
Market value of derivative financial instruments of equity-accounted participations (proportionate)	4,196	3,899
EPRA-NAV	81,522	84,553
EPRA-NAV per share *	8.72	8.99

* on balance sheet date December 31, 2008 – based on the 9,406,882 circulating shares

IV. REMUNERATION REPORT

Remuneration paid to the Management Board consists of basic remuneration as well as variable remuneration. The total remuneration equates to 1.25% of the annual dividend payments or to the basic remuneration, whichever is the larger sum. The remuneration does not consist of any bonuses involving long-term incentives or elements involving the taking of risks.

In addition, the Management Board receives payments equating to the contributions normally made by employers to the statutory pension insurance scheme so that investment instruments may be used to ensure future security. For the current Managing Director, a pension commitment with an accompanying reinsurance policy provided by a previous employer was taken over. The Managing Director is also entitled to a company car with a maximum purchase price of € 45,000 plus VAT, which is also available for private use. Further information, as well as itemised details of the remuneration received by the current Managing Director as well as the board member that left during 2009, are available in the Notes to the Consolidated Financial Statement.

Remuneration paid to members of the Supervisory Board consists of fixed remuneration of € 5,000 per annum and a performance related remuneration of € 1 per € 1,000 of distributed dividends. This variable part of the remuneration is limited to a maximum sum of € 25,000. The chairperson receives double remuneration and the vice-chairperson receives one and a half times the fixed and variable remuneration of a normal member of the board. Further information and details of the total remuneration payable to the Supervisory Board are available in the Notes.

V. OTHER INFORMATION PURSUANT TO § 315 PARA. 4 HGB AND CORPORATE GOVERNANCE STATEMENT PURSUANT TO § 289a HGB

The company's equity capital is divided into 9,406,882 shares with voting rights of the same class. On the balance sheet date, the company held 59,092 of its own shares, meaning that there were only 9,347,790 shares in circulation at that point in time. The shares can be freely transferred in accordance with applicable legal provisions for the bearer of the shares.

In compliance with § 11 para. 4 of the REIT Act, no single shareholder may directly hold 10% or more of the shares or the voting rights (maximum participation limit). If the maximum participation limit is exceeded, the relevant shareholder must demonstrate in a suitable form that its direct participation has been reduced accordingly within two months request 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.

No shareholder directly holds 10% or more of the voting rights. Indirectly, the voting rights held by UniCredito Italiano S.p.A. in Milan, Bayerische Hypo- und Vereinsbank 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 amount to 30.46%.

IC Immobilien Holding AG in Unterschleißheim has voting rights of 18.09% held directly and indirectly.

Exceeding the maximum participation limit via indirect holdings is permissible.

No shares with special rights conferring supervisory powers have been issued.

If employees of the company have participations, these exercise their rights as shareholders directly.

Changes to the articles of association require a majority of 75% of the votes cast by those participating in the passing of the resolution at the Annual General Meeting, as stipulated in the German Stock Corporation Act (Aktiengesetz).

The determination of the number and the appointment of the ordinary Management Board members and the deputy Management Board members, the conclusion of employment contracts and the revocation of appointments are carried out by the Supervisory Board.

With the approval of the Supervisory Board, the Management Board is permitted to increase the equity capital of the company one or more times until September 2, 2012 to a total of € 21.25 million by issuing new bearer shares in exchange for cash and/or contributions in kind.

There is no agreement in place with the Management Board that is subject to a change of control in the company resulting from a takeover bid.

There are no compensatory agreements in place in favour of the Management Board or employees concerning possible takeover bids.

Corporate governance statement pursuant to § 289a HGB:

On March 15, 2010, the Fair Value REIT-AG Management Board submitted a declaration regarding corporate governance pursuant to § 289 a HGB and also published this statement on the www.fvreit.de website in the Investor Relations section, under the heading Corporate Governance.

VI. COMPLIANCE WITH THE REQUIREMENTS OF THE GERMAN REIT LEGISLATION

A pre-requisite for the exemption of REIT-AG from corporation and trade tax is the fulfilment of the provisions stipulated in sections 8 – 15 of the German 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 sections 11 and 13 (distribution of shareholders and minimum distributions issued) as well as sections 12, 14 and 15 (asset and income requirements, preclusion of real estate trading and verification of minimum equity capital).

The Management Board must provide declarations for the auditor that clearly document compliance with the requirements of the REIT Act.

Supplementary report

Due to the conclusion of a rental agreement on March 4, 2010, regarding the logistics property in Cologne held by the subsidiary BBV 06, the space in this building that was still vacant on the balance sheet date (8,220 m²) will be fully occupied from May 1, 2010. This will result in 50% of the existing vacancies in the Group's properties on the balance sheet date being eliminated.

In addition, at the beginning of January 2010, the associated company IC 15 entered into a legally binding agreement addendum with comdirect bank regarding the premature exercising of an extension option for the property in Quickborn. The secured duration of the lease has thereby been extended by 5 years, until the end of May 2017. In exchange for the early exercising of the option, the rent for the office space has been reduced from January 2010 to the current market level of € 8.20 / m². Furthermore, the tenant will receive two equal instalments, in mid-2010 and mid-2011, of a ring-fenced building grant amounting to € 110,000. This grant is to be used by the tenant to implement measures agreed with the owner that optimise the property's energy consumption.

Risk report

GOALS, PRINCIPLES AND METHODS OF RISK MANAGEMENT

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

The risk management system is included in the regular reporting to the Management Board and the Supervisory Board in order to ensure capacity

to act and efficiency in terms of handling risks. The company's risk strategy also covers the 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 with regard to 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 and receives up-to-date information in order to be able to initiate suitable measures.

KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE GROUP'S ACCOUNTING PROCEDURE PURSUANT TO § 315 PARAGRAPH 2 NO. 5 HGB

Internal control system

The internal accounting control system has been implemented with the goal of ensuring adequate certainty in the internal and external accounting and reporting processes by establishing suitable control mechanisms so that the annual statement and the consolidated financial statement can be issued in accordance with legal provisions.

Based on the contractual arrangements with the service provider ICIS, which is responsible for the property management of the directly owned real estate of Fair Value REIT-AG as well as the company's and the Group's accounting activities, Fair Value REIT-AG is integrated in the budgeting process not only for the directly held but also the indirectly held properties. The company receives property, fund and portfolio information at least every quarter, in accordance with its specifications. The company is thereby informed of any important and contractually relevant events and of any deviations made from the plans. The assessments are analysed and examined for plausibility and recognisable risks. Any apparent 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 accounting process

The Fair Value REIT-AG risk management system allows the early identification, analysis and management of risks that could lead to significantly incorrect statements in internal and external reports. The service provider for the company's and the Group's accounting processes is included in this system.

The services include the following in particular

- accounting obligations pursuant to the German Commercial Code (HGB) as well as responsibility for payment transactions
- the generation of monthly VAT returns, financial statements, account analyses and assessments of business operations
- the quarterly creation of interim consolidated financial statements in accordance with IFRS as well as the provision of property, fund and portfolio information

The accounting process of the Group is being monitored by ICIS and Fair Value REIT-AG using an effective internal control system in order to ensure the correctness of the Group's accounting and the compliance with legal provisions. Key aspects in this respect include clear allocation of responsibilities and controls with application of the double check ("four-eyes") principle, the principle of separation of functions, suitable access regulations for the computer systems relevant for the financial statements and reasonable consideration of identified and assessed risks.

The company makes use of external experts or relies on external expert advice from the subsidiaries for the property valuations and the evaluation of pension obligations.

Taking into account the size of the company, Fair Value REIT-AG has decided not to establish an internal audit function. At least once a year, as part of the auditing of the annual financial statements, the auditor must assess whether the Management Board has complied in a suitable way with the obligation to establish a monitoring system in accordance with § 91 para. 2 of the German Stock Corporation Act (AktG) for the early identification of any risks that pose a threat to the company's continued existence and to determine if the monitoring system adequately fulfils the task for which it is intended.

IDENTIFICATION OF RISKS

In order to be able to identify developments entailing risk as early as possible, Fair Value continually monitors macroeconomic and segment-specific developments in the real estate and financial sectors as well as the processes in the Fair Value Group. In order to provide a structure to the risks, the above types of risk are defined in a risk overview:

Risks from operating activities	Risks from investing activities	Risks from financing activities	Other risks
Leasing	Property selection	Equity	Legal conditions
Property management	Due diligence	Liquidity	Tax conditions
Valuation	Sales	Liabilities	Overall economy
Processes/infrastructure		REIT-AG risks	Industry-specific
Insurance		Risks from REIT status	
Team			
Liability			
Litigation			

RISK ANALYSIS

The risks identified by means of the risk overview are carefully analysed. Potential damage will be determined and allocated a probability of occurring. Scenario analyses are then used to determine the potential impact on the financial results of the Fair Value Group.

RISK CONTROL

Fair Value's risk control entails monitoring the success achieved with regard to handling and managing risks. This serves to continually assess the correct functioning of the risk management system and thus provide the basis for possible adjustments and further development.

HANDLING OF RISKS

The responsible member of staff decides, together with the Management Board if required, about the measures to be implemented in order to handle the risks.

RISKS RELATING TO OPERATIONAL ACTIVITIES

Rentals

There are risks relating 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 indeed at all. In extreme cases, rents may also fall as a result of being index-linked.

Property Management

There is a risk that unexpected costs for maintenance and repair work or for adapting properties to contemporary requirements may arise.

Valuation

Changes in the value of directly and indirectly held properties have an impact, directly and indirectly, on the corporate value of Fair Value REIT-AG. Due to the current weak economic situation, there is an increased risk in the mid-term of further valuation losses of the property portfolio. This can influence assets, the balance sheet and the financing conditions (see debt).

Processes / infrastructure

An internal organisation and risk monitoring structure has been implemented at Fair Value REIT-AG. In order to protect against IT risks, Fair Value REIT-AG maintains its own network that is protected from external access and attacks. The securing of data by means of backup procedures is carried out a number of times each week. In addition, a backup of all the data is deposited in a bank vault each week.

Insurance

There is a risk that Fair Value is not insured for certain damages to the extent necessary.

Team

Fair Value could lose its Management Board and staff or could not be in a position to replace staff that have left with suitably qualified new employees.

Risks may arise for Fair Value REIT-AG due to the dependence on the performance of the service provider IC Immobilien Service GmbH.

Liability

With regard to leasing and selling real estate and property holding companies, there is risk relating to the provision of guarantees against defects in material and title. Fair Value REIT-AG is liable as a

limited partner in real estate funds up to the level of its capital contribution and provides unlimited liability as a partner of 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 participations. There is currently one case of litigation pending with an estimated cost risk for the company of approximately € 15,000.

RISKS RELATING TO INVESTMENT ACTIVITIES

Selection of properties

The business activities of Fair Value are dependent on the acquisition and marketing of suitable commercial properties and property funds at reasonable prices and conditions.

Due diligence

Due to possible incorrect assessments, unforeseen problems or the occurrence of risks that have not been recognised, investments in real estate assets may develop negatively. Investments in holdings in property funds could develop in a disadvantageous way due to incorrect assessments or negative developments in the property market or the market for holdings in property funds.

Sales

The sale of real estate assets by Fair Value is subject in general, and in particular considering the current financial and economic crisis, to the risk of falls in the sale prices of properties, incorrect assessments of the market value of properties and warranty claims made by purchasers.

RISKS RELATING TO FINANCIAL ACTIVITIES

The business activities and the aimed for growth of Fair Value REIT-AG are influenced by the future acquisition of equity capital and debt and thus also by general interest rate levels.

Equity capital

Equity capital needs to be increased in order for Fair Value REIT-AG to achieve its desired growth. This is possible with a combination of cash and in kind capital increases. Future capital initiatives may be delayed due to the current difficult situation in capital markets. Unplanned depreciation of properties in the affiliated companies may lead to distributions being classified as capital contribution restitution rather than income and thereby reducing the dividend payment capacity.

Liquidity

Fair Value REIT-AG is dependent on regular income from the direct investments held as well as inflows from the subsidiaries and associated companies. The cash and cash flow from ongoing operational activities are secured for current needs and are adequate from today's perspective to fulfil all liabilities when they become payable for at least the next twelve months.

Debt

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 for new funding applied for in conjunction with the acquisition of further real estate assets or the acquisition of fund participations.

There is also a general risk relating to interest rate changes. In addition to the interest rate risk, there is a risk that bank refinancing costs ("funding costs") and thus bank margins will increase further.

There is a risk that income from and/or the market value of the properties will fall. This could worsen 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 be confronted by the need to provide additional security, make additional amortisation payments or make payments to pledged credit accounts as further credit collateral.

The requirement for the debt service coverage ratio for the financing of the "Sparkasse" portfolio was missed by one percentage point. Due to the low difference, the fact that the actual management costs are well below the standard rate applied in calculations and the planning of further development in the occupancy rate, the bank has declined until further notice to enforce its rights in this respect, which would have involved the company having to pay in any surplus from the portfolio to a pledged escrow account. However, the bank expects the required debt service coverage ratio to be complied with by 31 January 2011 at the latest.

On the other hand, the very low interest rates may result, for example in conjunction with property sales, in high compensation payments being due to lenders in the event of early repayment of loans. These would result in a corresponding burden on liquidity.

RISKS FOR REIT-AG

A pre-requisite for the exemption of REIT-AG from corporation and trade tax is the fulfilment of the conditions in sections 8 – 15 of the REIT Act.

Risks relating to the REIT status

Breaches of these requirements may in some cases lead to immediate loss of the tax exemption. In the event of a violation it is possible in some cases that fines will be applied, while in other cases there may be no immediate consequences. Repeated cases would however lead to a real risk of the tax exempt status being lost.

Depending on the circumstances, this could lead to the requirement for tax payments to be made and would lead to significant cash outflows. If Fair Value

REIT-AG does not manage to retain the status of a REIT company, this could have a negative effect on the competitive position of Fair Value. If the REIT status is lost this could also lead to claims for damages being lodged against Fair Value REIT-AG by shareholders.

OTHER RISKS

Legal and fiscal framework conditions

Fair Value may not be able to exert sufficient influence on its non-controlling interests and may thus be subject to the resolutions of the other shareholders. Legal and fiscal framework conditions may change and have negative effects on Fair Value.

Macroeconomic risks

The current weak economic situation presents a short to medium-term risk for the development of rental income, which can also have an indirect effect on the valuation of the Fair Value REIT-AG portfolio.

Sector-specific risks

Fair Value is exposed to strong competition in the real estate sector against which it may not always be able to prevail sufficiently.

OVERALL RISK

The Management Board does not expect any risks to occur in 2010 that could endanger the existence of Fair Value REIT-AG.

Opportunities and forecast

ECONOMIC SITUATION AND INDUSTRY PROSPECTS

Global economic indicators began pointing upwards again during the second half of 2009. As a result, forecasts for the general economic situation in Germany for 2010 and 2011 are becoming increasingly positive. However, a rise in the number of corporate bankruptcies is still expected in the 2010 fiscal year before a more sustained recovery in the economy may become apparent in 2011. Taking this background into account, declining demand for rental space resulting in declining market rents have to be expected in the German commercial property market, in particular with regard to office space, although the German market will remain at a relatively stable level in comparison to other countries. This stability also applies to property markets in the regional centres that form the core of the Fair Value portfolio, as these provide a comparatively high level of income and value stability according to a study of regional real estate centres carried out by DG Hyp.

In parallel to this, low interest rates are expected to continue for the next two years. Low rates of interest payable on investments on the one hand and historically low interest rates for the provision of credit on the other hand will breathe further life into an investment market that is again becoming increasingly active. This development should contribute to a gradual return to positive valuation results in the commercial property sector in the future.

MANAGEMENT EXPECTATIONS AND OVERALL STATEMENT FOR 2010 AND 2011

With an income-related occupancy rate of 98.5% for direct holdings and a proportionate rate of 91% for the properties held by subsidiaries, as well as a weighted remaining lease period of 7.1 years, the Fair Value Group's properties form a stable basis for generating income. This is also true

to a great extent for the associated companies, which have a proportionate occupancy rate of 97.1% and a weighted remaining lease period of 5.7 years. In total, only around 8% of the rental volumes attributable to Fair Value are scheduled for extensions or follow-up contracts in each of 2010 and 2011. Fair Value REIT-AG is therefore relatively unaffected by the current market situation.

In mid-2011, the loan of € 7.5 million for participation financing is scheduled for follow-up financing or repayment. The Management Board assumes that it will be possible by this point to have made repayments going beyond the minimum contractual amortisation of € 750,000 and is planning to negotiate an extension for the remainder of the loan with the same conditions.

EARNINGS POSITION AND RESULTS FORECAST FOR 2010 AND 2011

Reflecting the high occupancy rate enjoyed by the Group's properties, the planned rental income amounts to € 14.2 million for 2010 and approximately € 13.9 million for 2011. The property-related operational expenses include planned maintenance and rental costs and are forecasted to amount to approx. € 6.0 million in 2010 and € 4.4 million in 2011. Accordingly, a net rental income of € 8.2 million is expected in 2010 and current planning expects to see an increase in 2011 to € 9.5 million.

General administrative costs within the Group are calculated, on the basis of the current earnings position and the current investment volume, to be approximately € 1.9 million in 2010 and the same in 2011. This equates to a reduction of approximately 19% from the expenditure in 2009 of € 2.3 million (without one-off effects).

The adjusted income from the associated companies is expected to reach a figure of € 3.9 million in 2010 and then increase to € 4.4 million in 2011. The net

interest expenses are expected to be € 5 million for 2010 and € 5.1 million for 2011.

After deduction of the minority interests, the Management Board forecasts an adjusted consolidated net income according to IFRS (EPRA-Earnings) of € 4.2 million, which equates to 45 ct per share.

The forecasted lower EPRA-Earnings for 2010 compared to the result in the year under review (€ 6.0 million) is due to expected result reductions of € 2.4 million, with 66% of this amount arising from planned maintenance and rental costs, 20% from temporary rent losses and the rest from the transfer in ownership of the divested real estate. On the other hand, positive results are planned amounting to € 0.6 million, 25% of which are attributable to lower interest payments on the part of the subsidiary IC 13 and 75% of which comes from reductions of the general administrative expenses.

On the basis of the expected rise in the net rental income and the participation income in 2011, the forecast for the 2011 EPRA-Earnings increases to € 5.5 million, corresponding to 59 ct per share.

The FFO ("Funds from Operations") are forecast to be € 2.7 million for 2010, which corresponds to 29 ct per share and is therefore close to the level in the year being reported (32 ct). The reason for the relatively small deviation of the FFO between the two years compared despite the fall in the net income is the on balance high stability of the distribution strength of the associated companies.

Reflecting the improved net rental income, the FFO will rise in 2011 to € 4.3 million, which corresponds to 46 ct per share.

The Management Board expects further savings to be realised, beyond those already planned, as a result of the refinancing of property loans that can be terminated at short notice in individual affiliated

companies. In parallel, the Group is aiming to achieve reductions in administrative costs in the subsidiaries and the associated companies.

Assuming that the potential savings can be realised and result in profit distribution above the planned level by the participations, and including as yet uncertain income from property sales in the context of further portfolio adjustments, the Management Board expects a surplus in terms of German GAAP for 2010 and 2011, subject to possible corporate capital actions. This surplus will allow a dividend of 10 ct per currently outstanding share to be paid in the respective subsequent years, thus complying with the provisions of the REIT legislation.

PRIMARY GOAL IS TO INCREASE MARKET CAPITALISATION

The current environment in the capital market continues to be mixed and characterised primarily by uncertainty. When the situation improves in a sustainable manner, Fair Value REIT-AG's primary aim will be to push the desired growth in the company's value. This is to be pursued by means of capital increases in kind as well as, subordinated, cash capital increases. These measures should consequently lead to a further reduction in operational costs per share and thereby sustainably increase future dividend potential. Until that time, the Management Board is focusing on equity strength and liquidity.

Munich, March 16, 2010

Fair Value REIT-AG

A handwritten signature in black ink, appearing to read 'Frank Schaich', written in a cursive style.

Frank Schaich





Consolidated financial statements

of Fair Value REIT-AG

Consolidated Balance Sheet

€ thousand	Note No.	December 31	
		2009	2008
Assets			
Non-current assets			
Intangible assets	5	4	2
Property, plant and equipment	5	12	22
Investment property	6	137,587	130,740
Equity-accounted investments	7	47,442	48,443
Other receivables and assets	8	348	2,319
Total non-current assets		185,393	181,526
Current assets			
Non-current assets available for sale	9	8,237	0
Trade receivables	10	1,307	1,502
Income tax receivables	11	63	0
Other receivables and assets	12	528	1,176
Cash and cash equivalents	13	8,281	14,039
Total current assets		18,416	16,717
Total assets		203,809	198,243

€ thousand	Note No.	December 31	
		2009	2008
Equity and liabilities			
Equity	14		
Subscribed capital		47,034	47,034
Share premium		46,167	46,167
Reserve for changes in value		(5,446)	(4,575)
Retained earnings		(14,745)	(11,839)
Treasury shares		(290)	0
Total equity		72,720	76,787
Non-current liabilities			
Minority interests	15	15,296	16,505
Financial liabilities	16	104,004	78,352
Derivative financial instruments	17	5,027	4,217
Other liabilities	18	286	279
Total non-current liabilities		124,613	99,353
Current liabilities			
Provisions	19	261	334
Financial liabilities	16	4,312	15,905
Trade payables		809	1,359
Other liabilities	18	1,094	4,505
Total current liabilities		6,476	22,103
Total shareholders' equity and liabilities		203,809	198,243

Consolidated income statement

€ thousand	Note No.	2009	Fiscal year 2008
Rental income		10,460	12,392
Income from operating and incidental costs		1,737	1,534
Leasehold payments		(232)	(231)
Real estate-related operating expenses		(3,437)	(2,912)
Net rental result	22	8,528	10,783
General administrative expenses	23	(2,611)	(3,797)
Other operating income		120	566
Other operating expenses		(204)	(917)
Other operating income and expenses (total)	24	(84)	(351)
Net income from the sale of investment properties		0	15,661
Expenses in connection with the sale of investment properties		(190)	(14,316)
Result from sale of investment properties	25	(190)	1,345
Valuation gains		447	381
Valuation losses		(6,817)	(10,115)
Valuation result	26	(6,370)	(9,734)
Operating result		(727)	(1,754)
Result from equity-accounted investments	7	1,401	(7,075)
Interest income		155	332
Interest expense	27	(4,680)	(5,239)
Income before minority interests		(3,581)	(13,736)
Minority interest in the result	15	945	435
Net loss		(2,906)	(13,301)
Earnings per share in € (basic/diluted)	29	(0.31)	(1.41)

Consolidated statement of comprehensive income

€ thousand	Note No.	2009	Fiscal year 2008
Net loss		(2,906)	(13,301)
Other results (expenses directly recorded in equity)			
Change in cash flow hedges	17	(702)	(3,904)
Thereof due to minority interests		29	210
Change in cash flow hedges of associated companies	7	(198)	(881)
		(871)	(4,575)
Comprehensive loss		(3,777)	(17,876)

Consolidated cash flow statement

€ thousand	Fiscal year	
	2009	2008
Net loss	(2.906)	(13.301)
Adjustments to consolidated earnings for reconciliation to cash flow from operating activities		
Amortization of intangible assets and depreciation of property, plant and equipment	26	11
(Profits) Losses from the disposal of investment properties	190	(1.345)
Valuation result	6.370	9.734
Income from equity-accounted investments	(1.401)	7.075
Withdrawals from equity-accounted investments	1.902	2.519
Income from restructuring a financial liability	0	(1.469)
Loss/profit for minority interests	(945)	(435)
Disbursement to minority interests	(397)	(1.256)
Result from the valuation of derivative financial instruments	108	88
Expenses connected to compensation payment received	0	1.880
FFO (funds from operations) subtotal	2.947	3.501
Compensation payment received	0	15.438
Expenses connected to compensation payment received	0	(1.880)
Change in assets, equity and liabilities		
(Increase)/decrease in trade receivables	249	(633)
(Increase)/decrease in other liabilities	(53)	3.524
(Decrease)/increase in provisions	(85)	79
(Decrease)/increase in trade payables	(639)	(1.258)
(Decrease)/increase in other liabilities	(3.679)	2.725
Cash flow from operating activities	(1.260)	21.496

€ thousand	Fiscal year	
	2009	2008
Cash flow from operating activities	(1,260)	21,496
Payments for the purchase of interests in associated companies	(67)	(9)
Proceeds from the sale of subsidiaries	0	4,705
Investments in investment property/property under construction	(74)	(13,892)
Income from the disposal of investment properties	403	15,068
Payment for the acquisition of non-current assets	(250)	(2,300)
Income from repayment of non-current assets	2,300	0
Investments in property, plant and equipment and intangible assets	(18)	(2)
Cash flow from investment activities	2,294	3,570
Purchase of treasury shares	(290)	0
Receipts from financial liabilities	80	46,959
Repayment of financial liabilities	(8,421)	(63,367)
Cash flow from financing activities	(8,631)	(16,408)
Cash effective change of liquid funds	(7,597)	8,658
Scope of consolidation change	1,839	0
Cash and cash equivalents – start of period	14,039	5,381
Cash and cash equivalents – end of period	8,281	14,039
Additional disclosures:		
Interest received	164	357
Interest paid	4,547	6,917

Explanation see Note 32

Statement of changes in consolidated equity

€ thousand (except for circulating shares)	Shares in circulation	Subscri- bed capital	Share premium	Reserve for changes in value	Retained earnings	Own shares	Total
Balance at January 1, 2008	9,406,882	47,034	46,167	0	1,462	0	94,663
Total net loss	0	0	0	(4,575)	(13,301)	0	(17,876)
Balance at December 31, 2008	9,406,882	47,034	46,167	(4,575)	(11,839)	0	76,787
Purchase of treasury shares	(59,092)	0	0	0	0	(290)	(290)
Total net loss	0	0	0	(871)	(2,906)	0	(3,777)
Balance at December 31, 2009	9,347,790	47,034	46,167	(5,446)	(14,745)	(290)	72,720

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 thirteen closed-end real estate funds, the company must prepare consolidated financial statements. They were released for publication by way of a resolution by the Management Board on March 16, 2010.

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

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, 2008, have been used as comparable figures.

First time application of accounting standards – In fiscal year 2009, application of the following standards or interpretations was mandatory for the first time:

(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 and financial derivatives 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. If not otherwise stated, all amounts are shown in thousands of euros (€ thousand). Rounding differences are possible.

- Amendments to IAS 1 – Presentation of Financial Statements
- Amendments to IAS 23 – Borrowing Costs
- Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Instruments
- Amendment to IAS 39 – Reclassification of Financial Assets: Time of Application and Interim Arrangements
- Amendment to IAS 39 – Suitable Underlying Transactions
- Amendments to IFRS 1 and IAS 27 – Investments in Subsidiaries, Jointly Controlled Entities and Associates
- Amendments to IFRS 2 – Share-Based Payment: Conditions and Cancellations
- Amendment to IFRS 7 – Improvements Regarding Information about Financial Instruments
- IFRS 8 – Business Segments
- Amendments to IFRIC 9 and IAS 39 – Embedded Derivatives
- IFRIC 12 – Service Concession Agreements
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 15 – Agreements for the Construction of Real Estate

- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 18 – Transfer of Assets from Customers (valid for transfers made after July 1, 2009)
- Collective standard for amendments to various standards

Only the amendments to IAS 1 had any effect on the consolidated financial statements, as these now contain an overall income statement for the first time. There were no effects resulting from IFRS 8 "Business Segments", as this standard has been applied voluntarily in previous years.

Accounting standards not yet applied

Disclosures endorsed by the EU on December 31, 2009:

- IFRS 3 (revised) – Business Combinations – and amendments to IAS 27 – Consolidated and Individual Financial Statements (valid for fiscal years starting on or after July 1, 2009)
- IFRS 1 (revised) – First Time Application of IFRS (valid for fiscal years starting on or after July 1, 2009)
- IFRIC 17 – Distribution of Non-Cash Assets to Owners (valid for fiscal years starting on or after July 1, 2009)

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:

	Voting rights / Fixed capital interest in % December 31	
	2009	2008
IC Fonds & Co. Büropark Teltow KG, Regensburg ("IC 07")	75.73	75.73
IC Fonds & Co. Forum Neuss KG, Regensburg ("IC 03")	71.58	71.58
IC Fonds & Co. München Karlsfeld KG, Regensburg ("IC 01")	55.79	55.79
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, Munich ("BBV 06")	55.55	54.89
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG, Munich ("BBV 03")	53.79	53.69
IC Fonds & Co. Gewerbe- portfolio Deutschland 13. KG, Regensburg ("IC 13")	50.04	49.86

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

The participation in IC 13 during the 2009 fiscal year was 49.86% and was therefore equity-accounted. As a result of other partners exiting, the participation level on December 31, 2009, had risen to 50.04%. IC 13 was therefore fully consolidated in the balance sheet on December 31, 2009. See Note 4 c for details.

Intra-group receivables and liabilities and intra-group income and expenses are netted. Unrealized 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 principles and 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 eight following associated companies have been equity-accounted in the consolidated financial statements. With this method, the participation in IC13 is only taken into account in terms of earnings, due to the above mentioned change in status.

	Voting rights/ Fixed capital interest in%	
	2009	December 31 2008
IC Fonds & Co. Gewerbe- portfolio Deutschland 13. KG, Regensburg ("IC 13")	50.04	49.86
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich ("BBV 14")	45.09	45.02
IC Fonds & Co. Schmidt- Bank-Passage KG, Regens- burg ("IC 12")	40.22	40.22
BBV Immobilien-Fonds Erlangen GbR, Munich ("BBV 02")	39.68	38.94
IC Fonds & Co. Gewerbeob- jekte Deutschland 15. KG, Regensburg ("IC 15")	38.37	38.34
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich ("BBV 10")	38.37	38.31
IC Fonds & Co. Rabenstein- center KG, Regensburg ("IC 10")	26.14	26.14
BBV Immobilien-Fonds Nr. 9 GmbH & Co. KG, Munich ("BBV 09")	25.10	24.93

Slight increases in the participations on the balance sheet date with regard to BBV 09 und BBV 10 have resulted from the purchase of units (see Note 4a) 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.

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 installment.

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. Borrowing costs for qualified assets are capitalized.

(3) ESTIMATES 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) *Measurement 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 totaled € 137,587 thousand as of December 31, 2009 (2008: € 130,740 thousands).

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 participating interests measured at equity totaled € 47,442 thousand on December 31, 2009 (2008: € 48,443 thousands).

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 2009 fiscal year, Fair Value REIT-AG increased its participation in the BBV Immobilien-Fonds Nr. 9 GmbH & Co. KG by a nominal value of € 175,000. The purchase price was € 57,000. In addition, units with a nominal value of € 50,000 in the BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG were acquired for a purchase price of € 10,000. The purchase prices were settled with cash.

b) Divestiture of holdings

None of Fair Value REIT-AG's holdings were sold during the reporting period.

c) Change of status for IC 13

As a result of other partners exiting, the participation level in IC 13 increased to 50.04%. The fund was therefore fully consolidated in the balance sheet on December 31, 2009. The associated assets and liabilities thus included in the consolidated balance sheet are as follows.

thousand €	
Investment property	21,380
Trade receivables	54
Other receivables and assets	34
Cash and cash equivalents	1,839
Provisions	(12)
Financial liabilities	(22,400)
Trade payables	(89)
Other liabilities	(69)
Minority interest	(368)
Net assets	369

The change in status was implemented by rebooking the equity-accounted participations. The rebooked amount consists of the following:

thousand €	
Carrying amount of participation before transfer	
Proportionate equity	938
Value adjustment	(705)
Resolution of value adjustment (included in income from equity-accounted participations)	136
	369

If the change in status had already taken place as of January 1, 2009, revenues of the Group would have amounted to € 15,103 thousand instead of € 12,197 thousand and the consolidated loss would have totalled € 2,686 thousand instead of € 2,906 thousand.

(5) INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

thousand €	Intangible assets (Software)	Property, plant and equipment (office and operating equipment)
Acquisition costs		
Balance at January 1, 2008	2	33
Additions	0	1
Disposals	0	0
As of December 31, 2008	2	34
Additions	3	15
Disposals	0	0
Balance at December 31, 2009	5	49
Accumulated depreciation, amortization and write-downs		
Balance at January 1, 2008	0	(2)
Additions	0	(10)
Disposals	0	0
As of December 31, 2008	0	(12)
Additions	(1)	(25)
Disposals	0	0
Balance at December 31, 2009	(1)	(37)
Carrying amounts		
Balance at January 1, 2008	2	31
As of December 31, 2008	2	22
Balance at December 31, 2009	4	12

(6) INVESTMENT PROPERTY

thousand €	Direct investments	Participations	Total
Acquisition costs			
Balance at January 1, 2008	51,615	98,880	150,495
Additions (subsequent acquisition costs)	217	200	417
Reclassification from available-for-sale	0	5,800	5,800
Reclassification from properties under construction	14,041	0	14,041
Disposals	(14,041)	(275)	(14,316)
As of December 31, 2008	51,832	104,605	156,437
Additions (subsequent acquisition costs)	0	74	74
Additions – change of status IC 13 –	0	21,380	21,380
Reclassification	0	(38)	(38)
Reclassification to available-for-sale	0	(8,050)	(8,050)
Balance as of December 31, 2009	51,832	117,971	169,803
Changes in value			
Balance as of January 1, 2008	(1,655)	1,230	(425)
Reclassification from available-for-sale	0	(100)	(100)
Write-ups	0	381	381
Write-downs	(2,907)	(22,646)	(25,553)
As of December 31, 2008	(4,562)	(21,135)	(25,697)
Write-ups	115	332	447
Write-downs	(1,858)	(4,959)	(6,817)
Reclassification	0	38	38
Reclassification to available-for-sale	0	(187)	(187)
Balance as of December 31, 2009	(6,305)	(25,911)	(32,216)
Fair values			
Balance as of January 1, 2008	49,960	100,110	150,070
As of December 31, 2008	47,270	83,470	130,740
Balance as of December 31, 2009	45,527	92,060	137,587

There were a total of 52 properties on December 31, 2009, with 43 freehold properties, 7 properties in co-ownership owned and 2 leasehold properties. Compared to December 31, 2008, the number of properties in the portfolio decreased by one. Four properties in the investment portfolio that were sold during the fiscal year 2009 but for which the closing will occur only in 2010, were reclassified as non-

current assets available for sale, and three properties were added as a result of the amendment of the consolidation basis (full inclusion of IC 13).

Properties with a carrying amount of € 130,767 thousand (2008: € 121,600 thousand) are encumbered with mortgages as collateral for liabilities to banks. There are pre-emptive rights for

the user or leaseholder for 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 € 155 thousand (2008: € 324 thousand).

There are obligations from two long-term leasehold agreements (residual periods of 30 and 46 years) which lead to future annual leasehold payments of € 24 thousand. 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 5.7% and 7.5% (2008: 5.4% to 7.6%) 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 8.1% (2008: 6.2% to 8.2%) 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“). Eight properties (2008: two) had unchanged values or, in some cases, valuation increases, which resulted from the rental situation and specific property improvements.

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:

thousand €	December 31	
	2009	2008
within one year	11,994	9,887
between one to five years	32,020	30,438
after more than five years	25,631	32,228
	69,645	72,553

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

There were contingent rental payments in fiscal year 2009 totaling € 146 thousand (2008: € 276 thousand) 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

thousand €	IC 10	IC 12	IC 13	IC 15	BBV 02	BBV 09	BBV 10	BBV 14	Total
Proportionate equity									
As of January 1, 2008	132	2,662	2,023	6,853	210	16,510	22,248	15,824	66,462
Additions (=acquisition costs)	0	9	0	0	0	0	0	0	9
Withdrawals	0	(84)	(147)	(146)	(1)	(1,773)	(365)	(3)	(2,519)
Proportion of earnings	(156)	(75)	(318)	(820)	(26)	(2,509)	(2,308)	(397)	(6,609)
Loss from cash flow hedge	0	0	0	0	0	0	(881)	0	(881)
As of December 31, 2008	(24)	2,512	1,558	5,887	183	12,228	18,694	15,424	56,462
Additions (=acquisition costs)	0	0	0	0	0	57	10	0	67
Income from beneficial acquisition of participation	0	0	0	0	0	28	16	0	44
Withdrawals	0	0	(1)	(151)	0	(512)	(728)	(510)	(1,902)
Proportion of earnings	(45)	(67)	(619)	593	3	(231)	(511)	840	(37)
Loss from cash flow hedge	0	0	0	0	0	0	(198)	0	(198)
Reclassification (status change)	0	0	(938)	0	0	0	0	0	(938)
As of December 31, 2009	(69)	2,445	0	6,329	186	11,570	17,283	15,754	53,498
Value adjustment									
As of January 1, 2008	(107)	(209)	(602)	(802)	(111)	(1,340)	(2,137)	(2,245)	(7,553)
Change	131	(6)	(103)	21	33	0	(187)	(355)	(466)
As of December 31, 2008	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)	0	0	569	0	0	0	0	0	569
As of December 31, 2009	69	(196)	0	(704)	(77)	(1,180)	(1,844)	(2,124)	(6,056)
Carrying amounts									
As of January 1, 2008	25	2,453	1,421	6,051	99	15,170	20,111	13,579	58,909
As of December 31, 2008	0	2,297	853	5,106	105	10,888	16,370	12,824	48,443
As of December 31, 2009	0	2,249	0	5,625	109	10,390	15,439	13,630	47,442

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

thousand €	Fiscal year	
	2009	2008
Ongoing earnings		
Proportionate valuation result	(5,384)	(10,744)
Other ongoing earnings	5,347	4,135
Proportion of earnings	(37)	(6,609)
Income from beneficial acquisition of participation	44	0
Resolution of (addition to) value adjustment	1,394	(466)
Income from equity-accounted participations	1,401	(7,075)

The cumulative value adjustments of € 1,394 thousand were released to the income statement. This resulted primarily from reduced earnings-related corporate costs.

All interests in equity-accounted investments are pledged as collateral for a bank loan valued at € 7,500 thousand as of December 31, 2009 (2008: € 13,453 thousand).

The fact that the company's market capitalization on December 31, 2009, 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 nonproperty 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, 2009. These totaled between 6.47% and 7.20% (2008: 6.38% to 7.20%).

The following tables provide additional financial information about the equity-accounted associated companies. The statements are based on the Group's proportionate 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, 2009, and December 31, 2008, is as follows:

thousand €	IC 10		IC 12		IC 13		IC 15 (consolidated)		BBV 02	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Fair Value REIT-AG's share	26.14%	26.14%	40.22%	40.22%	50.04%	49.86%	38.37%	38.34%	39.68%	38.94%
Property, plant and equipment	0	0	0	0	0	0	3	33	0	0
Investment property	2,337	2,400	2,952	3,121	0	11,767	13,472	13,246	655	689
Trade receivables	33	20	71	92	0	20	63	20	12	7
Other receivables and assets	0	1	1	2	0	17	249	41	13	1
Cash and cash equivalents	46	72	392	296	0	639	1,566	1,963	55	84
Provisions	(3)	(3)	(4)	(6)	0	(8)	(9)	(12)	(1)	0
Financial liabilities	(1,977)	(2,003)	(936)	(960)	0	(10,834)	(8,816)	(9,190)	(533)	(544)
Derivative financial instruments	0	0	0	0	0	0	0	0	0	0
Trade payables	(3)	(12)	(15)	(19)	0	(28)	(41)	(12)	(7)	(46)
Other liabilities	(502)	(499)	(16)	(14)	0	(15)	(158)	(202)	(8)	(8)
Net assets on December 31	(69)	(24)	2,445	2,512	0	1,558	6,329	5,887	186	183

thousand €	BBV 09		BBV 10		BBV 14		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Fair Value REIT-AG's share	25.10%	24.93%	38.37%	38.31%	45.09%	45.02%		
Property, plant and equipment	0	0	0	0	0	0	3	33
Investment property	31,325	32,721	44,985	47,037	37,840	38,122	133,566	149,103
Trade receivables	43	30	89	111	216	67	527	367
Other receivables and assets	85	86	10	2	478	379	836	529
Cash and cash equivalents	1,883	1,749	2,468	2,407	767	1,040	7,177	8,250
Provisions	(10)	(6)	(9)	(10)	(12)	(14)	(48)	(59)
Financial liabilities	(18,981)	(19,603)	(28,324)	(29,281)	(23,193)	(23,896)	(82,760)	(96,311)
Derivative financial instruments	(2,538)	(2,446)	(1,658)	(1,453)	0	0	(4,196)	(3,899)
Trade payables	(30)	(87)	(196)	(41)	(226)	(166)	(518)	(411)
Other liabilities	(207)	(216)	(82)	(78)	(116)	(108)	(1,089)	(1,140)
Net assets on December 31	11,570	12,228	17,283	18,694	15,754	15,424	53,498	56,462

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

thousand €	IC 10		IC 12		IC 13		IC 15 (consolidated)		BBV 02	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Fair Value REIT-AG's share	26.14%	26.14%	40.22%	40.22%	50.04%	49.86%	38.37%	38.34%	39.68%	38.94%
Rental income	183	183	210	243	1,276	1,363	1,190	1,294	92	55
Income from operating and incidental costs	80	70	117	140	178	152	133	118	12	12
Real estate-related operating expenses	(114)	(118)	(161)	(168)	(311)	(319)	(271)	(201)	(23)	(47)
Net rental income	149	135	166	215	1,143	1,196	1,052	1,211	81	20
General administrative expenses	(7)	(7)	(18)	(19)	(68)	(71)	(72)	(60)	(7)	(9)
Other operating expenses and income (balance)	(4)	1	0	(15)	14	12	(8)	4	4	0
Gains from sale of investment properties	0	0	0	0	0	0	0	93	0	0
Valuation result	(63)	(162)	(169)	(217)	(1,111)	(848)	86	(1,538)	(48)	(12)
Operating result	75	(33)	(21)	(36)	(22)	289	1,058	(290)	30	(1)
Net interest expense	(120)	(123)	(46)	(39)	(597)	(607)	(465)	(530)	(27)	(25)
Economic result	(45)	(156)	(67)	(75)	(619)	(318)	593	(820)	3	(26)

thousand €	BBV 09		BBV 10		BBV 14		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Fair Value REIT-AG's share	25.10%	24.93%	38.37%	38.31%	45.09%	45.02%		
Rental income	2,985	2,936	4,091	3,949	2,765	2,759	12,792	12,782
Income from operating and incidental costs	50	50	318	326	771	764	1,659	1,632
Real estate-related operating expenses	(213)	(221)	(905)	(675)	(1,134)	(1,229)	(3,132)	(2,978)
Net rental income	2,822	2,765	3,504	3,600	2,402	2,294	11,319	11,436
General administrative expenses	(100)	(114)	(172)	(175)	(259)	(229)	(703)	(684)
Other operating expenses and income (balance)	(2)	0	(13)	(5)	10	(220)	1	(223)
Gains from sale of investment properties	0	0	0	0	0	0	0	93
Valuation result	(1,619)	(2,904)	(2,126)	(4,009)	(334)	(1,054)	(5,384)	(10,744)
Operating result	1,101	(253)	1,193	(589)	1,819	791	5,233	(122)
Net interest expense	(1,332)	(2,256)	(1,704)	(1,719)	(979)	(1,188)	(5,270)	(6,487)
Economic result	(231)	(2,509)	(511)	(2,308)	840	(397)	(37)	(6,609)

(8) OTHER ASSETS (NON-CURRENT)

thousand €	December 31	
	2009	2008
Financial assets		
Deposited collateral	250	2,300
Non-financial assets		
Accrual tenant incentives	77	0
Over coverage pension plan	21	19
	348	2,319

A bank balance of € 2,300 thousand pledged as security to indemnify against claims of the seller; in the event of the sale of the Sparkasse portfolio not benefiting under the German REIT Act within four years of the contract being concluded (October 6, 2007), was released in exchange for the provision of a bank guarantee. The security pledged on December 31, 2009, 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:

thousand €	Fiscal year	
	2009	2008
Present value of the obligation		
Balance – start of year	47	0
Transfer	0	45
Past service cost	2	3
Interest expense	3	2
Actuarial losses	0	(3)
Balance – end of year	52	47
Fair value of plan assets		
Balance – start of year	66	0
Transfer	0	59
Payments by employer	5	6
Expected income from plan assets	2	1
Actuarial gains and losses	0	0
Balance – end of year	73	66
Over coverage pension plan	21	19

For 2010, employer payments of € 5.2 thousand to the pension plan are expected.

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

thousand €	Fiscal year	
	2009	2008
Past service cost		
Carried under administrative expenses	2	3
Actuarial losses		
Carried under administrative expenses	0	(3)
Interest expense	3	2
Anticipated income for plan assets	(2)	(1)
Carried under financial result	1	1
	3	1

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

The following actuarial assumptions have been made:

thousand €	Fiscal year	
	2009	2008
Discount rate	6.0%	6.0%
Anticipated income for plan assets	2.5%	2.5%

The Group paid contributions totaling € 17 thousand (2008: € 18 thousand) to the statutory pension fund during the year under review. There are no other defined contribution pension plans in the Group.

(9) NON-CURRENT ASSETS AVAILABLE FOR SALE

thousand €	December 31	
	2009	2008
Office property Aachen ("BBV 03")	1,520	0
Retail property Hamm ("BBV 06")	1,352	0
Retail property Seligenstadt ("BBV 06")	1,465	0
Retail property Passau ("BBV 06")	3,900	0
	8,237	0

There are notarised purchase contracts for all properties allocated to the "subsidiaries" segment. Valuations relate to the agreed purchase price, with agreed renovation work of € 270 thousand being treated as a purchase price reduction in the case of the Hamm property.

The transfer of ownership, risk and reward has been agreed, dependent on the release from encumbrances, the agreement of the plot owner (leasehold right) and the complete payment of the purchase price, and is expected to take place shortly. Sales costs amounting to € 190 thousand were incurred in the 2009 fiscal year.

The three properties in BBV 06 are partly debt financed. The financing bank is to receive unscheduled payments relating to the agreed purchase prices for the purpose of releasing the properties from encumbrances. The size of these payments is still to be agreed upon.

The Passau property is a leasehold property, for which annual leasehold interest of € 209 thousand is to be paid until maturity on September 28, 2080. This obligation is assumed by the purchaser.

(10) TRADE RECEIVABLES

thousand €	December 31	
	2009	2008
Rent receivables including settlement of incidental costs		
Undue	1,094	1,017
Overdue and not value adjusted		
Due since	31	196
Due since 30 to 90 days	47	161
Due since 90 to 360 days	99	103
Due since more than 360 days	36	25
Value-adjusted receivables	217	57
	1,524	1,559
Value adjustments	(217)	(57)
	1,307	1,502

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

thousand €	December 31	
	2009	2008
Balance – start of year	57	36
Allocation	169	45
Drawdown	(7)	0
Release	(5)	(24)
Scope of consolidation change	3	0
Balance – end of year	217	57

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

Rent receivables totaling € 971 thousand (2008: € 1,186 thousand) have been pledged as collateral for bank loans.

(11) INCOME TAX RECEIVABLES

This relates to repayable withholding tax paid on income interest.

(12) OTHER RECEIVABLES AND ASSETS

thousand €	December 31	
	2009	2008
Financial assets		
Accrued interest	6	217
Reversal of real estate acquisition	18	15
Remaining purchase price receivables	0	593
Various companies in the IC Group	0	11
Other	22	322
	46	1,158
Non-financial assets		
Accrued interest	244	0
Different accruals	230	0
Value added tax	8	0
Other	0	18
	528	1,176

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

Due to the exercising of a preemption right, the purchase of a property belonging to the Sparkasse portfolio had to be reversed. The open sum on the balance sheet date relates to notary and registration costs passed on in December 2009.

(13) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include solely bank balances and fixed term deposits designed to be held for no more than three months. Of these, a sum of € 1,544 thousand (2008: € 270 thousand) was pledged to a bank.

(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, 2009, 9,347,790 of the issued shares were in circulation (2008: 9,406,882 shares). Each share has a theoretical interest of € 5.00 in the subscribed capital. Shareholders are entitled to any dividends resolved, and have one vote per share in the General Meeting.

Share premium – The share premium includes premiums from the capital increases in 2007, less capital procurement costs.

Reserve for changes in value – The reserve for changes in value takes 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.

Retained earnings – (Negative) Results accrued within the Group are reported in the retained earnings.

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 Management Board passed a resolution on September 24, 2009, to repurchase up to 100,000 shares or approximately 1% of the company's capital stock.

By the end of the fiscal year, 59,092 shares had been purchased at an average purchase price of € 4.90 (including acquisition costs). This equates to a total sum of € 290 thousand. The acquisition of

these 59,092 shares means that Fair Value REIT-AG held approximately 0.6% of its own capital stock on December 31, 2009.

Further shares have been repurchased until the end of this share repurchasing programme in January 2010, resulting in the company to now hold 81,310 shares or 0.86% of its capital stock.

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 thousand against cash or non-cash contributions by September 9, 2012 (authorized capital).

(15) MINORITY INTERESTS

thousand €	IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	Total
As of January 1, 2008	1,346	1,350	3,037	0	5,025	7,729	18,487
Loss from cash flow hedges	0	0	0	0	0	(210)	(210)
Proportion of earnings – expense (income) –	(177)	(198)	(395)	0	(40)	375	(435)
Disbursements	(43)	0	(1,029)	0	(182)	(2)	(1,256)
Reclassifications (compensation/ deposits)	0	0	(8)	0	2	(75)	(81)
As of December 31, 2008	1,126	1,152	1,605	0	4,805	7,817	16,505
Loss from cash flow hedges	0	0	0	0	0	(29)	(29)
Proportion of earnings – expense (income) –	43	(54)	(95)	0	(146)	(693)	(945)
Disbursements	0	0	(2)	0	(395)	0	(397)
Reclassifications (compensation)	0	0	0	0	(18)	(188)	(206)
Scope of consolidation change	0	0	0	368	0	0	368
As of December 31, 2009	1,169	1,098	1,508	368	4,246	6,907	15,296

(16) FINANCIAL LIABILITIES

thousand €	December 31	
	2009	2008
Non-current liabilities		
Variable-interest bank borrowing	74,903	69,591
Fixed-interest bank borrowing	29,101	8,761
	104,004	78,352
Current liabilities		
Variable-interest bank borrowing	2,253	14,898
Fixed-interest bank borrowing	2,059	892
	4,312	15,790
Other liabilities	0	115
	4,312	15,905
	108,316	94,257

The bank loans bearing variable interest bear interest based on EURIBOR plus a margin. These are hedged in the amount of € 42,155 thousand (2008: € 42,835 thousand) using interest rate swaps, in which variable interest rates are swapped for fixed interest rates, 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 3.4% on average as of December 31, 2009 (2008: 4.6%) p.a. The weighted average interest rate for the fixed-interest bank loans (including the hedged variable-interest loans) totaled 4.8% as of December 31, 2009 (2008: 5.7%) p.a. They are all fully collateralized with mortgages, partially from the transfer of receivables from rental agreements, and in the amount of € 7,500 thousand (2008: € 13,453 thousands) by way of a pledge of the interests Fair Value REIT-AG holds in 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 periods:

thousand €	December 31	
	2009	2008
Between 1 and 2 years	10,802	2,699
Between 2 and 5 years	41,905	45,923
More than 5 years	51,297	29,730
	104,004	78,352

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

thousand €	December 31, 2009			December 31, 2008		
	Loans	Effects of interest rate swaps	Including interest rate swaps	Loans	Effects of interest rate swaps	Including interest rate swaps
6 months or less	78,186	(41,785)	36,401	84,483	(42,835)	41,648
6 to 12 months	1,029	370	1,399	0	0	0
1 to 5 years	29,101	12,685	41,786	9,659	9,145	18,804
More than 5 years	0	28,730	28,730	0	33,690	33,690
	108,316	0	108,316	94,142	0	94,142

Covenants are to be adhered to with respect to two loans from the Westdeutsche Immobilien Bank AG. In the case of a loan of € 7,500 thousand (2008: € 13,453 thousand) 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 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 € 33,010 thousand (2008: € 33,690 thousand) 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 DSCR was just missed on September 30, 2009, and January 31, 2010 (109%). In a letter dated February 19, 2010 (making particular reference to the expected reduction in the number of vacancies), the bank declared that it was prepared to abstain until further notice from the establishment of the so called cash sweep account and the payment of monthly surpluses to this account. However, the bank expects to see evidence that the minimum DSCR is met again by January 31, 2011.

There are no other agreements 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:

thousand €	with hedge accounting	without hedge accounting	Total
Balance as of January 1, 2008	0	225	225
Creation of hedge accounting	132	(132)	0
Additions affecting income	0	88	88
Transfer at the expen- se of other result	3,904	0	3,904
Balance at December 31, 2008	4,036	181	4,217
Additions affecting income	0	108	108
Transfer at the expen- se of other result	702	0	702
Balance as of December 31, 2009	4,738	289	5,027

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 thousand. 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 € 33,010 thousand as of December 31, 2009. The interest rate swap fulfills 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 € 11,885 thousand as of December 31, 2009 (2008: € 11,885 thousand). There is a hedging relationship between two sub-components of the two interest rate swaps amounting to € 9,145 thousand 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 € 111 thousand for a variable interest rate 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 variable interest rate. The underlying sum is € 15,000 thousand. The annual premium for this transaction until its term expires on June 29, 2012 is € 62 thousand.

(18) OTHER LIABILITIES

thousand €	December 31	
	2009	2008
Non-current		
Financial liabilities		
Exited minority interests	286	279
Current		
Financial liabilities		
Personnel	278	0
Exited minority interests	168	284
Accrued interest	281	223
Supervisory Board remuneration	26	37
Deposits received	58	309
Other	73	326
Non-financial liabilities		
Tax liabilities (VAT and property transfer tax)	121	3,266
Deferred income	89	60
	1,094	4,505
	1,380	4,784

The liabilities to subsidiaries' exiting minority shareholders 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 installments, with the respective outstanding amount bearing 4% annual interest.

(19) PROVISIONS

thousand €	Personnel	Audit / consulting costs	Total
As of January 1, 2009	70	264	334
Additions	15	222	237
Availment	(70)	(252)	(322)
Reversal	0	0	0
Scope of consolidation change	0	12	12
As of December 31, 2009	15	246	261

(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. 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, which is limited to € 42 thousand.

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. The cost volume is put at € 10 thousand.

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 Düsseldorf 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 thousand. There is no other pending litigation.

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 € 2,249 thousand (2008: € 2,646 thousand).

(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 € 74 thousand (2008: € 75 thousand). The minimum leasing payments payable until the time of the first possible termination are:

thousand €	December 31	
	2009	2008
within one year	28	36
between one to five years	1	21
after more than five years	0	0
	29	57

(22) NET RENTAL RESULT

thousand €	Investment properties		Non-current assets available for sale		Total	
	2009	2008	2009	2008	2009	2008
Rental income	9,380	12,392	1,080	0	10,460	12,392
Income from operating and incidental costs	1,605	1,534	132	0	1,737	1,534
Leasehold payments	(23)	(231)	(209)	0	(232)	(231)
Real estate-related operating expenses						
Real estate that generated income	(3,201)	(2,912)	(236)	0	(3,437)	(2,912)
Real estate that not generated income	0	0	0	0	0	0
Net rental result	7,761	10,783	767	0	8,528	10,783

(23) GENERAL ADMINISTRATIVE EXPENSES

thousand €	Fiscal year	
	2009	2008
Personnel expenses	919	740
Valuations	240	324
Legal and consulting costs	231	346
Fund management fees	238	1,076
Stock market listing, general meeting and events	185	261
Audit expenses	178	228
Trustee fees	110	108
Travel and vehicle expenses	68	90
Office costs	67	74
Amortization and depreciation	11	10
Non-deductible VAT	162	189
Other	202	351
	2,611	3,797

The personnel costs include payments relating to the termination of the employment of a former board member amounting to € 325 thousand (see notes 28 and 33).

(24) OTHER OPERATING INCOME AND EXPENSES (BALANCE)

thousand €	Fiscal year	
	2009	2008
Income		
Refund of REIT conception fee	0	200
Different	120	366
	120	566
Expenses		
Additions to/reversal of individual write-downs for receivables	(156)	(22)
Expenses due to exiting shareholders	(41)	(32)
Write-off other receivables	(8)	(21)
Non-deductible VAT prior years	1	(511)
Write-off of purchase price receivable BBV 08	0	(300)
Other	0	(31)
	(204)	(917)
	(84)	(351)

(25) EARNINGS FROM THE SALE OF INVESTMENT PROPERTIES

The reported expenses relate to properties sold during the fiscal year and reclassified as non-current assets available for sale.

(26) VALUATION RESULT

thousand €	Fiscal year	
	2009	2008
Valuation gains	447	381
Valuation losses	(6,817)	(25,553)
Compensation payment IDLG	0	15,438
Valuation losses after netting	(6,817)	(10,115)
	(6,370)	(9,734)

The valuation result of € 1,363 thousand for 2009 concerns properties listed on the balance sheet date as non-current assets available for sale.

The valuation losses of the previous year include a reduction in value of the property in Teltow of € 17,700 thousand resulting from a premature ending of the tenancy agreement with the general tenant IDLG. As there is a direct link, the compensation payment of € 15,438 thousand received has been reconciled in the valuation result.

(27) INTEREST EXPENSES

thousand €	Fiscal year	
	2009	2008
Interests for loans and swaps	4,381	5,907
Prepayment penalties	0	272
Changes in value of derivative financial instruments (as far as affecting net income)	108	88
Result from restructuring loan BBV 06	0	(1,469)
Other	191	441
	4,680	5,239

(28) ADDITIONAL INFORMATION REGARDING THE CONSOLIDATED PROFIT AND LOSS STATEMENT

Personnel expenses

thousand €	Fiscal year	
	2009	2008
Salaries	888	708
Social security contributions	31	32
	919	740

On average during the year, there were five employees including the Management Board (2008: 5). As of December 31, 2009, 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 for the consolidated financial statements BDO Deutsche Warentreuhand AG, Wirtschaftsprüfungsgesellschaft:

thousand €	Fiscal year	
	2009	2008
Audits of the financial statements	142	171
Other services	9	72
	151	243

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:

thousand €	Fiscal year	
	2009	2008
Consolidated earnings	(2,906)	(13,301)
Divided by: Weighted average ordinary shares (basic)	9,398,690	9,406,882
Earnings per share in € (basic/ diluted)	(0.31)	(1.41)

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

(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.

Available-for-sale financial assets 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 value of all financial instruments compared to their carrying amounts is as follows:

thousand €	December 31, 2009		December 31, 2008	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Assets				
Loans and receivables				
Non-current assets	250	250	2,300	2,300
Trade accounts receivable	1,307	1,307	1,502	1,502
Other receivables	46	46	1,158	1,158
Cash and cash equivalents	8,281	8,281	14,039	14,039
	9,884	9,884	18,999	18,999
Equity and liabilities				
Liabilities measured at amortized cost				
Minority interests	15,296	15,447	16,505	16,438
Financial liabilities	108,316	108,802	94,257	94,378
Trade payables	809	809	1,359	1,359
Other liabilities	1,170	1,170	1,458	1,458
Liabilities recognized at fair value through profit and loss				
Derivatives without hedge accounting	289	289	181	181
Liabilities that do not belong to the valuation categories of IAS 39				
Derivatives with hedge accounting	4,738	4,738	4,036	4,036
	130,618	131,255	117,796	117,850

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:

thousand €	Fiscal year	
	2009	2008
Loans and receivables		
Other operating income	0	78
Other operating expenses	(164)	(343)
	(164)	(265)
Financial liabilities measured at amortized cost		
Repayment profits (interest expenses)	0	1.469
Liabilities recognized at fair value through profit and loss		
Interest rate swaps without hedge accounting (interest expenses)	(108)	(88)
Net gains (losses)	(272)	1.116

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. € 248 thousand (2008: € 205 thousand) 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 worked through, 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 fiscal years 2008 and 2009, rental defaults were minimal.

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

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 liquidity management, shows the maturities of the liabilities which existed on the balance sheet date:

thousand €	Due							
	within one year		between 1 and 2 years		between 2 and 5 years		after 5 years	
	December 31		December 31		December 31		December 31	
	2009	2008	2009	2008	2009	2008	2009	2008
Minority interests	0	0	0	0	0	0	15,296	16,505
Liabilities to banks	7,311	20,916	13,625	7,639	48,059	56,253	51,224	38,887
Derivative financial instruments	1,811	68	1,456	68	2,341	102	1,351	0
Provisions	261	334	0	0	0	0	0	0
Trade payables	809	1,359	0	0	0	0	0	0
Other liabilities	1,094	4,505	286	279	0	0	0	0

The amounts generally involve the payments to be made including interest. All interest rate swaps on December 31, 2009 are listed as derivative financial instruments. In contrast, this line item in the previous year was used to report interest from interest hedging transactions only, as long as these were not subject to "hedge accounting". The interest for derivative financial instruments with a hedging relationship on the balance sheet have been reported with bank liabilities.

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.

thousand €	December 31	
	2009	2008
Equity	72,720	76,787
Total assets	203,809	198,243
Equity ratio	35.7%	38.7%

The Group can control its capital structure only to a very limited extent by retaining profits, 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-G 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-G, equity must total at least 45% of immovable assets.

thousand €	31. Dezember	
	2009	2008
Equity (consolidated balance sheet)	72.720	76.787
Minority interests	15.296	16.505
Equity within the meaning of Section 15 of the REITG	88.016	93.292
Immovable assets		
Investment property	137.587	130.740
Equity-accounted investments	47.442	48.443
Non-current assets available for sale	8.237	0
Total of immovable assets	193.266	179.183
Equity ratio within the meaning of Section 15 of the REITG	45,5%	52,1%

(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", whereas subsidiaries are reported individually. Next to that, there are also minority participations in other real estate funds, 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:

thousand €	Segment revenues		Segment results	
	Fiscal year		Fiscal year	
	2009	2008	2009	2008
Direct investments	3,864	3,927	1,045	1,048
Subsidiaries	8,333	9,999	(220)	(355)
	12,197	13,926	825	693
Earnings from equity-accounted participations			1,401	(7,075)
Central administrative expenses and other			(1,552)	(2,447)
Net interest expense			(4,525)	(4,907)
Minority interest in the result			945	435
Net loss			(2,906)	(13,301)

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:

thousand €	Fiscal year	
	2009	2008
Main tenant 1 (Direct Investments segment)	3,298	3,123
Main tenant 2 (Subsidiaries segment – BBV 06)	2,015	2,157
Main tenant 3 (Subsidiaries segment – IC 07)	0	2,123
other each under 10%	6,884	6,523
	12,197	13,926

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

thousand €	Direct investments		Subsidiaries	
	Fiscal year		Fiscal year	
	2009	2008	2009	2008
Office	3,864	3,927	585	2,327
Retail	0	0	4,050	3,800
Logistics	0	0	1,821	1,749
Other	0	0	1,877	2,123
	3,864	3,927	8,333	9,999

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:

thousand €	Direct Investments		Subsidiaries	
	Fiscal year		Fiscal year	
	2009	2008	2009	2008
Valuation gains	115	0	332	381
Valuation losses	(1,858)	(2,907)	(4,959)	(7,208)
Capital gains (losses)	0	976	(190)	369
	(1,743)	(1,931)	(4,817)	(6,458)

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

thousand €	Direct investments Fair Value REIT- AG		Segment Subsidiaries							
			IC 01		IC 03		IC 07		IC 13	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Rental income	3,225	3,409	330	319	590	543	445	2,217	0	0
Income from operating and incidental costs	639	518	107	77	213	167	140	110	0	0
Segment revenue	3,864	3,927	437	396	803	710	585	2,327	0	0
Leasehold payments	0	0	0	0	0	0	0	0	0	0
Real estate-related operating expenses	(715)	(646)	(176)	(135)	(351)	(297)	(408)	(230)	0	0
Administrative expenses related to segment	(386)	(393)	(35)	(36)	(38)	(36)	(43)	(890)	0	0
Other operating expenses and income (balance)	26	91	(31)	1	1	1	11	78	0	0
Income from sale of investment properties	0	976	0	0	0	0	0	0	0	0
Valuation gains	0	0	100	0	0	0	0	0	0	0
Valuation losses	(1,743)	(2,907)	(100)	(536)	(400)	(880)	(390)	(2,262)	0	0
Segment profit	1,046	1,048	195	(310)	15	(502)	(245)	(977)	0	0
Central administration costs	(1,553)	(1,853)	0	0	0	0	0	0	0	0
Other expenses	0	(594)	0	0	0	0	0	0	0	0
Income from equity-accounted participations	1,747	334	0	0	0	0	0	0	0	0
Other income from participations	405	2,971	0	0	0	0	0	0	0	0
Net interest expenses	(2,410)	(3,285)	(98)	(93)	(204)	(194)	(145)	(658)	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0
Annual result	(765)	(1,379)	97	(403)	(189)	(696)	(390)	(1,635)	0	0

thousand €	Segment Subsidiaries						Consolidation		Group	
	BBV 03		BBV 06		Total		2009	2008	2009	2008
	2009	2008	2009	2008	2009	2008				
Rental income	883	910	4,987	4,994	7,235	8,983	0	0	10,460	12,392
Income from operating and incidental costs	135	129	503	533	1,098	1,016	0	0	1,737	1,534
Segment revenue	1,018	1,039	5,490	5,527	8,333	9,999	0	0	12,197	13,926
Leasehold payments	0	0	(232)	(231)	(232)	(231)	0	0	(232)	(231)
Real estate-related operating expenses	(264)	(196)	(1,523)	(1,408)	(2,722)	(2,266)	0	0	(3,437)	(2,912)
Administrative expenses related to segment	(190)	(171)	(373)	(418)	(679)	(1,551)	7	0	(1,058)	(1,944)
Other operating expenses and income (balance)	(21)	(33)	(63)	105	(103)	152	(7)	0	(84)	243
Income from sale of investment properties	(69)	0	(121)	369	(190)	369	0	0	(190)	1,345
Valuation gains	0	0	232	381	332	381	0	0	332	381
Valuation losses	(800)	(760)	(3,037)	(2,389)	(4,627)	(6,827)	0	0	(6,370)	(9,734)
Segment profit	(326)	(121)	141	1,555	(220)	(355)	0	0	826	693
Central administration costs	0	0	0	0	0	0	0	0	(1,553)	(1,853)
Other expenses	0	0	0	0	0	0	0	0	0	(594)
Income from equity-accounted participations	0	0	0	0	0	0	(346)	(7,409)	1,401	(7,075)
Other income from participations	0	0	0	0	0	0	(405)	(2,971)	0	0
Net interest expenses	11	46	(1,679)	(723)	(2,115)	(1,622)	0	0	(4,525)	(4,907)
Minority interests	0	0	0	0	0	0	945	435	945	435
Annual result	(315)	(75)	(1,538)	832	(2,335)	(1,977)	194	(9,945)	(2,906)	(13,301)

The segments' assets and liabilities were as follows.

thousand €	Assets December 31		Liabilities December 31	
	2009	2008	2009	2008
Direct investments	47,839	56,400	858	1,880
Subsidiaries	108,650	93,603	1,594	4,600
Total segment assets/segment liabilities	156,489	150,003	2,452	6,480
Non-allocated assets/liabilities consolidation	47,320	48,240	128,637	114,976
Group – total	203,809	198,243	131,089	121,456

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 fund companies.

thousand €	Direct investments Fair Value REIT-AG		Segment Subsidiaries							
			IC 01		IC 03		IC 07		IC 13	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Intangible assets and property, plant and equipment	16	24	0	0	0	0	0	0	0	0
Investment property	45,527	47,270	4,340	4,340	7,320	7,720	7,110	7,500	21,380	0
Non-current assets held for sale	0	0	0	0	0	0	0	0	0	0
Trade receivables	319	272	139	139	109	71	13	170	54	0
Income tax receivables	63	0	0	0	0	0	0	0	0	0
Other receivables and assets	446	3,423	77	1	7	8	0	3	34	0
Cash and cash equivalents	1,468	5,411	73	174	92	67	2,565	5,996	1,839	0
Subtotal segment assets	47,839	56,400	4,629	4,654	7,528	7,866	9,688	13,669	23,307	0
Participation in subsidiaries	30,404	27,909	0	0	0	0	0	0	0	0
Equity-accounted participations	47,540	50,177	0	0	0	0	0	0	0	0
Assets total	125,783	134,486	4,629	4,654	7,528	7,866	9,688	13,669	23,307	0
Provisions	(179)	(253)	(11)	(14)	(10)	(13)	(10)	(13)	(12)	0
Trade payables	(304)	(830)	(9)	(30)	(21)	(39)	(9)	(10)	(89)	0
Other liabilities	(375)	(797)	(58)	(75)	(64)	(61)	(51)	(2,948)	(69)	0
Subtotal segment assets	(858)	(1,880)	(78)	(119)	(95)	(113)	(70)	(2,971)	(170)	0
Minority interests	0	0	0	0	0	0	0	0	0	0
Financial liabilities	(40,510)	(47,143)	(1,907)	(1,988)	(3,569)	(3,700)	(3,405)	(4,086)	(22,400)	0
Derivative financial instruments	(4,080)	(3,442)	0	0	0	0	0	0	0	0
Liabilities total	(45,448)	(52,465)	(1,985)	(2,107)	(3,664)	(3,813)	(3,475)	(7,057)	(22,570)	0
Net assets as of December 31	80,335	82,021	2,644	2,547	3,864	4,053	6,213	6,612	737	0

thousand €	Segment Subsidiaries						Consolidation		Group	
	BBV 03		BBV 06		Total		2009	2008	2009	2008
	2009	2008	2009	2008	2009	2008				
Intangible assets and property, plant and equipment	0	0	0	0	0	0	0	0	16	24
Investment property	6,820	9,140	45,090	54,770	92,060	83,470	0	0	137,587	130,740
Non-current assets held for sale	1,520	0	6,717	0	8,237	0	0	0	8,237	0
Trade receivables	34	106	639	744	988	1,230	0	0	1,307	1,502
Income tax receivables	0	0	0	0	0	0	0	0	63	0
Other receivables and assets	256	6	178	257	552	275	(122)	(203)	876	3,495
Cash and cash equivalents	691	1,319	1,553	1,072	6,813	8,628	0	0	8,281	14,039
Subtotal segment assets	9,321	10,571	54,177	56,843	108,650	93,603	(122)	(203)	156,367	149,800
Participation in subsidiaries	0	0	0	0	0	0	(30,404)	(27,909)	0	0
Equity-accounted participations	0	0	0	0	0	0	(98)	(1,734)	47,442	48,443
Assets total	9,321	10,571	54,177	56,843	108,650	93,603	(30,624)	(29,846)	203,809	198,243
Provisions	(13)	(15)	(26)	(26)	(82)	(81)	0	0	(261)	(334)
Trade payables	(75)	(10)	(302)	(440)	(505)	(529)	0	0	(809)	(1,359)
Other liabilities	(45)	(171)	(720)	(735)	(1,007)	(3,990)	2	3	(1,380)	(4,784)
Segment liabilities	(133)	(196)	(1,048)	(1,201)	(1,594)	(4,600)	2	3	(2,450)	(6,477)
Minority interests	0	0	0	0	0	0	(15,296)	(16,505)	(15,296)	(16,505)
Financial liabilities	0	0	(36,645)	(37,540)	(67,926)	(47,314)	120	200	(108,316)	(94,257)
Derivative financial instruments	0	0	(947)	(775)	(947)	(775)	0	0	(5,027)	(4,217)
Liabilities total	(133)	(196)	(38,640)	(39,516)	(70,467)	(52,689)	(15,174)	(16,302)	(131,089)	(121,456)
Net assets	9,188	10,375	15,537	17,327	38,183	40,914	(45,798)	(46,148)	72,720	76,787

The following table shows investments and amortisation/depreciation:

thousand €	Capital expenditure		Amortization and depreciation	
	2009	Fiscal year 2008	2009	Fiscal year 2008
Direct investments				
Investment property	0	217	0	0
Properties under construction	0	13,475	0	0
Intangible assets and property, plant and equipment	3	1	11	10
	3	13,693	11	10
Investment property				
First-time consolidation	0	0	0	0
Subsequent acquisition costs (BBV 06)	74	0	0	0
Intangible assets (IC 01)	15	0	15	0
	89	0	15	0
Group total	92	13,693	26	10

(32) ADDITIONAL 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) for 2008 included in the consolidated cash flow statement does not include the compensation payment of € 15,438 thousand from IDLG. 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:

thousand €	
Administration expenses for funds and asset management	851
Disbursements to minority interests in IC 07	1,029
	1,880

(33) RELATED PARTIES

Related companies – The Group's related companies are H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG, which holds 30.46% of voting rights in the company via four subsidiaries, as well as UniCredito Italiano S.p.A., Milan, with its subsidiaries

Bayerische Hypo- und Vereinsbank AG („HVB“), Wealth Management Capital Holding GmbH, H.F.S. HYPO-Fondsbeteiligungen für Sachwerte GmbH and WealthCap Real Estate Management GmbH, to which these voting rights are allocated within the meaning of Section 22 (1) sentence 1 number 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).

The Group's related companies also include IC Immobilien Holding AG, which belongs to the IC Immobilien Group, and its subsidiaries (IC Immobilien Service GmbH, IC Fonds GmbH and IC Beteiligungs Treuhand GmbH and others), in particular as a result of the in-depth business relationship. Other related parties are 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.

Financing transactions with HVB – 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 € 1,632 thousand (2008: € 2,415 thousand). As of December 31, 2009 there were liabilities from loans amounting to € 36,645 thousand (2008: € 37,340 thousand) and liabilities from the interests rate swaps and variable interest rate cap agreement amounting to € 947 thousand (2008: € 775 thousand). As of December 31, 2009, there were bank balances with HVB totalling € 2,236 thousand (2008: € 2,439 thousand); there was interest income from fixed term deposits and other balances totalling € 29 thousand (2008: € 59 thousand).

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

Asset management and corporate services agreement – The service agreement regarding asset management and provision of accounting services concluded on July 25, 2007, between the company and IC Fonds GmbH, with an expiry date of June 30, 2011, was abrogated on December 22, 2009 with effect from September 30, 2009. In future, the company wishes to conduct asset management itself and to limit the outsourcing relating to real estate activities to property management, accounting and to project related support services for the purchase and sale of properties and participations.

Contract for accounting services – A contract with IC Immobilien Service GmbH regarding provision of accounting services was concluded on December 22, 2009, with effect from October 1, 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.

For its services, IC Immobilien Service GmbH will receive 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 – The services contract concluded by the company on July 25, 2007 with IC Immobilien Service GmbH, Unterschleißheim, Germany (“contractor” or “ICIS”), regarding commercial and technical management of the real estate held directly by Fair Value, i.e. without involvement of subsidiaries, was revised on December 22, 2009. The revision came into effect on October 1, 2009.

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 rental 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 half of the 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 at 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:

thousand €	Fiscal year	
	2009	2008
Service fees		
External management service (including fund administration)	519	1.166
Property management fee	169	297
Trustee fees	135	109
Commission for arrangement of tenancy	79	5
Construction support	26	43
REIT conception fee	0	(200)
Other	18	10
	946	1,430
Expenses from write off regarding the variable purchase price receivable for BBV 08	0	300
Other income	0	(4)
Interest expense	2	40
Interest income	0	(71)
	948	1,695

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

thousand €	December 31	
	2009	2008
Receivables	0	74
Liabilities from loans	0	(115)
Liabilities from services	(20)	(237)
Other liabilities	0	(15)
	(20)	(293)

Remuneration for members of the Management Board

thousand €	December 31	
	2009	2008
Payments due at short term	366	449
Services rendered after termination of employment contract	4	3
Services rendered due to termination of employment contract	325	0
	695	452

The remuneration payments for 2009 are as follows:

€	F. Schaich	M. Heiler	Total
a) Active members of Management Board			
Performance-unrelated remuneration			
Fixed salary	204,000	131,400	335,400
Benefits in kind and other	12,966	17,148	30,114
Performance-related remuneration	0	0	0
	216,966	148,548	365,514
b) Former members of Management Board			
Severance payment	0	265,000	265,000
Salary until termination of employment contract	0	43,800	43,800
Benefits in kind and other	0	16,088	16,088
	0	324,888	324,888
Benefits according to § 285 Nr. 9 HGB	216,966	473,436	690,402
Expenses for pension plan	2,477	2,430	4,907
Total	219,443	475,866	695,309

Employment contract Frank Schaich, term to September 30, 2012 – Mr. Schaich receives a fixed annual salary of € 204,000 (gross) for his activities. A bonus of 1.25% of the dividend less his fixed annual salary is paid as performance-related remuneration. No remuneration components were agreed as long-term incentives with a risk character. Mr. Schaich is entitled to a car in the price category up to max. € 45,000 for business and private use. In addition, Mr. Schaich receives a contribution to retirement insurance in the amount of the respective maximum mandatory employer's contribution to statutory pension insurance. 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.

The company took over a pension commitment issued by a former employer dated January 1, 1997, with effect from October 1, 2007, by way of an agreement dated July 10, 2008. In return, the former employer transferred to the company the reinsurance policy concluded in connection with the

pension commitment. Mr. Schaich receives benefits of DM 383,298.00 when 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 with an annual reduction of DM 2,605 thousand p.a. from the second year in which the pension commitment is issued. Continuation of the pension commitment replaces the retirement benefits contractually promised to Mr. Schaich in the amount of the respective highest mandatory amount to be paid by the employer to the statutory pension scheme.

Employment contract with Manfred Heiler prematurely ended on December 31, 2009 – For his work, Mr. Heiler received a fixed annual gross salary of € 175,200. As a performance fee, his contract also included a variable bonus of 1.25% of the dividend minus the fixed annual salary. Remuneration components with long term incentives and involving risk were not agreed. Mr. Heiler was entitled to a car costing less than € 45,000 for personal and company use. Mr. Heiler also received a pension insurance contribution equating to the highest mandatory

sum payable by the employer for statutory pension insurance. In addition, Mr. Heiler was insured for the duration of the employment contract for € 250,000 in the event of death and € 500,000 in the event of full invalidity as part of a group insurance policy. The company also paid two thirds of the contributions for the pension fund administered by the Bank Insurance Association (Bankenversicherungsvereins) in Berlin, Germany, on behalf of Mr. Heiler. The employment contract was originally valid until November 30, 2012.

Pursuant to an agreement made on August 28, 2009, Mr. Heiler left the Management Board on September 30, 2009. In accordance with the agreement, he received his salary until December 31, 2009, upon which date the employment contract ended. A settlement fee of € 265,000 was paid. Mr. Heiler may make use of his company car to the same extent as previously until November 30, 2010 (end of the leasing agreement).

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 favor of members of the Management Board. There are also no pension commitments, subscription rights or other share-based payments.

Supervisory Board remuneration – The members of the Supervisory Board were granted current payments totaling € 16 thousand in fiscal year 2009 (2008: € 29 thousand). No loans and advances were granted to members of the Supervisory Board; in addition, no contingent liabilities were entered into in favor 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)

Last on March 15, 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 264B OF THE HGB

The following German subsidiaries with the legal form of a partnership within the meaning of Section 264a of the HGB have partially used the option provided in Section 264b of the HGB:

BBV Immobilien-Fonds Nr.3 GmbH & Co. KG, Munich

BBV Immobilien-Fonds Nr.6 GmbH & Co. KG, Munich

Munich, March 16, 2010

Fair Value REIT-AG



Frank Schaich



Auditor's opinion

We have audited the consolidated financial statements of Fair Value REIT-AG, Munich, comprising the balance sheet, 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, 2009. 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 315a (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 315a (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 16, 2010

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

R. Irlbeck
Wirtschaftsprüfer

Dr. G. Kaulen
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 16, 2010

Fair Value REIT-AG

A handwritten signature in black ink, appearing to read 'Frank Schaich', written in a cursive style.

Frank Schaich



Liabilities and Portfolio in detail



Financial liabilities in detail

			Bookvalue according to IFRS							
Fund	Object	Bank	Total Decem- ber 31, 2009	Fixed until	Effectiv rate	Deri- vate	LTV max.	Ac- tual LTV	DSCR Min.	Actual DSCR
Konzern										
FVAG	Participation purchase	WIB Westdt. Immobilienbank	-7,500.000	31.07.2011	5.21%		20%	13%	18%	25%
FVAG	Portfolio	WIB Westdt. Immobilienbank	-21,666.920	29.06.2018	6.00%	SWAP	75%	73%	110%	109%
FVAG	Portfolio	WIB Westdt. Immobilienbank	-11,343.080	29.06.2018	6.00%	SWAP	75%	73%	110%	109%
Total Direct investments			-40,510.000							
IC07	Teltow	HRE Hypo Real Estate	-3,404.824	31.12.2013	5.15%		n/a		n/a	
Total IC 07			-3,404.824							
IC03	Neuss	HRE Hypo Real Estate	-3,449.188	31.10.2011	5.55%		n/a		n/a	
Total IC 03			-3,449.188							
IC01	Alzey	HRE Hypo Real Estate	-1,039.908	30.09.2013	5.15%		n/a		n/a	
IC01	Essen	HRE Hypo Real Estate	-866.595	30.09.2013	5.15%		n/a		n/a	
Total IC 01			-1,906.503							
BBV 06	Portfolio	HVB HypoVereinsbank	-26,802.298	29.06.2012	2.76%	CAP	n/a		n/a	
BBV 06	Hannover	HVB HypoVereinsbank	-5,072.390	02.07.2012	4.86%	SWAP	n/a		n/a	
BBV 06	Köln, Seligenstadt	HVB HypoVereinsbank	-4,770.658	02.07.2012	4.68%	SWAP	n/a		n/a	
Total BBV 06			-36,645.346							
IC13	Potsdam	HRE Hypo Real Estate	-2,625.140	31.10.2011	2.48%		n/a		n/a	
IC13	Neubrandenb.	HRE Hypo Real Estate	-2,627.976	31.07.2011	2.48%		n/a		n/a	
IC13	Neubrandenb.	HRE Hypo Real Estate	-8,521.920	31.10.2011	2.48%		n/a		n/a	
IC13	Neubrandenb.	HRE Hypo Real Estate	-2,097.873	31.12.2013	3.32%		n/a		n/a	
IC13	Neubrandenb.	HRE Hypo Real Estate	-638.589	31.12.2013	3.32%		n/a		n/a	
IC13	Langenfeld	Corealcredit	-4,383.443	31.10.2011	2.48%		n/a		n/a	
IC13	Langenfeld	Corealcredit	-67.461	31.10.2011	2.48%		n/a		n/a	
IC13	Langenfeld	Corealcredit	-530.807	31.10.2011	2.48%		n/a		n/a	
IC13	Langenfeld	Corealcredit	-153.065	28.02.2012	2.48%		n/a		n/a	
IC13	Langenfeld	Corealcredit	-753.610	28.02.2012	2.48%		n/a		n/a	
Total IC 13			-22,399.884							
Total Group			-108,315.745							
Associated companies										
BBV 14	Portfolio	HSH Nordbank	-51,436.938	31.12.2014	5.18%		n/a		n/a	
Total BBV 14			-51,436.938							
IC12	Bankgeb.Chem	WIB Westdt. Immobilienbank	-2,327.236	15.09.2016	5.23%		50%	32%	120%	216%
Total IC 12			-2,327.236							
BBV 02	Erlangen	BBV Lebensversicherung	-192.838	31.12.2011	5.06%		n/a		n/a	
BBV 02	Erlangen	BBV Lebensversicherung	-1,005.284	31.12.2016	5.23%		n/a		n/a	
BBV 02	Erlangen	BBV Lebensversicherung	-143.822	31.12.2016	5.23%		n/a		n/a	
Total BBV 02			-1,341.944							
IC15	Chemnitz (Employment office)	HSH Nordbank	-3,279.795	30.11.2012	5.10%		n/a		n/a	
IC15	Chemnitz (Employment office)	HSH Nordbank	-1,459.889	30.11.2012	5.10%		n/a		n/a	
IC15	Chemnitz (Employment office)	HSH Nordbank	-400.471	30.11.2012	5.10%		n/a		n/a	
IC15	Quickborn	Eurohypo	-8,786.415	31.12.2012	5.10%		n/a		n/a	
IC15	Dresden	HSH Nordbank	-3,306.263	30.09.2012	5.10%		n/a		n/a	
IC15	Dresden	HSH Nordbank	-667.266	30.09.2012	5.10%		n/a		n/a	
IC15	Chemnitz-Passage	HVB HypoVereinsbank	-3,276.466	31.12.2014	4.67%		n/a		n/a	
IC15	Chemnitz-Passage	Archon Capital	-1,756.454	30.12.2012	5.10%		n/a		n/a	
Total IC 15			-22,933.019							
BBV 10	Portfolio	BBV Lebensversicherung	-24,231.073	31.12.2012	5.10%	SWAP	n/a		n/a	
BBV 10	Portfolio	BBV Lebensversicherung	-2,895.093	31.12.2012	5.10%	SWAP	n/a		n/a	
BBV 10	Buchwert Zinsswaps	HVB HypoVereinsbank	-1,599.388	31.12.2012	5.10%		n/a		n/a	
BBV 10	Portfolio	HVB HypoVereinsbank	-33,318.997	31.12.2013	6.21%	SWAP	n/a		n/a	
BBV 10	Portfolio	HVB HypoVereinsbank	-2,758.819	31.12.2013	6.21%	SWAP	n/a		n/a	
BBV 10	Portfolio	HVB HypoVereinsbank	-9,014.330	31.12.2013	6.21%	SWAP	n/a		n/a	
Total BBV 10			-73,817.700							
IC10	Rabenstein	HRE Hypo Real Estate	-7,561.406	31.12.2016	5.23%		n/a		n/a	
Total IC 10			-7,561.406							
BBV 09	Diverse	NordLB	-45,219.751	31.12.2013	6.48%	SWAP	n/a		n/a	
BBV 09	Diverse	NordLB	-30,400.201	31.12.2013	6.48%	SWAP	n/a		n/a	
Total BBV 09			-75,619.952							
Total associated companies			-234,995.696 (Fair Value's share € 82.8 million)							

Method of real estate valuation

PROCEEDINGS AND ASSUMPTIONS

As in the previous years, Frankfurt-based CB Richard Ellis GmbH (CBRE) was engaged by Fair Value to value its directly and indirectly held properties as of December 31, 2009. 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 attorneys' 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 dates 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 Wertermittlungsverordnung (WertV – German Value Calculation Directive), the cash flows are explicitly quantified during the observed period and are not shown as annuity payments.

As the impact 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, noallocable incidental costs and capital expenditure expected by the owner, fitting and rental costs for initial and renewals as well as property and leasespecific overall interest on the capital tied up in the investment.

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

VOLATILE MARKETS

According to Guidance note 5 of the RICS Valuation Standards CBRE points out explicitly in its valuation report as of February 12, 2010, 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

Address	Town	Fund	Primary use	Year of construction	Last renovation / modernization	Plot size	Market value December 31, 2008	Market value December 31, 2009	Change	Discount rate December 31, 2009	Capitalization rate December 31, 2009	Lettable space
						[m²]	[€ K]	[€ K]	[%]	[%]	[%]	[m²]
Direct holdings												
Hauptstraße 56e / 56 d	Appen		Office	1975	1995	4,320	230	225	-2.2	7.10	6.60	212
Bleeck 1	Bad Bramstedt		Office	1973	2006	3,873	1,200	1,150	-4.2	6.80	5.90	997
Oldesloer Straße 24	Bad Segeberg		Office	1982	2007	5,152	9,240	8,900	-3.7	6.80	6.30	9,144
Königstr. 19-21	Barmstedt		Office	1911	ongoing	2,842	1,460	1,380	-5.5	6.75	6.25	1,264
Bahnhofstraße 9	Bönnigstedt		Office	1992	2003	1,131	240	230	-4.2	7.10	6.80	211
Bahnhofstraße 14	Boostedt		Office	1989	2005	1,006	130	120	-7.7	6.50	5.90	114
Am alten Markt 9a	Bornhöved		Office	1991	2005	873	680	660	-2.9	6.80	6.10	664
Berliner Damm 6	Ellerau		Office	1990	2000	1,177	410	400	-2.4	6.90	6.70	369
Pinneberger Straße 155	Ellerbek		Office	1985	2001	1,708	360	350	-2.8	6.80	5.80	356
Dorfstraße 29	Geschendorf		Office	1985	2006	1,154	230	235	2.2	7.00	5.90	316
Hauptstraße 33	Halstenbek		Office	1969	2001	1,195	860	820	-4.7	7.40	7.00	791
Seestraße 232	Halstenbek		Office	1976	2002	549	90	87	-3.3	7.30	6.80	188
Friesenstraße 59	Helgoland		Office	1986	2000	194	610	570	-6.6	6.60	5.70	488
Hamburger Straße 83	Henstedt-Ulzburg		Office	1989	2004	1,219	1,100	1,060	-3.6	6.70	6.20	1,005
Holstenstraße 32	Kaltenkirchen		Office	1978	2005	1,893	1,970	1,830	-7.1	6.90	6.50	1,581
Köllner Chaussee 27	Kölln-Reisiek		Office	1990	2001	1,004	180	180	0.0	7.10	6.40	168
Hamburger Straße 40	Leezen		Office	1989	2005	886	190	190	0.0	7.00	6.60	174
Segeberger Straße 21	Nahe		Office	1971	2004	1,698	700	690	-1.4	7.00	6.50	734
Ehndorfer Straße 153	Neumünster		Office	1971	2003	1,685	250	240	-4.0	7.60	7.00	346
Kuhberg 11-13	Neumünster		Office	1989	2005	5,286	15,300	14,700	-3.9	6.75	6.25	11,808
Röntgenstraße	Neumünster		Office	1972	1998	2,481	280	275	-1.8	7.30	6.70	534
Ulzburger Str. 363 d / e	Norderstedt		Office	1994	2004	2,762	1,480	1,420	-4.1	6.70	6.00	1,340
Ulzburger Str. 545 / 547	Norderstedt		Office	1960		1,313	510	620	21.6	8.00	7.50	1,005
Damm 49	Pinneberg		Office	1996	2007	1,383	2,370	2,280	-3.8	7.00	6.50	1,930
Oeltingsallee 30	Pinneberg-Quellental		Office	1970	2002	2,047	660	640	-3.0	6.80	6.10	624
Kieler Straße 100	Quickborn		Office	1980	2002	1,625	1,490	1,430	-4.0	6.80	6.20	1,309
Hauptstraße 49	Rellingen		Office	1983	2001	828	560	550	-1.8	7.50	6.90	524
Rosenstraße 15	Sparrieshoop		Office	1961	1999	984	200	195	-2.5	7.40	6.90	237
Willy-Meyer-Straße 3-5	Tornesch		Office	1977	2003	970	590	560	-5.1	6.90	6.30	657
Am Markt 1	Trappenkamp		Office	1985	2005	1,190	660	640	-3.0	6.90	6.00	787
Wassermühlenstraße 5	Uetersen		Office	2001		2,348	1,890	1,790	-5.3	6.70	5.80	1,726
Markt 1	Wahlstedt		Office	1975	2005	1,848	1,150	1,110	-3.5	6.70	6.20	1,346
Sub-total direct holdings						58,624	47,270	45,527	-3.7			42,948
Subsidiaries												
Rheinstr. 8	Teltow	IC07	Office	1995		5,324	7,500	7,110	-5.2	7.70	6.70	9,731
Im Taubental 9-17	Neuss	IC03	Logistics	1990		19,428	7,720	7,320	-5.2	7.70	7.10	12,064
Heidhauser Straße 94	Essen-Heidhausen	IC01	Retail	1990		4,776	2,600	2,700	3.8	7.00	6.60	1,386
Hospitalstraße 17 - 19 / Judengasse 21	Alzey	IC01	Retail	1990	2007	2,243	1,740	1,640	-5.7	7.00	6.50	1,989
Andreasstr. 1	Ahaus-Wüllen	BBV06	Retail	1990		5,513	1,110	1,060	-4.5	7.90	7.20	1,496
Andreasstr. 3 - 7	Ahaus-Wüllen	BBV06	Retail	1973		13,036	4,380	4,220	-3.7	7.60	6.80	3,915
Marktplatz 3	Altenberge	BBV06	Retail	1986		1,756	1,190	1,120	-5.9	7.00	6.40	1,285
Heerenbergerstr. 51	Emmerich	BBV06	Retail	1987		4,314	870	850	-2.3	7.60	6.80	1,415
Hubert-Protz-Str. 117	Frechen	BBV06	Retail	1988		4,282	1,270	1,210	-4.7	7.30	6.70	1,225
Schwarzer Weg 21-24	Hamm	BBV06	Retail	1990		2,665	1,350	1,352	0.1	7.10	6.30	1,349
Hinüberstr. 6	Hannover	BBV06	Other	1981	2006	3,204	20,000	18,800	-6.0	7.00	6.40	19,460
Köhlstr. 8	Köln	BBV06	Logistics	1982		40,591	9,360	9,550	2.0	8.10	7.30	23,626
Gutenbergstr. 152/ St. Töniser Str. 12	Krefeld	BBV06	Retail	1990		8,417	4,100	3,440	-16.1	7.80	6.80	4,683

			Fair Value REIT-AG's share										
Vacancies	Annualized contractual rent	Annualized potential rent	Participating interest December 31, 2009	Market value December 31, 2008	Market value December 31, 2009	Change	Remaining term of rental agreements	Income based occupancy rate	Annualized contractual rent	Annualized potential rent	Contractual rental yield before costs	Potential rental yield before costs	
[m²]	[€ K]	[€ K]	[%]	[€ K]	[€ K]	[%]	[years]	[%]	[€ K]	[€ K]	[%]	[%]	
							Figures as of December 31, 2009						
0	19	19	100.00	230	225	-2.2	8.0	100.0	19	19	8.6	8.6	
0	79	79	100.00	1,200	1,150	-4.2	14.8	100.0	79	79	6.8	6.8	
378	610	637	100.00	9,240	8,900	-3.7	13.2	95.7	610	637	6.9	7.2	
0	93	93	100.00	1,460	1,380	-5.5	14.0	100.0	93	93	6.8	6.8	
0	19	19	100.00	240	230	-4.2	8.0	100.0	19	19	8.4	8.4	
0	10	10	100.00	130	120	-7.7	8.0	100.0	10	10	8.7	8.7	
0	52	52	100.00	680	660	-2.9	7.3	100.0	52	52	7.8	7.8	
0	31	31	100.00	410	400	-2.4	8.0	100.0	31	31	7.8	7.8	
0	28	28	100.00	360	350	-2.8	5.8	100.0	28	28	8.0	8.0	
0	20	20	100.00	230	235	2.2	6.1	100.0	20	20	8.6	8.6	
0	65	65	100.00	860	820	-4.7	8.0	100.0	65	65	7.9	7.9	
0	8	8	100.00	90	87	-3.3	8.0	100.0	8	8	9.5	9.5	
0	38	38	100.00	610	570	-6.6	11.7	100.0	38	38	6.7	6.7	
0	72	72	100.00	1,100	1,060	-3.6	16.0	100.0	72	72	6.8	6.8	
0	123	123	100.00	1,970	1,830	-7.1	15.8	100.0	123	123	6.7	6.7	
0	15	15	100.00	180	180	0.0	8.0	100.0	15	15	8.6	8.6	
0	16	16	100.00	190	190	0.0	8.0	100.0	16	16	8.4	8.4	
0	60	60	100.00	700	690	-1.4	8.0	100.0	60	60	8.7	8.7	
0	23	23	100.00	250	240	-4.0	6.1	100.0	23	23	9.6	9.6	
0	961	961	100.00	15,300	14,700	-3.9	15.4	100.0	961	961	6.5	6.5	
0	29	29	100.00	280	275	-1.8	7.0	100.0	29	29	10.4	10.4	
0	106	106	100.00	1,480	1,420	-4.1	13.2	100.0	106	106	7.5	7.5	
408	49	70	100.00	510	620	21.6	3.4	69.9	49	70	7.9	11.2	
0	177	177	100.00	2,370	2,280	-3.8	3.0	100.0	177	177	7.8	7.8	
0	52	52	100.00	660	640	-3.0	4.7	100.0	52	52	8.1	8.1	
0	100	100	100.00	1,490	1,430	-4.0	16.0	100.0	100	100	7.0	7.0	
0	42	42	100.00	560	550	-1.8	8.0	100.0	42	42	7.7	7.7	
0	17	17	100.00	200	195	-2.5	5.2	100.0	17	17	8.9	8.9	
0	55	55	100.00	590	560	-5.1	6.2	100.0	55	55	9.9	9.9	
0	54	54	100.00	660	640	-3.0	6.5	100.0	54	54	8.4	8.4	
0	125	125	100.00	1,890	1,790	-5.3	13.1	100.0	125	125	7.0	7.0	
0	93	93	100.00	1,150	1,110	-3.5	5.7	100.0	93	93	8.4	8.4	
786	3,243	3,291		47,270	45,527	-3.7	12.1	98.5	3,243	3,291	7.1	7.2	
3,196	440	694	75.73	5,680	5,385	-5.2	2.5	63.4	333	526	6.2	9.8	
622	576	631	71.58	5,526	5,240	-5.2	1.1	91.3	412	451	7.9	8.6	
0	216	216	55.79	1,451	1,506	3.8	12.8	100.0	121	121	8.0	8.0	
318	109	129	55.79	971	915	-5.7	6.4	85.0	61	72	6.7	7.8	
0	108	108	55.55	609	589	-3.4	2.0	100.0	60	60	10.2	10.2	
0	473	473	55.55	2,404	2,344	-2.5	5.0	100.0	263	263	11.2	11.2	
0	106	106	55.55	653	622	-4.8	1.8	100.0	59	59	9.5	9.5	
92	84	87	55.55	478	472	-1.1	3.8	96.8	47	48	9.9	10.2	
0	135	135	55.55	697	672	-3.6	3.8	100.0	75	75	11.2	11.2	
0	144	144	55.55	741	751	1.3	10.5	100.0	80	80	10.7	10.7	
0	1,636	1,636	55.55	10,979	10,443	-4.9	5.0	100.0	909	909	8.7	8.7	
8,220	641	986	55.55	5,138	5,305	3.2	1.8	65.0	356	548	6.7	10.3	
0	451	451	55.55	2,251	1,911	-15.1	0.7	100.0	251	251	13.1	13.1	

Address	Town	Fund	Primary use	Year of construction	Last renovation / modernization	Plot size	Market value December 31, 2008	Market value December 31, 2009	Change	Discount rate December 31, 2009	Capitalization rate December 31, 2009	Lettable space
						[m²]	[€ K]	[€ K]	[%]	[%]	[%]	[m²]
Lippestr. 2	Lippetal-Herzfeld	BBV06	Retail	1990		3,155	1,550	1,590	2.6	7.70	7.00	1,452
Zeughausstr. 13	Meschede	BBV06	Retail	1989		1,673	500	470	-6.0	7.50	6.80	1,095
Äußere Spitalhofstr. 15-17	Passau	BBV06	Retail	2007	2007	2,884	4,440	3,900	-12.2	7.50	7.20	8,492
Steinheimer Str. 64	Seligenstadt	BBV06	Retail	1983		4,000	1,780	1,465	-17.7	7.40	6.90	1,390
Bahnhofstraße 20 a-e	Waltrop	BBV06	Retail	1989		1,742	2,870	2,780	-3.1	7.40	6.70	2,124
Adalbertsteinweg 32-36	Aachen	BBV03	Office	1990		1,038	2,030	1,520	-25.1	7.40	6.50	2,264
Marconistr. 4-8	Köln	BBV03	Logistics	1990		13,924	3,330	3,250	-2.4	7.10	6.50	9,640
Hauptstr. 51 - 55	Weyhe-Leeste	BBV03	Retail	1989	2005	11,248	3,780	3,570	-5.6	7.10	6.60	3,141
Max-Planck-Ring 26/28	Langenfeld	IC13	Logistics	1996		14,727	10,200	9,350	-8.3	7.30	6.70	10,453
Friedrich-Engels-Ring 52	Neubrandenburg	IC13	Office	1996		4,705	9,550	8,330	-12.8	7.10	6.30	7,557
Großbeerenstr. 231	Potsdam	IC13	Office	1995		2,925	3,850	3,700	-3.9	6.90	6.30	3,824
Sub-total subsidiaries						177,570	107,070	100,297	-6.3			135,057
Total Group						236,194	154,340	145,824	-5.5			178,004
Associated companies												
Carnotstr. 5 - 7	Berlin	BBV14	Office	1995		4,583	15,600	15,100	-3.2	6.60	5.90	9,863
Nossener Brücke 8 - 12	Dresden	BBV14	Office	1997		4,134	7,660	7,520	-1.8	7.40	6.80	8,852
Kröpelinertstr. 26-28	Rostock	BBV14	Retail	1995		7,479	61,400	61,300	-0.2	6.30	5.90	19,307
Hartmannstr. 3 a - 7	Chemnitz	IC12	Office	1997		4,226	7,760	7,340	-5.4	6.60	6.00	8,380
Henkestr. 5	Erlangen	BBV02	Retail	1984		6,350	1,770	1,650	-6.8	7.20	6.50	2,770
Heinrich-Lorenz-Str. 35	Chemnitz	IC15	Office	1998		4,718	3,890	3,840	-1.3	7.60	7.00	5,845
Am alten Bad 1 - 7, Theaterstr. 34a	Chemnitz	IC15	Office	1997		3,246	5,560	5,870	5.6	6.50	6.10	5,110
Königsbrücker Str. 121 a	Dresden	IC15	Other	1997		4,242	11,900	12,400	4.2	6.90	6.30	11,554
Pascalkehe 15 / 15a	Quickborn	IC15	Office	1997		9,129	13,200	13,000	-1.5	7.10	6.30	10,570
Zum Roterling 5-7	Ahaus	BBV10	Retail	1989		3,884	2,320	2,170	-6.5	7.40	6.70	2,054
Vor den Führen 2	Celle	BBV10	Retail	1992		21,076	12,500	12,100	-3.2	7.25	6.50	10,611
Nordpassage 1	Eisenhüttenstadt	BBV10	Retail	1993		20,482	53,500	49,800	-6.9	7.00	6.50	40,101
Altmärker Str. 5	Genthin	BBV10	Retail	1998		3,153	730	730	0.0	7.80	6.90	1,275
Robert-Bosch-Str. 11	Langen	BBV10	Office	1994		6,003	17,700	17,000	-4.0	7.10	6.60	13,657
Hammer Str. 455-459	Münster	BBV10	Retail	1991		15,854	8,570	7,960	-7.1	7.20	6.70	7,353
Hannoversche Str. 39	Osnabrück	BBV10	Retail	1989		7,502	3,050	3,870	26.9	7.30	6.80	4,207
Klingelbrink 10	Rheda-Wiedenbrück	BBV10	Retail	1991		2,455	2,110	2,510	19.0	7.20	6.40	2,235
Lerchenbergstr.112/113, Annendorfer Str. 15/16	Wittenberg	BBV10	Retail	1994		96,822	22,300	21,100	-5.4	6.90	6.40	14,710
Oberfrohaer Str. 62 - 74	Chemnitz	IC10	Retail	1997		11,203	9,180	8,940	-2.6	6.90	6.10	9,981
Leimbacher Straße	Bad Salzungen	BBV09	Retail	1992		22,979	13,500	12,800	-5.2	7.50	6.80	10,985
Mühlhäuser Str. 100	Eisenach	BBV09	Retail	1994		44,175	48,500	46,100	-4.9	6.80	6.40	37,400
Putzbrunner Str. 71 / 73, Fritz-Erler-Str. 3	München-Neuperlach	BBV09	Office	1986		10,030	38,500	36,000	-6.5	6.70	6.10	19,018
Weißensefser Str. 70	Naumburg	BBV09	Retail	1993		20,517	21,000	20,100	-4.3	7.25	6.75	15,180
An der Backstania 1	Weilburg	BBV09	Retail	1994		17,211	9,750	9,800	0.5	7.30	6.70	8,145
Total associated companies						351,453	391,950	379,000	-3.3			279,163
Grand Total						587,647	546,290	524,824	-3.9			457,167

			Fair Value REIT-AG's share										
Vacancies	Annualized contractual rent	Annualized potential rent	Participating interest December 31, 2009	Market value December 31, 2008	Market value December 31, 2009	Change	Remaining term of rental agreements	Income based occupancy rate	Annualized contractual rent	Annualized potential rent	Contractual rental yield before costs	Potential rental yield before costs	
[m²]	[€ K]	[€ K]	[%]	[€ K]	[€ K]	[%]	[years]	[%]	[€ K]	[€ K]	[%]	[%]	
							Figures as of December 31, 2009						
0	144	144	55.55	851	883	3.8	1.0	100.0	80	80	9.0	9.0	
0	42	42	55.55	274	261	-4.9	1.5	100.0	23	23	8.9	8.9	
0	600	600	55.55	2,437	2,166	-11.1	7.3	100.0	333	333	15.4	15.4	
0	153	153	55.55	977	814	-16.7	3.8	100.0	85	85	10.4	10.4	
250	226	246	55.55	1,575	1,544	-2.0	4.3	92.1	126	137	8.1	8.8	
1,183	171	238	53.79	1,090	818	-25.0	2.5	72.0	92	128	11.3	15.7	
0	330	330	53.79	1,788	1,748	-2.2	2.3	100.0	178	178	10.2	10.2	
45	381	382	53.79	2,029	1,920	-5.4	2.4	99.8	205	205	10.7	10.7	
0	1,170	1,170	50.04	5,086	4,678	-8.0	5.8	100.0	585	585	12.5	12.5	
1,327	1,107	1,206	50.04	4,762	4,168	-12.5	4.3	91.8	554	604	13.3	14.5	
234	276	306	50.04	1,920	1,851	-3.6	2.0	90.4	138	153	7.5	8.3	
15,485	9,721	10,613		60,367	57,008	-5.6	4.1	90.8	5,426	5,973	9.5	10.5	
16,271	12,964	13,904											
606	1,178	1,276	45.09	7,024	6,808	-3.1	1.5	92.3	531	575	7.8	8.5	
1,040	658	755	45.09	3,449	3,391	-1.7	0.9	87.2	297	340	8.8	10.0	
194	4,284	4,309	45.09	27,646	27,640	0.0	6.0	99.4	1,932	1,943	7.0	7.0	
1,620	478	615	40.22	3,121	2,952	-5.4	3.1	77.8	192	247	6.5	8.4	
0	220	220	39.68	689	655	-5.0	2.6	100.0	87	87	13.3	13.3	
0	533	533	38.37	1,492	1,473	-1.2	0.8	100.0	204	204	13.9	13.9	
309	400	438	38.37	2,007	2,252	12.2	1.9	91.4	154	168	6.8	7.5	
0	899	899	38.37	4,240	4,758	12.2	19.5	100.0	345	345	7.3	7.3	
0	1,323	1,323	38.37	5,061	4,988	-1.4	2.4	100.0	508	508	10.2	10.2	
164	227	234	38.37	889	833	-6.3	0.0	97.1	87	90	10.4	10.8	
0	1,112	1,112	38.37	4,789	4,642	-3.1	2.6	100.0	427	427	9.2	9.2	
0	4,988	4,988	38.37	20,498	19,107	-6.8	3.8	100.0	1,914	1,914	10.0	10.0	
249	65	81	38.37	280	280	0.1	3.7	80.7	25	31	8.9	11.0	
2,864	1,215	1,482	38.37	6,782	6,522	-3.8	2.9	82.0	466	568	7.1	8.7	
0	674	674	38.37	3,283	3,054	-7.0	9.2	100.0	259	259	8.5	8.5	
0	313	313	38.37	1,169	1,485	27.1	8.9	100.0	120	120	8.1	8.1	
338	141	165	38.37	808	963	19.1	1.3	85.3	54	63	5.6	6.6	
1,613	1,600	1,733	38.37	8,544	8,095	-5.3	10.0	92.3	614	665	7.6	8.2	
329	707	740	26.14	2,400	2,337	-2.6	2.1	95.5	185	193	7.9	8.3	
0	1,260	1,260	25.10	3,366	3,213	-4.5	1.3	100.0	316	316	9.8	9.8	
0	3,483	3,483	25.10	12,091	11,572	-4.3	14.6	100.0	874	874	7.6	7.6	
0	4,391	4,391	25.10	9,598	9,037	-5.8	4.0	100.0	1,102	1,102	12.2	12.2	
0	1,743	1,743	25.10	5,235	5,046	-3.6	8.6	100.0	438	438	8.7	8.7	
0	839	839	25.10	2,431	2,460	1.2	8.3	100.0	211	211	8.6	8.6	
9,328	32,731	33,604		136,891	133,563	-2.4	5.7	97.0	11,341	11,689	8.5	8.8	
25,599	45,695	47,508		244,528	236,098	-3.4	6.3	95.5	20,009	20,953	8.5	8.9	

Glossary

AKTG	Abbreviation for "Aktiengesetz" (German public limited Companies Act). This act regulates the rights and obligations of corporations limited by shares (German "Aktiengesellschaften" or "AGs"), limited partnerships by shares ("Kommanditgesellschaften auf Aktien" or "KGaAs") and their shareholders.
AT EQUITY	Used in consolidation. "At equity" refers to a method of valuing equity interests in companies over which the group can exercise a significant influence (associated companies). When these companies are valued at equity, the associated company's equity is only carried proportionately.
ASSET MANAGEMENT	Investment-oriented real estate asset management is the strategic, result-oriented investment management / value creation management of a real estate portfolio on individual property level in the interest of the property owner. This includes activities such as rentals, maintenance and also the disposition of properties.
ASSOCIATED COMPANY	According to the provisions of the "Handelsgesetzbuch" ("HGB" – German Commercial Code), an associated company is significantly controlled by a group company which holds an interest in the associate. Associated companies are consolidated at equity within the meaning of Section 312 of HGB.
CAPITALIZATION RATE	As is the case for the discount rate, the capitalization rate is also used to calculate the present value of future cash flows. In contrast to discounting, capitalization refers to the compounding of a future recurrent payment.
CASH FLOW	Cash flow is a key performance indicator (KPI) used to describe profits when analyzing a company. It provides information on the company's financial strength. To derive the cash flow, the net profit is adjusted for 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). 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.

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PICTURES

Fair Value REIT-AG

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