



Annual Report 2013

Reducing Complexity, Improving Return.

fair value
REIT

Key Figures

| Key figures Fair Value Group | | | | |
|--|---------------|------------|-----------------------------|-------------------------------|
| Revenues and earnings | | 2013 | 2012 ¹⁾ | |
| Rental revenues | in € thousand | 29,637 | 31,487 | |
| Net rental result | in € thousand | 23,093 | 25,298 | |
| Operating result (EBIT) | in € thousand | 5,012 | 11,948 | |
| Result from equity-accounted investments | in € thousand | 1,504 | (592) | |
| Consolidated net income | in € thousand | (5,227) | (178) | |
| Earnings per share | in € | (0.56) | (0.02) | |
| Adjusted consolidated net income (EPRA-Earnings)/FFO | in € thousand | 6,405 | 5,948 | |
| EPRA-Earnings/FFO per share | in € thousand | 0.69 | 0.63 | |
| Assets and capital | | 12/31/2013 | 12/31/2012 ¹⁾ | 1/1/2012 ¹⁾ |
| Non-current assets | in € thousand | 292,510 | 366,671 | 379,645 |
| Non-current assets available for sale | in € thousand | 19,585 | – | 1,100 |
| Current assets | in € thousand | 33,771 | 18,411 | 22,056 |
| Total assets | in € thousand | 345,866 | 385,082 | 402,801 |
| Equity/Net asset value (NAV) | in € thousand | 80,673 | 80,421 | 81,276 |
| Equity ratio | in % | 23.3 | 20.9 | 20.2 |
| Immovable assets | in € thousand | 311,974 | 366,518 | 380,542 |
| Equity within the meaning of Section 15 of the REIT act | in € thousand | 146,315 | 153,980 | 156,934 |
| Equity ratio within the meaning of Section 15 of the REIT act (minimum 45 %) | in % | 46.9 | 42.0 ²⁾ | 41.2 ²⁾ |
| [according to the previous accounting method] | in % | | [52.6] | [50.7] |
| Real estate investments | | 12/31/2013 | 12/31/2012 | Total portfolio ⁴⁾ |
| | | | like-for-like ³⁾ | |
| Number of properties | amount | 49 | 49 | 65 |
| Market value of properties ⁵⁾ | in € million | 312 | 325 | 463 |
| Contractual rent | in € million | 26.5 | 26.7 | 40.8 |
| Potential rent | in € million | 28.4 | 28.7 | 42.9 |
| Occupancy | in % | 93.3 | 93.2 | 95.1 |
| Remaining term of rental agreements | years | 5.0 | 5.3 | 5.4 |
| Contractual rental yield before costs | in % | 8.5 | 8.2 | 8.8 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

²⁾ Relevant equity ratio according to the previous accounting method is the figure in brackets

³⁾ In relation to like-for-like portfolio at year end

⁴⁾ In relation to total portfolio at year end

⁵⁾ According to market valuations or according to sale contract, respectively

| Further key figures | | 12/31/2013 | 12/31/2012 ¹⁾ |
|--|-----------|------------|--------------------------|
| Number of shares in circulation | in pieces | 9.325.572 | 9.325.572 |
| Net asset value (NAV) per share | in € | 8,65 | 8,62 |
| EPRA-NAV per share | in € | 8,86 | 9,58 |
| Number of employees (including Management Board) | | 3 | 3 |

02 Letter to Shareholders

04 A REIT – Higher Return for Investors

05 Reducing Complexity, Improving Return

06 Strategic Portfoliomanagement

08 Solid Foundations

10 The Fair Value REIT-AG on the Capital Market

Group Management Report

15 Basic Group Information

21 Business Report

34 Supplementary Report

35 Forecast

39 Risk Report

46 Opportunities

47 Remuneration Report

49 Other Information Pursuant to Section § 315 Paragraph 4 HGB

Consolidated Financial Statements

52 Consolidated Balance Sheet

53 Income Statement

54 Statement of Comprehensive Income

54 Statement of Changes in Equity

55 Cash Flow Statement

57 Notes

113 Declaration by Legal Representative

114 Auditor's Opinion

Compliance

116 Supervisory Board and Management Board

118 Report of the Supervisory Board

120 Corporate Governance Report

124 Management Board Declaration Adhering to the Requirements of the REIT Act

125 Auditor's Report Pursuant to Section 1 Para. 4 of the REIT Act

126 Method of Real Estate Valuation

128 Individual Property Information of Fair Value REIT-AG's Portfolio

132 Financial Calendar

133 Imprint

Letter to Shareholders



Frank Schaich, Management Board

Dear Shareholders, Ladies and Gentlemen,

the operating result of the Fair Value Group came in around 20% higher than expected in the financial year 2013. At the same time, we completed a substantial portfolio adjustment with the sale of several properties and the termination of a non-strategic participation in return for a settlement at fair market value. As a result, our sustainable profitability has been strengthened and the Group structure simplified. The net income according to HGB increased substantially, which allows us to more than double the dividend for 2013 year-on-year to €0.25 per share.

Simplifying the Group structure through the full consolidation of former associated companies

In these financial statements as of December 31, 2013, we have adopted the accounting regulations of IFRS 10 for the first time and are therefore applying the new regulations at the earliest possible time. According to IFRS 10, participations are to be fully consolidated into the consolidated financial statements if they are de facto controlled by the parent company. This is the case at five former associated companies for Fair Value REIT-AG due to our historical voting majorities. The change in the accounting of these participations has been made retroactively. This leads to adjustments in the opening balance sheet as of January 1, 2012, the previous end of year balance sheet as of December 31, 2012 as well as the items of the income statement for the financial year 2012, which are explained in detail in the notes. The comparability of our company with other real estate companies is therefore substantially improved and our attractiveness on the capital market should increase.

Financial year 2013: FFO increased, valuation and financial results impact consolidated net income

Consolidated net income adjusted for sales and valuation results as well as other one-off effects (FFO funds from operations) of €6.4 million or €0.69 per share was 8% up on the adjusted previous year figure of €5.9 million and even exceeded our forecast of €5.3 million by 21% due to higher rental income and lower real estate related expenses.

In the financial year 2013, net one-off effects after minority interests totalled €11.6 million. As a result, a consolidated net loss pursuant to IFRS of €5.2 million was recorded, down €5.0 million on the adjusted previous year net loss of €0.2 million. In 2013, the largest proportion of one-off effects with around 72% derived from balance sheet valuation losses at the properties as well as around 27% from the market valuation and the cancellation of interest rate hedging transactions.

Group equity and NAV per share up slightly

The valuation losses from interest hedging transactions recorded in other income in previous years with a negative impact on Group equity were reclassified into the consolidated income statement. Group equity as of December 31, 2013 attributable to the shareholders of Fair Value REIT-AG therefore rose from an adjusted €80.4 million in the previous year to €80.7 million despite the consolidated net loss. Net asset value per share increased slightly from €8.62 (adjusted figure for the previous year) to €8.65 on the balance sheet date.

On the balance sheet date, the REIT equity ratio came in at 46.9% of the immovable assets, higher than the legally required minimum level of 45%.

Net income pursuant to HGB rises sharply

Net income for 2013 pursuant to HGB came in at €2.7 million, more than 150% up on the €1.1 million reported in the previous year. This increase results from the net balance from sales and cancellation-related one-off income as well as valuation and cancellation costs of interest rate hedging transactions. After discontinuing a reinvestment reserve in line with Section 13 REITG, modified net income of around €2.5 million was reported. At the Annual General Meeting on May 27, 2014, we will therefore propose a dividend of €0.25 per share for 2013.

Forecasts for 2014 and 2015

With a look to 2014, we are expecting FFO of €5.1 million or €0.55 per share, with this figure rising to €5.7 million or €0.61 per share in 2015. The planned dividends should total 45% of FFO respectively, which represents €0.25 per share in circulation for 2014 and €0.28 per share for 2015. Fair Value REIT-AG plans to continue its initiated portfolio adjustments. With regard to making new investments, the focus will be on real estate in the retail field, allowing our company to enjoy a solid basis with clear growth prospects.

Munich, March 31, 2014

The Management Board



Frank Schaich

A REIT – Higher Return for Investors

REIT stands for Real Estate Investment Trust. REITs are well established in many countries worldwide and represent a widely recognised form of indirect property investment. In Germany, they consist of listed companies that largely invest in property as well as in property participations.



High Flexibility Listed Property-Shares

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



High Payout Ratio High Payout Ratio

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



High Profitability after Tax No Income Tax at Company Level

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



High Level of Security Security through Equity Strength

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

Reducing Complexity – Improving Return

In the financial year 2013, we made the most of the positive market environment for achieving our operating and strategic targets – higher income and a simplified group structure.

The sale of eleven properties as well as the disposal of a non-strategic participation were key milestones in achieving this. We have further extended our equity ratio and created the key conditions for an improved income position.

A change to the accounting effective as of December 31, 2013 resulted in the full consolidation of all participations. This increases the transparency of our business model and simplifies the analysis of our financial reporting in future.

Adjusted consolidated net income for 2013 reached €6.4 million or €0.69 per share, which was substantially higher than anticipated. Our shareholders will also benefit from this, as we will propose dividend rise for the financial year 2013 to €0.25 per share at the Annual General Meeting on May 27, 2014.

The foundation for growth and new direct investments with a focus on retail properties has been created.

Strategic Portfolio Management

Fair Value REIT-AG invests in German commercial real estate. The Group focuses on retail properties and office buildings in regional centres. These locations offer more stable long-term rental and value development than property markets in the major population centres which tend to react more strongly to economic cycles. In future, retail properties, real estate in German growth regions and direct investments will receive greater emphasis.

As of December 31, 2013, the directly and indirectly-held portfolio consisted of 49 properties (previous year: 65 properties) with market values totalling around €311 million (previous year: €463 million).

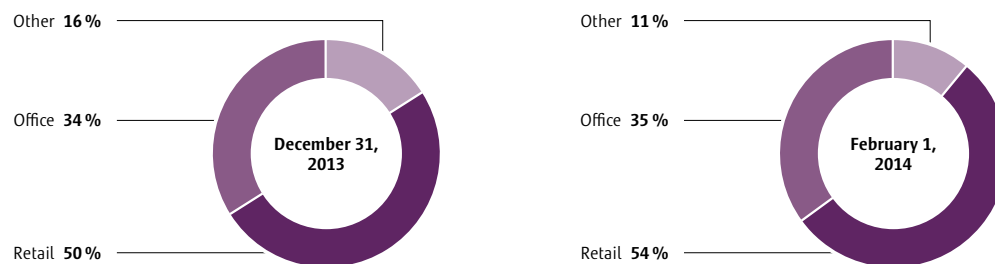
In 2013, a portfolio reduction of €151 million or 33% of the previous year portfolio took place. 71% of this resulted from the cancellation of a limited partnership interest with five portfolio properties and a previous year value of €107 million effective as of December 31, 2013. Around 20% or €31 million of the fall resulted from the sale of eleven directly and indirectly-held properties. Only around €13 million or 9% of the reduction came as a result of the market valuation of the portfolio as of December 31, 2013.

| Portfolio overview as of Dezember 31, 2013 | | | | | | | Fair Value REIT-AG's share |
|--|----------------------|--------------------------------------|---|-------------------------------------|---------------------------------------|--|-------------------------------|
| Direct investments and participations | Number of properties | Total plot size [in m ²] | Total lettable space [in m ²] | Annualised contractual rent [in T€] | Market value as of 12/31/2013 [in T€] | Contractual rental yield before costs [in %] | Participating interest [in %] |
| Direct investments segment | 19 | 42,241 | 34,407 | 2,761 | 38,379 | 7.2 | 100.00 |
| Subsidiaries segment | 30 | 348,484 | 258,980 | 23,690 | 273,003 | 8.7 | 46.72 |
| Total portfolio | 49 | 390,725 | 293,387 | 26,451 | 311,382 | 8.5 | 53.28 |

The valuation loss of 4.1% of the previous year value (like-for-like) on balance resulted from a fall in value at 34 properties and a rise in value or unchanged market value at 15 properties. Around 75% of the total stemmed from three properties. This relates to the sale of the non-strategic hotel property in Hannover at a price below the carrying amount in January 2014 as well as from the insolvency of Praktiker AG. Here, the estimated vacancy and follow-up rental costs for the affected properties in Celle and Eisenhüttenstadt resulted in a temporary reduction in value.

Distribution by type of use

in % of potential rents



As of December 31, 2013, the portfolio generated 50% of the total potential rent of €28.4 million with real estate which is primarily used for retail. Around 34% of the potential rent is generated by properties primarily used for offices, while 16% stem from properties with other uses.

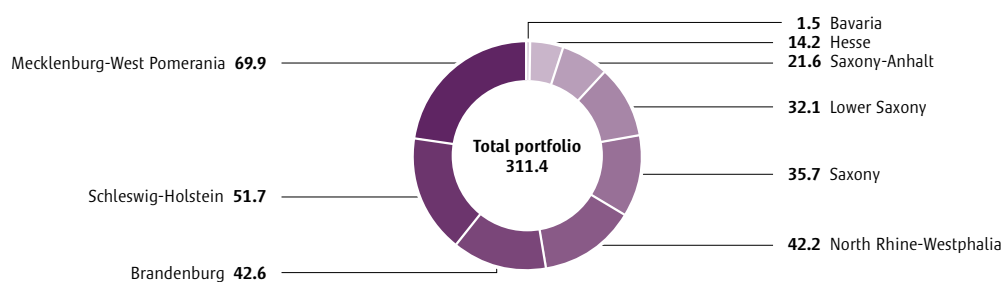
Due to the sales of the hotel in Hannover as well as the bank building in Henstedt-Ulzburg effective as of February 1, 2014, the type of use shifted further towards retail (54% of the potential rent reduced to €26.6 million) and office (35%) in line with strategy, and away from other uses (11%).

In its future investments, Fair Value REIT-AG aims to focus increasingly on retail parks in which food retail is the anchor. In parallel to this, the company also wants to make the most of opportunities at office properties in isolated cases.

The market value-related, geographic distribution of the existing portfolio across the German federal states should gradually come to reflect the distribution of overall economic value creation. In line with this, future investments are to be preferably made in the growth regions Bavaria, Baden-Württemberg and Rhineland-Palatinate.

Regional distribution of the properties (total portfolio)

Market values as of December 31, 2013 in € million



Solid Foundations

Remaining lease terms of over 5 years and a five-year average occupancy rate of around 95 %: The Fair Value Group stands on stable foundations. Low tenant turnover and predictable rental income are the result of successful tenant retention and high property standards.

Occupancy rate total portfolio



At the start of the financial year 2013 and with an occupancy rate of around 95% of potential rent, 81 rental agreements with a volume totalling around 14% of contractual rents were due for renewal. This task was largely completed successfully.

As a result, at the end of 2013, the occupancy rate of the overall portfolio of Fair Value REIT-AG was 93.3% of the potential rent of €28.4 million. The average remaining term of the rental agreements of 5.0 years as of the balance sheet date continues to offer a high level of planning reliability.

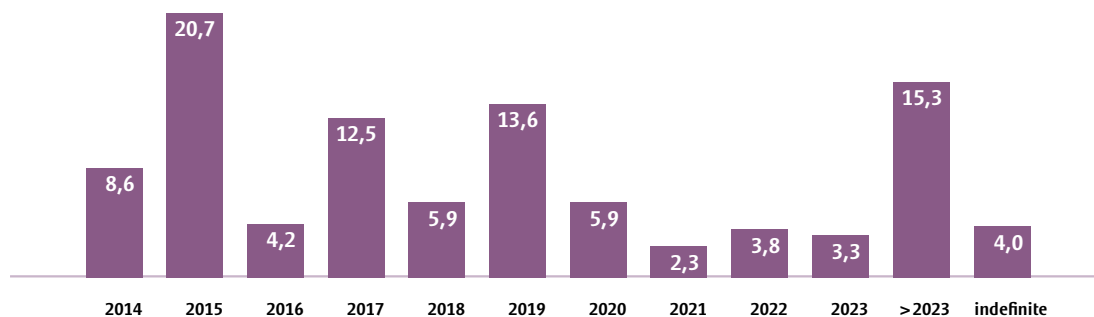
From a current total of 631 leases in the entire portfolio, 73 agreements are due for renewal in the current financial year. This represents a proportion of 8.6% of the contractual rents of €26.5 million as of December 31, 2013.

In 2015, 78 rental agreements or 20.7% of the contractual rents as of December 31, 2013 are due to expire. The three largest tenants make up 40% of the expiring contractual volume. The largest proportion of this – almost 30% of the expiring contractual volume in 2015 – is with the Metro subsidiary real,- SB Warenhaus GmbH, which will not extend its rental contract in Eisenhüttenstadt which expires at the end of October 2015 according to a recently published announcement.

The follow-up rental expenses for expiring agreements were taken into account in line with historical figures as part of the budgeting process.

Rental expiry by year of expiry

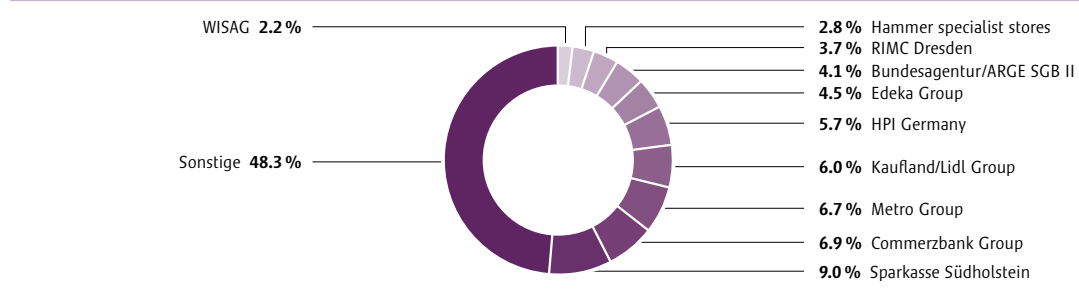
in % of contractual rents, as of December 31, 2013



Due to the sale of the hotel in Hannover and a bank property in Henstedt-Ulzburg rented to Sparkasse Südholstein as of the end of January 2014, and the end of the rental agreement with the insolvent Praktiker AG in Celle as of the same date, the following table listing the 10 largest tenants in the overall portfolio of the Fair Value Group was prepared as of February 1, 2014.

10 largest tenants from February 2014

in % of contractual rent



The ten largest tenants constitute around 52% of the contractual rents of the Fair Value Group. Large retail chain companies (Metro, Lidl/Kaufland, Edeka and Hammer specialist stores) make up the largest proportion with 20%. Bank tenants (Sparkasse Südholstein, Commerzbank Group) come in second with around 16%. The third largest user group are hotel operators in Rostock and Dresden (HPI and RIMC) totalling around 9%.

The Fair Value REIT-AG on the Capital Market

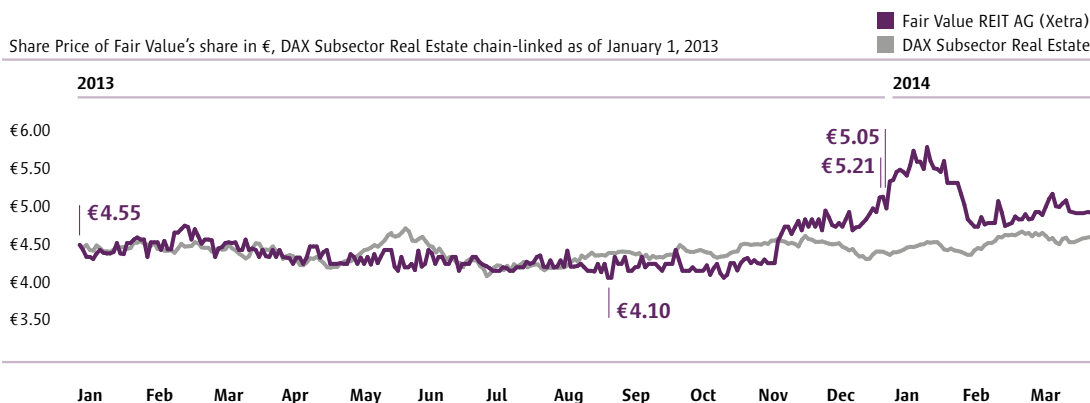
Upbeat share price development in 2013

The Fair Value REIT share recorded significantly better developments in 2013 than the benchmark index DAX Subsector Real Estate.

While German shares achieved substantial price gains overall on the back of the relaxed monetary policy of the European Central Bank and the positive economic development in Germany, real estate shares were generally unable to keep pace with this development. In contrast, the Fair Value REIT share recorded impressive positive developments. This was particularly driven towards the end of the year by the announcement of a sharp rise in the dividend forecast. Investors are obviously discovering the Fair Value REIT-AG share as a substantial investment with a high dividend yield.

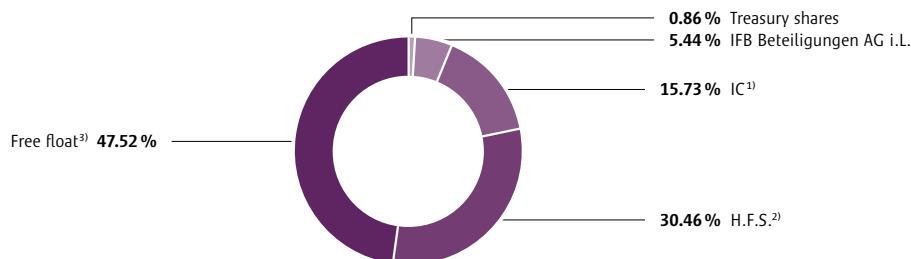
Development of Fair Value's share

Share Price of Fair Value's share in €, DAX Subsector Real Estate chain-linked as of January 1, 2013



Fair Value REIT-AG's shareholder structure

as of December 31, 2013



¹⁾ IC Immobilien Holding AG 9.39 %, IC Immobilien Service GmbH 6.34 %

²⁾ H.F.S. Zweitmarkt Invest 2 GmbH & Co. KG 8.13 %, H.F.S. Zweitmarkt Invest 5 GmbH & Co. KG 7.44 %; H.F.S. Zweitmarkt Invest 4 GmbH & Co. KG 7.44 %, H.F.S. Zweitmarkt Invest 3 GmbH & Co. KG 7.44 %

³⁾ According to Free-Float definition of Deutsche Börse AG (shareholding <5%)

Key data

| Fair Value REIT-AG's share | 2013 |
|---|---|
| Sector | Real Estate (REIT) |
| WKN (German Securities Code)/ISIN | A0MW97/DE000A0MW975 |
| Stock symbol | FVI |
| Share capital | €47,034,410.00 |
| Number of shares (non-par value shares) | 9,406,882 pcs. |
| Proportion per share in the share capital | €5.00 |
| Initial listing | November 16, 2007 |
| High/low 2013 (XETRA) | €5.21/€4.10 |
| Market capitalization as of December 31, 2013 (XETRA) | €47.5 million |
| Market segment | Prime Standard |
| Stock exchanges Prime Standard | Frankfurt, XETRA |
| Stock exchanges OTC | Stuttgart, Berlin-Bremen, Duesseldorf, Munich |
| Designated sponsor | Close Brother Seydler Bank |
| Indices | RX REIT All Shares-Index, RX REIT-Index |

The price of the Fair Value REIT-AG share rose by 11.0% in 2013. Taking into account the dividend pay-out of €0.12 made in 2013, the shareholders of Fair Value REIT-AG enjoyed an overall return of 13.6% for the year.

After a closing price at the end of the year 2012 of €4.55, the share of Fair Value REIT-AG closed financial year 2013 at €5.05 and was therefore only slightly down on its trading high for the year of €5.21 (all Xetra trading). After slight price gains in the first weeks of 2013, the share price showed weak price development until late summer. The annual low of €4.10 was recorded on August 13, 2013. From the start of November, the share plotted a strong recovery track following the announcement that the dividend forecast was being doubled. By the end of 2013, the Fair Value REIT-AG shares had recorded a market capitalisation of €47.5 million. The average number of shares traded daily on all German stock exchanges totalled 4,405 in 2013. Of this amount, the vast majority, 3,604 shares or 80%, were traded on Xetra. Close Brothers Seydler Bank AG remained the designated sponsor, providing binding bid and offer prices with a low price spread in Xetra trading.

With the price increase of 11.0%, the Fair Value REIT share recorded a substantially better performance than the DAX Subsector Real Estate, which shed 1.2% in value during the reporting period. In contrast, the DAX German share index recorded a rise of 25.5%.

Investor Relations

Fair Value REIT-AG communicates openly and transparently with its shareholders and the capital market overall. The company prepares information accordingly in its financial reports with highly detailed information on the portfolio and financing situation, extending significantly above and beyond the mandatory requirements. This information is complemented by in-depth data on the website and regular press and ad-hoc releases on relevant company developments.

At the Annual General Meeting of Fair Value REIT-AG on May 16, 2013, all of the points on the agenda requiring voting – including the distribution of a dividend of €0.12 for the financial year 2012 – were adopted by a large majority.

Fair Value REIT-AG is analysed by various research companies on a regular basis. In the past financial year, Close Brothers Seydler Research AG, Edison Investment Research Ltd, First Berlin Equity Research GmbH and SMC Research have all published multiple studies or updates on the company. These can be viewed on the website www.fvreit.de in the Investor Relations/Research section.

In addition, the Management Board of Fair Value REIT-AG maintains intensive contact to analysts, to investors as well as to trade and financial media. Explanations of business development and prospects are provided as part of national and international roadshows and capital market conferences.

In 2013, the company presented itself at events such as the Deutsche Börse Spring Conference in May, the “Fachkonferenz Deutsche Immobilienaktien” in October and the German Equity Forum in November, in addition to the balance sheet press conference in March. Moreover, numerous meetings with investors were conducted both domestically and abroad. The investor relations activities are to be intensively continued in 2014. As part of this, the company is naturally also open to dialogue with private investors via the usual communication channels. These contact details as well as a variety of other information can be viewed on the website www.fvreit.de in the Investor Relations section.

Group Management Report

Operating Result (FFO)
€ 6.4 million
(2012¹⁾: €5.9 million)

Group Net loss €–5,2 million
(2012¹⁾: €–0,2 million)

Balance Sheet Equity Ratio
23 %
(2012¹⁾: 21 %)

REIT-Equity Ratio 46.9 %
(2012²⁾: 56.2 %)

¹⁾ Adjusted as part of the first-time adoption of IFRS 10

²⁾ According to previous accounting method

Table of Contents

15 Basic Group Information

- 15 Group Structure and Business Model
- 18 Aims and Strategy
- 19 Management and Control Structure
- 19 Management System
- 20 Research and Development

21 Business Report

- 21 Macroeconomic and Sector-Specific Conditions
- 23 Overall Statement from the Company Management on Business Development
- 26 Income, Financial and Net Asset Position

34 Supplementary Report

35 Forecast

- 35 Economic Situation and Industry Outlook
- 36 Anticipated Income Position of the Group
- 38 Anticipated Financial Position of the Group
- 38 Opportunities and overall Statement of the Management on the Expected Development of the Group

39 Risk Report

- 39 Risk Management System
- 41 Individual Risks
- 44 Other Risks
- 45 Overall Assessment of the Company's Risk Situation

46 Opportunities

47 Remuneration Report

- 47 Management Board
- 48 Supervisory Board

49 Other Information pursuant to § 315 Section 4 HGB

Basic Group Information

Group Structure and Business Model

Fair Value REIT-AG (hereinafter also referred to as Fair Value) is headquartered in Munich, Germany, and does not have any branch offices. As a listed property investor, the company fulfils the provisions of the REIT Act and is exempt from corporation and trade tax.

A prerequisite for this tax exemption is the adherence to specific company law and capital-related requirements. These focus on the sustainable management of a largely commercial property portfolio and are aimed at enabling continuous dividend distributions to shareholders.

These dividend pay-outs have to total at least 90% of the net income according to German commercial law. They are taxed at shareholder level, with a flat-rate tax rate which is currently a maximum of 25% plus solidarity surcharge.

Key figures relating to REIT criteria

Proof of compliance with the legal provisions is to be provided on the balance sheet date and confirmed by the auditor. The auditor's confirmation based on the declaration made by the Management Board regarding compliance with the requirements of Sections 11 and 13 at Fair Value REIT-AG level (distribution of shares and minimum distribution) as well as Sections 12, 14 and 15 (asset and income requirements, exclusion of property trading and compliance with the minimum equity capital requirement) at Group level. As in previous years, Fair Value REIT-AG fulfilled all the requirements of the REIT Act as of December 31, 2013.

| Requirements of the REIT Act | | | | |
|------------------------------|--|-------------|-------------------|--------------------------|
| REIT-G | Criteria | Requirement | Status Fair Value | |
| | | | 12/31/2013 | 12/31/2012 ¹⁾ |
| § 11 | Free float – Non-consolidated financial statements ²⁾ | Min. 15% | 39.4% | 36.4% |
| § 12, para. 2 | Asset requirements – Group | Min. 75% | 90.2% | 95.3% |
| § 12, para. 3 | Income requirements – Group | Min. 75% | 100.0% | 100.0% |
| § 13 | Minimum distribution to shareholders – Non-consolidated financial statements | Min. 90% | 92.6% | 96.6% |
| § 14 | Exclusion of real estate trading – Group | Max. 50% | 23.1% | 17.2% |
| § 15 | Minimum equity requirement – Group | Min. 45% | 46.9% | 52.6% ¹⁾ |

¹⁾ Certified figures before change to the scope of consolidation as part of the first-time adoption of IFRS 10

²⁾ Free-float according to sec. 22 and 23 securities trading act (WpHG)

Business model

The Fair Value Group focuses on the acquisition and management of commercial properties in Germany. The investment focus is on retail and office properties in secondary and regional locations. Fair Value invests directly in real estate as well as indirectly in real estate partnerships via participations, and actively manages its portfolio.

The non-strategic operating functions such as commercial and technical property management as well as accounting are outsourced to external service providers, which receive partly fixed and partly performance-related variable remuneration. The Group's fixed costs are kept to the required minimum level thanks to the streamlined organisational structure.

Taking into account the trade limitations of the REIT Act, the strategy also encompasses the targeted sales of individual portfolio properties. Here, smaller properties and non-strategic real estate are the focus. The successive liquidation of subsidiaries is intended to lead to savings of participation-related administration expenses as well as to further reduce the complexity of the business model.

Change to accounting following the first-time adoption of IFRS 10 The consolidated financial statements encompass the financial statements of Fair Value REIT-AG and its subsidiaries. This forms the basis for the two business areas or segments "Direct investments" and "Subsidiaries".

Due to the first-time adoption of IFRS 10 as of December 31, 2013, a check was made if Fair Value REIT-AG also holds a de facto controlling influence over participations which had previously been recognised on the balance sheet at equity.

The examination of the three main prerequisites for the existence of a parent-subsidiary relationship resulted in the assumption that the former associated companies BBV02, BBV10, BBV14, IC12 and IC15 have to be fully consolidated (see note 2b).

The change to the accounting of the affected participations applies retroactively pursuant to IAS 8. This led to adjustments in the opening balance sheet on January 1, 2012, the final balance sheet for the previous financial year as of December 31, 2012, as well as the items of the income statement for the financial year 2012.

Portfolio

As of December 31, 2013, the directly and indirectly-held portfolio consisted of 49 properties (previous year: 65 properties) with market values totalling around €312 million (previous year: €463 million).

The fall of €151 million year-on-year, which is equivalent to a 33% reduction over the previous year figure, resulted 71% from the disposal of a terminated limited partner interest in the associated company BBV09 which holds a portfolio of five properties with a previous year value of €107 million, around €31 million or 20% from sales of eleven directly and indirectly-held properties and around €13 million or 9% from valuation losses in the portfolio as of December 31, 2013.

Direct investments As of the balance sheet date, Fair Value REIT-AG directly owned 19 commercial properties in Schleswig-Holstein (previous year: 25), the majority of which are used as bank branch offices, with lettable space totalling 34,410 m² (previous year: 39,470 m²). Based on individual appraisals, the market values of these properties as of the balance sheet date were determined to total around €38.4 million. They are therefore almost on a par with the comparable (like-for-like) figure from the previous year of €38.5 million.

On the back of letting successes and index adjustments, the contractual rents of these properties as of the balance sheet date totalling €2.8 million were more than 8% up on the like-for-like previous year figure of €2.6 million. This represents an income-weighted occupancy rate of 98.6% of the potential rent in the case of full occupancy (previous year portfolio, like-for-like: 94.7%).

In the past financial year, six directly-held properties were sold. The total sale price of around €5.6 million was approx. 8% up on the market values of these properties as of December 31, 2012 (around €5.2 million).

Subsidiaries Fair Value REIT-AG holds participations in a total of 16 subsidiaries, of which 10 companies are property-holding real estate partnerships (previous year: 12) and five companies are management partnerships without property ownership. One subsidiary is the general partner GmbH in the management partnerships (see note 2a).

In the past financial year, five properties were sold by subsidiaries. The total sale price of around €25.6 million was approx. 1% up on the market values of these properties as of December 31, 2012 (around €25.4 million). The subsidiary IC03 can be liquidated during the financial year 2014 due to the disposal of the company's sole property.

Subsidiaries therefore held 30 properties (previous year: 35 properties) as of the balance sheet date. The market values of the properties held by the subsidiaries totalling €273.3 million as of December 31, 2013 were down 4.5% on the like-for-like figure of €286.2 million from the previous year.

The valuation reduction of the properties held by subsidiaries by around €12.9 million is roughly 55% directly attributable to the Praktiker AG insolvency and largely relates to the estimated vacancy and follow-up rental costs for the affected properties in Celle and Eisenhüttenstadt. A further roughly 20% of the fall resulted from the sale of the hotel property in Hannover at a lower sale price in January 2014.

The contractual rents of the subsidiaries totalling €23.7 million were 2% down on the like-for-like previous year figure €24.1 million as of the balance sheet date. This represents an income-weighted occupancy rate of 92.6% of the potential rent in the case of full occupancy (previous year portfolio, like-for-like: 93.1%).

Associated companies The limited partner interest in BBV09, the only associated company remaining after the change of accounting due to the first-time adoption of IFRS 10, was terminated as of December 31, 2013. The consolidated balance sheet as of December 31, 2013 contains the settlement credit from the financial statements of the associated company BBV09 as of December 31, 2013, as a receivable or other asset. This credit is to be officially and bindingly determined by the auditor of BBV09 and is due for payment three years after determination at the latest.

Aims and Strategy

Fair Value REIT-AG strives to increase the dividend pay-outs to its shareholders to a sustainable level of at least 50% of adjusted consolidated net income (EPRA-Earnings or FFO - Funds from Operations). The proposed dividend for the past financial year could be more than doubled from the originally forecast of €0.12 per share (around 21% of the planned FFO of €0.57 per share) to €0.25 per share. This amount is around 36% of the FFO achieved in 2013 of €0.69 per share. The targeted distribution ratio of at least 50% of FFO should be achieved by 2016.

With a view to achieving this target, the Group will continue its existing strategy, which has proved successful up to now, of making specific sales of individual directly-held and participation-held portfolio properties to strengthen the equity base, cut financing and administration expenses and at the same time create scope for new investments and re-investments.

The cash inflows from future sales are to be used to expand the portion of real estate directly owned by the company as well as to further extend the interests in existing participations, providing they are not reserved for dividend pay-outs and repaying liabilities to banks.

In its future investments, Fair Value REIT-AG aims to focus increasingly on retail parks with food retailers as anchor tenants. In parallel to this, the company also wants to make the most of opportunities at office properties in isolated cases. As part of these efforts, Fair Value REIT-AG will draw on its long-standing expertise in office and retail properties.

Independently of this, the Management Board is continuing the existing focus on secondary and regional locations. The market value-related, geographic distribution of the existing portfolio across the German federal states should gradually come to reflect the distribution of the gross domestic product. In line with this, future investments are to be preferably made in the growth regions Bavaria, Baden-Württemberg and Rhineland-Palatinate.

Management and Control

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

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

Information on the remuneration system of the Management Board and Supervisory Board is provided in this Group Management Report, in the note 32 as well as in the corporate governance statement pursuant to Section 289a HGB. The declaration concerning the German Corporate Governance Code in accordance with Section 161 AktG (German Stock Corporation Act) can also be downloaded from the Investor Relations/Corporate Governance section of the company's website www.fvreit.de

Management System

Accounting and property management functions are carried out via service agreements by IC Immobilien Service GmbH, a subsidiary of IC Immobilien Holding AG based in Unterschleißheim near Munich. IC Immobilien Holding AG and its subsidiaries currently have almost 300 employees and provide support for an investment volume of approximately €12 billion on behalf of private and institutional investors.

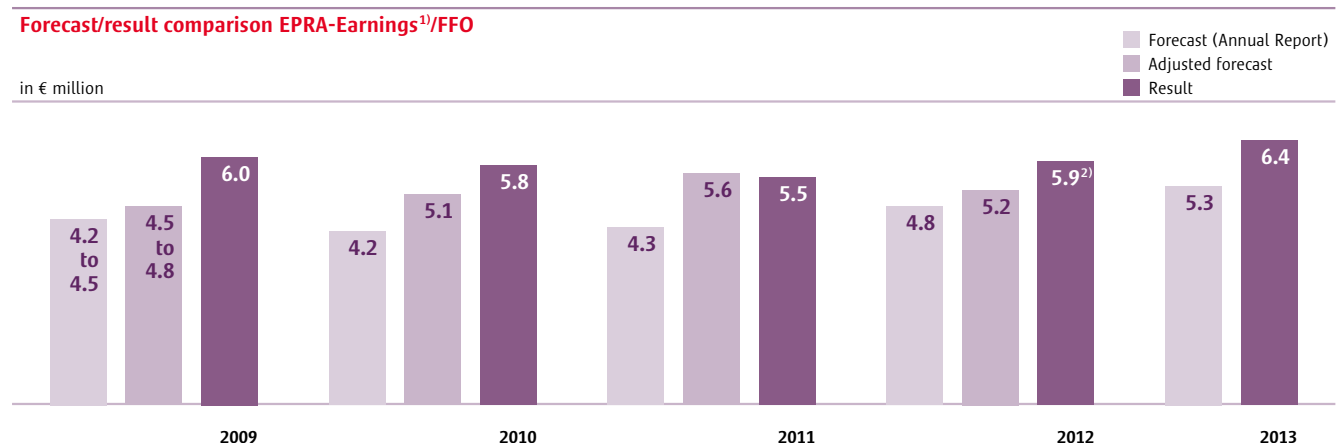
The internal management system at Fair Value REIT-AG is based on rolling five-year forecasts for the individual properties in the directly and indirectly-held real estate portfolio.

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

At Group level, property and company information is aggregated, taking into account the overhead and financing expenses of Fair Value REIT-AG. Forecast values for EPRA-Earnings/"FFO – Funds from Operations" and for dividends based on net income pursuant to German commercial law are published in the forecast section.

EPRA-Earnings¹⁾

To calculate this figure, consolidated net income is adjusted to take into account earnings from sales, changes in the market value of properties and interest rate derivatives as well as other one-off effects. For the previous five financial years, the comparison between forecast and actual figures for these indicators is as follows:



¹⁾ According to the "Best Practices Recommendations" from the European Public Real Estate Association (EPRA) for the IFRS reporting of real estate company earnings.

²⁾ Increase of EUR 0.3 m compared to the annual report 2012 pursuant to IAS 8 after error correction relating to minority interests

Research and Development

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

Business Report

Macroeconomic and Sector-Specific Conditions In 2013, the German economy recorded weaker growth than in both of the previous years, but adopted a stable recovery track during the course of the year. The commercial real estate markets in the office and retail segment recorded slightly rising rents despite reduced space turnover. The investment market stood out with a sharp rise in transaction volumes.

Macroeconomic situation

Sources: German Federal Statistics Agency, German Federal Bank, Federal Ministry of Economics and Energy, Federal Employment Agency

After a weak start due to weather conditions, the German economy plotted a stable recovery track during 2013. On average for 2013, the gross domestic product (GDP) rose by 0.4% after 0.7% in the previous year on a price-adjusted basis. This rise largely corresponded with the forecasts of most economic research institutes and international organisations published at the start of 2013.

The continuing recession in some European countries and the slowed global economic development led to German foreign trade no longer contributing to growth. In contrast, the increased domestic demand as well as private consumption in Germany were the driving force behind growth in the past financial year.

Consumer prices rose in 2013 by an average of 1.5% compared to the previous year. The price increase was therefore substantially down on the previous year level of 2.0%. In 2013, food products gained most in price with an increase of 4.4% (previous year: energy products with an increase of 5.7%).

Given the stable economic development, the employment market recorded very positive development overall. The seasonally-adjusted employment figures continued to rise during 2013 and reached a new high of 41.9 million people in December 2013. In parallel to this, labour market policy measures were reduced. On the back of this, the number of people registered as unemployed rose to almost 2.95 million, which represents a rise of approx. 53,000 people. As a result, the unemployment rate rose slightly year-on-year by 0.1% to 6.9%.

Real estate market in Germany

Sources: Jones Lang LaSalle

The leasing market **Office space** Space turnover on the German office rental market remained almost on a par with the previous year in 2013. At the seven large real estate centres¹⁾ a total of 2.9 million m² was turned over. That is around 4% less than the previous year. The moderate economic development therefore impacted the office market, despite most jobs being created in the office space-relevant service sector. The greatest growth was achieved in Stuttgart with almost 35%, followed by Düsseldorf with 19% growth and Cologne with 18%. While a slight increase was still recorded in Hamburg, the turnover volumes fell in the remaining three centres Frankfurt, Berlin and Munich, between 14% and 17% compared to 2012.

¹⁾ Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich, Stuttgart

Top rents rose in Düsseldorf, Frankfurt and Munich. On average across all seven centres, there was an increase of 1.9% (previous year: 3.0%). Top rents in Düsseldorf and Frankfurt recorded the strongest growth with around 6%.

Vacant space came in lower in all locations. The average vacancy rate dropped during 2013 from 8.8% to 8.3% – the lowest level since 2002. At the same time, during the course of the year, a total of around 890,000 m² was completed, which represents an 8% growth in floor space.

Retail space The growing spending propensity among consumers did not yet manifest itself in a rise in space turnover on the retail space market in the financial year 2013. Space totalling around 492,000 m² was brokered during the year. That is 17% less than in 2012 (590,000 m²). The number of agreed leases increased from 980 to 1,013. The reason for this rise is the strong growth in demand for small spaces of up to 250 m².

The textile sector plotted a clear expansion track, recording the highest proportion of space growth at 39%. The second strongest sector for the third year in succession was gastronomy and food with around 21%. The retail segment health and beauty was the third strongest area with 12%. Top rents in retailing rose by 1.9% on average for the year, following 1.1% in the previous year. At the ten most important locations, this increase even averaged 3.2% compared to 1.5% in the previous year.

The investment market For the German investment market for commercial real estate, 2013 was the year with the most transactions since 2007. Transaction volumes rose by 21% to €30.7 billion (previous year: €25.3 billion). As part of this, the proportion of office real estate to the overall volume increased to 46% after 42% in the previous year. Retail real estate ranked second with a proportion of 26%, compared to 31% in the previous year.

The most active buyers during the reporting period were asset and fund managers as well as special funds with a proportion of €10.5 billion, more than a third of the overall volume. In 2013, foreign buyers only contributed 33% following a 42% share in the overall investment volume in the previous year.

Overall Statement from the Company Management on Business Development

Fair Value REIT-AG took advantage of the stable market environment in the past financial year to achieve its operating and strategic targets.

As part of the sale of eleven directly and indirectly-held properties, sales prices totalling €31.2 million were achieved, which were around 2% up on the carrying amounts of €30.6 million recorded at the end of the previous year. The participation at associated company BBV09 was terminated effective December 31, 2013 in return for a compensation totalling the fair market value of the participation. The carrying amounts of the sold properties and the terminated participation totalled €41.2 million and made up 11% of immovable assets of €366.5 million according to the consolidated balance sheet as of December 31, 2012.

These transactions followed the aim of the company to dispose of non-strategic property and participations, and simplify the Group structure with a view to forming the basis for the further development of the company.

The change of accounting due to the first-time adoption of IFRS 10 as of December 31, 2013 is also aimed at delivering on the aim of simplifying the Group structure. The result is the full consolidation of all remaining participations as of the balance sheet date. The substantial expansion in the scope of consolidation simplifies the future analysis of the financial reports of the Fair Value Group and therefore increases the transparency of our business model.

The occupancy rate of the real estate portfolio as of December 31, 2013 improved slightly from 93.2% in the previous year to 93.3% of potential rent. The average remaining lease term fell only slightly from 5.3 years at the end of the previous year to 5.0 years as of the balance sheet date due to active rental management. These figures relate to the full portfolio without taking into account the calculated interest attributable to Fair Value REIT-AG at participations.

A valuation loss totalling around €13.3 million or 4.1% compared to the like-for-like previous year figure resulted from the market valuation of the real estate on the balance sheet date. This figure increased to €14.0 million after including the amortisation of impaired post-capitalisations. This valuation loss stemmed around 70% from the application of a sale price below the previous market value for the hotel property in Hannover sold in January 2014, as well as from the insolvency of Praktiker AG, which led to value-reducing assumptions for vacancy and rental costs at the properties in Celle and Eisenhüttenstadt.

Due to the discontinuation of the valuation unit of individual interest rate swaps with the underlying loan and on the back of a partial cancellation of an interest rate swap, one-off expenses totalling around €4.8 million to be recognised in profit or loss were incurred.

Overall, after taking into account minority interests, this resulted in a consolidated net loss of €5.2 million (adjusted previous year figure: consolidated net loss of €0.2 million). However, this did not have any negative effect on Group equity of €80.7 million (previous year figure: €80.4 million, adjusted pursuant to IAS 8) as the consolidated net loss of €6.4 million contains reclassifications from valuation losses stemming from derivatives which were already recorded in other income in previous years. The reclassification of these valuation losses made in 2013 from other earnings to the consolidated income statement therefore had no impact on Group equity as of the balance sheet date.

EPRA-Earnings (FFO) compared to the forecast and previous year In the financial year 2013, one-off effects after minority interests totalled €11.6 million according to the following table. At €8.4 million or 72%, the valuation result made up the largest proportion of this. A further €3.2 million or 27% resulted from the market valuation and cancellation of interest rate swaps and caps. With roughly €0.1 million, only around 1% of the net one-off effects resulted from property sales or the deconsolidation of the cancelled participation.

Adjusted consolidated net income (EPRA-Earnings or FFO) therefore totalled €6.4 million, or €0.69 per share in circulation, following €5.9 million or €0.63 per share (adjusted figure) in the previous year.

| Adjusted consolidated net income (EPRA-Earnings) or FFO 2013 | | | | | | |
|---|-------------------------------------|--------------------------------|--------------------------------------|--------------------------------------|---|---------------------------------|
| in € thousand | According to Group income statement | Adjustment for one-off effects | | | | Adjusted Group income statement |
| | | Profits/ losses on sale | Adjustment for extraordinary effects | Deconsolidation associated companies | Valuation and termination costs Interest rate swaps/ interest rate caps | |
| Net rental income | 23,093 | – | – | – | – | 23,093 |
| General administrative expenses | (3,287) | – | – | – | – | (3,287) |
| Other operating income and expenses | (28) | – | – | – | – | (28) |
| Earnings from the sale of investment properties | (729) | 729 | – | – | – | – |
| Valuation profit | (14,037) | – | 14,037 | – | – | – |
| Operating result | 5,012 | 729 | 14,037 | – | – | 19,778 |
| Income from participations | 1,504 | – | 1,722 | (370) | (1,301) | 1,555 |
| Net interest expenses | (12,690) | – | – | – | 3,932 | (8,758) |
| Income before minority interests | (6,174) | 729 | 15,759 | (370) | 2,631 | 12,575 |
| Minority interest in the result | 947 | (269) | (7,388) | – | 540 | (6,170) |
| Consolidated net income (loss) | (5,227) | 460 | 8,371 | (370) | 3,171 | 6,405 |
| Consolidated net income (loss) per share | (0.56) | | | | | 0.69 |

FFO was therefore €1.1 million or 21% up on the forecast €5.3 million published in the forecast of the annual report 2012 based on the accounting method before the change to the scope of consolidation as part of the first-time adoption of IFRS 10. The following table breaks down the adjustments on the back of the full consolidation of five companies previously recognised at equity:

| EPRA-Earnings/FFO forecast 2013 | | | |
|---|------------|-------------|--------------------|
| in € million | 2013 | Adjustment | 2013 ¹⁾ |
| Net sales | 12.9 | 23.0 | 35.9 |
| Real estate-related expenses | (4.9) | (9.3) | (14.2) |
| Net rental income | 8.0 | 13.7 | 21.7 |
| General administrative expenses/Other | (2.0) | (0.6) | (2.6) |
| Operating result | 6.0 | 13.1 | 19.1 |
| Income from participations | 4.3 | (3.1) | 1.2 |
| Net interest expenses | (3.6) | (5.8) | (9.4) |
| Income before minority interests | 6.7 | 4.2 | 10.9 |
| Minority interests in the result | (1.4) | (4.2) | (5.6) |
| Adjusted consolidated net income (EPRA earnings/FFO) | 5.3 | – | 5.3 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

The net rental income of €23.1 million was around €1.4 million or 6% higher than the forecast €21.7 million. The additional income was 64% or €0.9 million attributable to lower real estate-related expenses and 36% or €0.5 million from higher rental income.

After deducting the higher than anticipated administration expenses at the subsidiaries, the adjusted operating result came in at €19.8 million, 4% up on the target figure of €19.1 million.

Thanks to income from participations coming in €0.4 million higher and net interest expenses €0.6 million or 6% lower than planned, the gap between the adjusted income before minority shares and the forecast figure rose to €1.7 million or 16%. The higher income also resulted in higher minority interests in the result, which was at €6.2 million, up by €0.6 million or 11% compared with the €5.6 million forecast.

In contrast, the comparison of EPRA-Earnings 2013 of €6.4 million with the previous year figure of €5.9 million shows net rental income reduced by €2.2 million according to the following table. The fall is around 90% due to sales-related lower rental income. This reduced figure was offset as expected by correspondingly lower net interest expenses.

While income before minority interests therefore came in at €12.6 million only slightly above the previous year figure of €12.4 million, minority interests held a higher share in the previous year with €6.5 million or 52% than in the year under review of €6.2 million or 49%.

| Adjusted consolidated net income (EPRA-Earnings) or FFO 2012¹⁾ | | Adjustment for one-off effects | | | | Adjusted Group income statement |
|--|--|--------------------------------|-----------------------|--------------------------------|---|--|
| | According to Group income statement | Profits/ losses on sale | Real estate valuation | Valuation associated companies | Valuation Interest rate swaps/ interest rate caps | |
| in € thousand | | | | | | |
| Net rental income | 25,298 | – | – | – | – | 25,298 |
| General administrative expenses | (3,482) | – | – | – | – | (3,482) |
| Other operating income and expenses | (201) | – | – | – | – | (201) |
| Earnings from the sale of investment properties | 51 | (51) | – | – | – | – |
| Valuation result | (9,718) | – | 9,718 | – | – | – |
| Operating result | 11,948 | (51) | 9,718 | – | – | 21,615 |
| Income from participations | (592) | – | 3,193 | (626) | (450) | 1,525 |
| Net interest expenses | (10,943) | – | – | – | 240 | (10,703) |
| Income before minority interests | 413 | (51) | 12,911 | (626) | (210) | 12,437 |
| Minority interests in the result | (591) | (5) | (6,053) | – | 160 | (6,489) |
| Consolidated net income (loss) | (178) | (56) | 6,858 | (626) | (50) | 5,948 |
| Consolidated net income (loss) per share | (0.02) | | | | | 0.63 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

The financial year 2013 was therefore very positive and substantially better than anticipated. The portfolio adjustments and the full consolidation of the previously equity-accounted companies due to the de facto control relationship served to simplify the Group structure and make the presentation of net assets, financial and income position more transparent. Cash inflows from property sales were largely used for further repayments of financial liabilities and for partially terminating interest hedging transactions, which will result in a substantial reduction in future net interest expenses.

Moreover, the proposed dividend could be more than doubled compared to the original forecast to €0.25 per share, which represents a distribution ratio of around 36% of FFO. At the same time, a solid foundation was formed for the desired gradual raising of dividends to a level of at least 50% of FFO.

The adjustments as a consequence of the first-time adoption of IFRS 10 led to a substantial extension of the balance sheet total. The equity of €80.7 million (adjusted figure in the previous year: €80.4 million) attributable to the shareholders of the parent company corresponded with an equity ratio of 23% of total assets of €345.9 million (previous year adjusted: 21% of €385.1 million). Taking into account the minority interests in the subsidiaries as intended in the calculation of REIT equity, the balance sheet capital of all shareholders totals €146.3 million or 42% of total assets (previous year adjusted: 40%).

As of the balance sheet date, the REIT equity ratio was at 46.9% of immovable assets and therefore fulfilled the requirement of Section 15 REITG of at least 45.0% (previous year figure according to previous accounting method: 52.6%).

Income, Financial and Net Asset Position

Income position

| in € million | 2013 | 2012 ¹⁾ | Change | |
|---|--------------|--------------------|----------------|------|
| | | | [in million €] | in % |
| Rental income | 29.6 | 31.5 | (1.9) | (6) |
| Income from operating and incidental costs | 6.8 | 5.3 | 1.5 | 28 |
| Real estate-related operating expenses | (13.3) | (11.5) | (1.8) | (16) |
| Net rental income | 23.1 | 25.3 | (2.2) | (9) |
| General administrative expenses | (3.3) | (3.5) | 0.2 | 6 |
| The balance of other income and expenses, sale and valuation result | (14.8) | (9.9) | (4.9) | (49) |
| Operating result | 5.0 | 11.9 | (6.9) | (58) |
| Income from participations | 1.5 | (0.6) | 2.1 | 350 |
| Net interest expenses | (12.7) | (10.9) | (1.8) | (17) |
| Minority interest in the result | 1.0 | (0.6) | 1.6 | 267 |
| Consolidated net loss | (5.2) | (0.2) | (5.0) | n/a |
| Consolidated net loss per share | (0.56) | (0.02) | | |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

After property sales, rental income was around €1.9 million or 6% down on the previous year figure; this fall was offset by 28% higher ancillary income. The increase in real estate-related expenses by €1.8 million or 16% was 67% or €1.1 million due to a rise in consumption-dependent costs and was otherwise due in equal measure to a range of individual items and a restructuring of service fees at subsidiaries into at least partially allocatable property administration expenses.

The fall in net rental income by €2.2 million or 9% to €23.1 million was therefore 86% due to lower rental income and only 14% due to a rise in non-allocatable real estate-related expenses.

General administration expenses fell mainly due to sales-related reductions in remuneration-relevant rental income by 6% from €3.5 million to €3.3 million.

The operating result of €5.0 million, following €11.9 million in the previous year, was most greatly influenced by the valuation loss totalling around €14.0 million, following €9.7 million in the previous year. This valuation loss stemmed around 70% from a sale price below the previous market value for the hotel property in Hannover which was sold in January 2014, as well as from the insolvency of Praktiker AG, which led to value reducing assumptions being made for vacancy and rental costs at the properties in Celle and Eisenhüttenstadt.

Income from participations of €1.5 million was €2.2 million higher than the loss of €0.6 million reported in the previous year. The rise was around 60% due to the valuation of expired interest hedging transactions recognised in profit or loss, as well as due to the reduced valuation loss of the real estate at the associated company BBV09 year-on-year.

Net interest expenses came in at €12.7 million, around €1.8 million or 17% up on the previous year figure. It should be noted that expenses from the valuation and partial cancellation of interest hedging transactions recognised in profit or loss totalling €4.0 million were incurred. Ongoing net interest expenses came in at €8.7 million in 2013, around €1.7 million or 16% down on the €10.4 million reported in the previous year.

After deducting minority interests in the subsidiaries, this resulted in a consolidated net loss of €5.2 million after a consolidated net loss of €0.2 million in the previous year (adjusted figure in line with IAS 8). This represents earnings per share of €–0.56 compared with €–0.02 in the previous year (adjusted figure in line with IAS 8).

Financial Position

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

Moreover, the concluded loan agreements are constantly examined for possible savings in interest expenses. In certain cases, the company uses derivative financial instruments to hedge debt service fluctuations for loans with variable interest rates (interest rate hedges).

Given the low interest rate for the foreseeable future and the continued aim of making adjustments to the portfolio, highest possible financial flexibility is currently preferred. As shown below, compared to the previous year this led to a substantial reduction in interest rate hedging (interest rate swaps and caps).

Capital structure The equity attributable to shareholders of the parent company Fair Value REIT-AG totalled €80.7 million on the balance sheet date (adjusted previous year figure: €80.4 million). Taking into account the minority shares in subsidiaries reported in liabilities, the capital of all shareholders came in at €146.3 million (adjusted previous year figure: €154.8 million). This represents 42% of the consolidated total assets of €345.9 million (adjusted previous year figure: 40% of €385.1 million).

The financial liabilities of the Group totalled €191.2 million as shown below (previous year: €216.7 million).

| Group financial liabilities | | Valuta 12/31/2013 [€ thousand] | Interest conditions | Bankmargin | Term | LTV | DSCR |
|---|-------------------------------------|--------------------------------------|------------------------|------------|--------------|-------|------|
| Company | Lender | | | | | | |
| FVAG | Capital Bank GRAWE Group, Graz | (7,000) | variable | 5.00% | 06/30/2015 E | | |
| FVAG | WIB Westdeutsche ImmobilienBank AG | (10,000) | 2.55% | – | 06/30/2019 E | 75% | 120% |
| FVAG | WIB Westdeutsche ImmobilienBank AG | (14,640) | variable | 1.27% | 06/30/2019 E | 75% | 120% |
| IC07 | HSH Nordbank AG ¹⁾ | (1,316) | 2.65% | – | 03/31/2014 | – | – |
| IC13 | HSH Nordbank AG | (11,101) | variable | 2.60% | 04/30/2014 | – | – |
| IC13 | HSH Nordbank AG | (2,172) | 2.50% | – | 06/30/2014 | – | – |
| IC13 | Corealcredit Bank AG | (3,023) | variable | 2.50% | 02/28/2015 | – | – |
| BBV06 | Unicredit Bank AG | (17,538) | variable | 2.20% | 12/31/2014 E | – | – |
| BBV06 | Unicredit Bank AG | (3,690) | variable | 2.24% | 12/31/2014 E | – | – |
| BBV06 | Unicredit Bank AG | (4,237) | variable | 2.23% | 12/31/2014 E | – | – |
| IC12 | WIB Westdeutsche ImmobilienBank AG | (2,061) | 5.20% | – | 08/31/2016 | 50% | 120% |
| IC15 | HSH Nordbank AG ²⁾ | (6,989) | 2.88% | – | 02/28/2014 | – | – |
| IC15 | Sparkasse Südholstein | (7,930) | 2.71% | – | 01/30/2018 | – | – |
| IC15 | pbb Deutsche Pfandbriefbank | (2,986) | 4.55% | – | 12/31/2014 | – | – |
| BBV02 | Bayerische Beamten Lebensvers. a.G. | (139) | 5.80% | – | 12/31/2014 | – | – |
| BBV02 | Bayerische Beamten Lebensvers. a.G. | (942) | 6.15% | – | 09/30/2016 | – | – |
| BBV10 | Bayerische Beamten Lebensvers. a.G. | (23,206) | 4.50% | – | 12/31/2014 | – | – |
| BBV10 | Unicredit Bank AG | (26,830) | variable | 1.99% | 12/31/2014 | – | – |
| BBV10 | Unicredit Bank AG | (10,361) | variable | 2.10% | 12/31/2014 | – | – |
| BBV14 | DG Hypothekenbank AG | (35,100) | variable | 1.25% | 03/31/2016 E | 65,4% | 110% |
| Non-consolidated financial statements | | (191,261) | | | | | |
| Resolution of market valuation differences and deferred processing fees | | 80 | | | | | |
| Consolidated financial statements | | (191,181) | | | | | |

¹⁾ Replacement by another bank planned for Q2 2014. Offer available for 3.11 % p.a. fixed for 5 years.

²⁾ Fixed rate as of 02/28/2014 until 05/30/2014 of 3.288 %.

The terms all relate to the agreed interest rate conditions; only the loans marked with “E” relate to information on the agreed final maturity. Otherwise the lender is to offer new conditions after the expiry of the agreed term.

On the back of expired and partially cancelled interest hedging transactions, on the balance sheet date, the proportion of financial liabilities hedged using an interest rate swap fell to €10.0 million or 5.2% of the Group's financial liabilities (previous year: €71.9 million or 33.2%). Interest rate caps fell to €55.9 million or 29.2% (previous year: €67.0 million or 30.9%).

| Interest rate hedging transactions December 31, 2013 | | | | | |
|--|------------------------------------|------------------------|----------|---------------|------------|
| Company | Lender | Amount [€ thousand] | Cap/Swap | Interest rate | Term |
| FVAG | WIB Westdeutsche ImmobilienBank AG | (10,000) | Swap | 4.94% | 6/30/2018 |
| BBV06 | Unicredit Bank AG | (21,000) | Cap | 3.50% | 12/31/2014 |
| BBV14 | DZ Bank AG | (34,863) | Cap | 4.25% | 3/31/2016 |
| Total | | (65,863) | | | |

Total fixed interest loans grew to €57.7 million or 30.2% of the Group's financial liabilities (previous year: €48.0 million or 22.1%).

As the interest rate caps do not currently have any effect due to the agreed upper limit of the 3-month EURIBOR interest rate of 3.5% p.a. and 4.25% p.a., as of the balance sheet date €125.7 million or around 65.7% of financial liabilities are subject to variable interest rates without interest rate hedging (previous year: €168.7 million or 77.9%).

Assuming a constant 3-month EURIBOR interest rate of 0.3% p.a., the weighted interest rate of financial liabilities of the Group fell to 2.8% p.a. of financial liabilities as of the balance sheet date on the back of these structural changes as well as the adjustments to agreed bank margins and granted fixed interest loans. This represents a fall of 35% over the previous year figure of 4.3% p.a.

The weighted bank margin for the variable interest rate loans fell slightly year-on-year from 191 bp to 188 bp. Detached from the balance sheet qualification of financial liabilities as current or non-current, the weighted remaining term of the fixed interest loans and the bank margin agreements as of the balance sheet date was 19 months, following 20 months in the previous year.

Investments In the past financial year, investments to be capitalised totalling €0.5 million were made in connection with the renovation of an office building in Pinneberg into a doctor's practice and health centre. Moreover, €0.7 million was invested in the acquisition of participations at a total of four subsidiaries. The purchase prices were 22% below the proportionate net asset value of the purchased participations overall as of December 31, 2013.

Liquidity The cash and cash equivalents of the Group totalled €17.4 million on the balance sheet date. This item was therefore €3.2 million or 23% up on the previous year figure of €14.2 million (adjusted figure in line with IAS 8).

As part of this, the cash inflow from operating activities came in at €1.4 million in the financial year 2013, some €6.4 million or 82% down on the previous year level of €7.8 million. The fall largely resulted from the pay-out of €3.5 million for the partial cancellation of an interest rate swap as well as from the €3.1 million higher balance of profit and loss interests of minority shareholders and the pay-outs to these.

Cash flow from operating activities

| in € thousand | 2013 | 2012 ¹⁾ |
|---|----------------|--------------------|
| Consolidated net income/loss | (5,227) | (178) |
| Valuation and sales result | 14,443 | 9,660 |
| Income from equity-accounted participations | (1,134) | 592 |
| Withdrawals from equity-accounted participations | 511 | 515 |
| Minority interests (profit/loss, pay-outs) | (5,733) | (2,631) |
| Result from the valuation of derivative financial instruments | 18 | 240 |
| Other adjustments | (1,522) | (377) |
| Cash flow from operating activities | 1,356 | 7,821 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

Cash flow from investment activities Investment activities resulted in a cash inflow totalling €29.1 million compared to €3.3 million in the previous year. The net cash inflow in 2013 resulted from payments from the sale of eleven properties totalling €29.9 million (previous year: €5.0 million), which was partially offset by pay-outs for investments in the portfolio totalling €0.8 million (previous year: €1.7 million).

| in € thousand | 2013 | 2012 ¹⁾ |
|---|-----------------|--------------------|
| Cash inflow/outflow from investment activities | 29,131 | 3,296 |
| Cash inflow/outflow from financing activities | (27,308) | (15,703) |
| Change to cash and cash equivalents | 3,179 | (4,586) |
| Cash and cash equivalents at the start of the period | 14,182 | 18,768 |
| Cash and cash equivalents at the start of the period | 17,361 | 14,182 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

Cash flow from financing activities Cash outflow from financing activities totalling €27.3 million (previous year: €15.7 million) resulted 94% from the balance of repayments and borrowing of liabilities to banks totalling €25.6 million (previous year: €14.9 million). A further €0.8 million (previous year: €0.1 million) or 3% stemmed from the pay-out to minority shareholders exiting on the back of the termination. The dividend for the financial year 2012 of €0.9 million represented 3% of the cash flow from financing activities.

Net asset position

Immovable assets of the Fair Value Group totalled €311.9 million on the balance sheet date. This represented a fall over the previous year of €54.6 million or 15% of the adjusted figure of €366.5 million reported in the previous year. The fall was around 76% due to property sales and/or from the termination of a limited partner interest. 24% of the decrease came from reductions in value in the portfolio. Equity pursuant to Section 15 of the REIT Act came in at around €146.3 million, which is equivalent to 46.9% of immovable assets (previous year based on the accounting method before the change to the scope of consolidation as part of the first-time adoption of IFRS 10: 52.6%).

The market value of the Group's properties is determined once a year by independent experts using the discounted cash flow method. Further information on the method of property valuation is available in Note 2a as well as Note 6 of the consolidated notes.

| Assets | 12/31/2013 | | 12/31/2012 ¹⁾ | | Change | |
|---------------------------------------|----------------|------------|--------------------------|------------|-----------------|-------------|
| | [€ thousand] | [%] | [€ thousand] | [%] | [€ thousand] | [%] |
| in T€ | | | | | | |
| Total non-current assets | 292,510 | 85 | 366,671 | 95 | (74,161) | (20) |
| Total current assets | 33,771 | 10 | 18,411 | 5 | 15,360 | 83 |
| Non-current assets available for sale | 19,585 | 5 | – | – | 19,585 | n/a |
| Total assets | 345,866 | 100 | 385,082 | 100 | (39,216) | (10) |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

Compared to the previous year, total assets were reduced mainly on the back of the disposal of eleven sold properties as well as the repayment of liabilities to banks by 10% from €385.1 million to €345.9 million.

Non-current assets amounted to €292.5 million and represented 85% of assets overall (adjusted previous year figure: €366.7 million or 95%). Investment properties accounted for almost 100% or €292.3 million of this item (adjusted previous year figure: 97% or €355.9 million).

Current assets of €33.8 million (adjusted previous year figure: €18.4 million) contained €17.4 million or around 51% cash and cash equivalents. Receivables and other assets accounted for another €13.9 million (41%). In this category, the largest item was the receivable of the compensation by the limited partnership BBV09 totalling €11.6 million. It also contains the purchase price claim for the property in Kaltenkirchen sold at the turn of the year (€2.0 million), which was settled in January 2014.

Non-current assets available for sale include three properties in Erlangen, Hannover and Henstedt-Ulzburg. The two latter properties were transferred to the buyer on February 1, 2014 following payment of the sale price. The transfer of part of the purchase price for the Erlangen property to an account maintained by the notary took place as planned. After formal approval of the sale by the legal representative of the subsidiary, the economic transfer of ownership, risks and benefits took place as of January 1, 2014; since then, the existing financial liabilities of the subsidiary are interest- and repayment-free. The assumption of legal ownership requires the prior entry of all shareholders of the subsidiary into the land register.

| Equity and liabilities | 12/31/2013 | | 12/31/2012 ¹⁾ | | Change | |
|---|----------------|------------|--------------------------|------------|-----------------|-------------|
| | [€ thousand] | [%] | [€ thousand] | [%] | [€ thousand] | [%] |
| in € thousand | | | | | | |
| Equity parent company | 80,673 | 23 | 80,421 | 21 | 252 | 0 |
| Minority interests | 65,642 | 19 | 73,559 | 19 | (7,917) | (11) |
| Financial liabilities, derivatives, other liabilities | 128,672 | 37 | 170,017 | 44 | (41,345) | (24) |
| Total non-current liabilities | 194,314 | 56 | 243,576 | 63 | (49,262) | (20) |
| Total current liabilities | 70,879 | 21 | 61,085 | 16 | 9,794 | 16 |
| Total liabilities | 265,193 | 77 | 304,661 | 79 | (39,468) | (13) |
| Of which are financial liabilities | 191,181 | 72 | 216,732 | 71 | (25,551) | (12) |
| Total equity and liabilities | 345,866 | 100 | 385,082 | 100 | (39,216) | (10) |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

As of balance sheet date, 23% (adjusted previous year figure: 21%) of assets were financed by equity attributable to shareholders of the parent company and 77% (adjusted previous year figure: 79%) by debt. It should be noted that minority interests in subsidiaries in the amount of €65.6 million (adjusted previous year figure: €73.6 million) are reported as liabilities in accordance with IFRS. As part of the calculation

of the minimum equity ratio for compliance with the REIT Act, interests in subsidiaries included in the consolidated financial statements not belonging to the parent company and reported as financial liabilities are treated as equity. The corresponding Group equity increased to €146.3 million or 42% of total assets (adjusted previous year figure: €154.0 million or 40%).

The financial liabilities of the Group totalled €191.2 million or 55% of total assets (adjusted previous year figure: €216.7 million or 56%). As of December 31, 2013, 34% or €64.6 million of this total (adjusted previous year figure: 26% or €55.9 million) was due within one year. The decrease in financial liabilities by €25.6 million or 12% compared to the previous year was attributable in part to (unscheduled) repayments in connection with the sale of properties.

Equity ratio pursuant to Section 15 of the REIT Act When calculating the equity ratio according to Section 15 of the REIT Act, the total of the equity attributable to shareholders of the parent company and minority interests in subsidiaries is divided by immovable assets.

Immovable assets are composed of the market value of investment properties (which also include the market value of real estate held for sale) and the net asset value of shares in associated companies, if applicable.

Taking into account the disposal of eleven properties and the valuation result resulting from the market valuation of the property portfolio and the cancelled limited partner interest in BBV09, immovable assets fell year-on-year by €54.5 million or 15% from the adjusted previous year figure of €366.5 million to €312.0 million. At the same time, nominal REIT equity increased by just €7.7 million to €146.3 million. Therefore the REIT equity ratio is 46.9%. As a result, this figure is above the statutory minimum rate of 45.0% of immovable assets.

The declared and certified previous year figure of 52.6% of immovable assets as of December 31, 2012 determined based on the accounting method before the change to the scope of consolidation as part of the first-time adoption of IFRS 10 from December 31, 2012, does not require an adjustment to 42.0% which would be applicable under the new accounting method. Fair Value Group therefore also substantially exceeded the key REIT equity ratio of 45.0% in the previous year.

| Determination of the equity ratio pursuant to Section 15 of the REIT Act | | | | |
|---|-------------------|--------------|--------------------------------|--------------------------|
| | 12/31/2013 | | 12/31/2012¹⁾ | |
| in € thousand | [€ thousand] | [%] | [€ thousand] | [%] |
| Investment properties incl. assets under construction | 292,389 | | 355,872 | |
| Interests in associated companies | – | | 10,646 | |
| Non-current assets available for sale | 19,585 | | – | |
| Immovable assets | 311,974 | 100.0 | 366,518 | 100 |
| Equity | 80,673 | | 80,421 | |
| Minority interests | 65,642 | | 73,559 | |
| Equity according to Section 15 of the REIT Act | 146,315 | 46.9 | 153,980 | 42.0²⁾ |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

²⁾ Previous year figure of 52.6 % calculated according to the previous accounting method does not require retroactive adjustment

Equity/net asset value (NAV) per share The net asset value ("NAV"), calculated as the total of the market values of the properties after taking into account other balance sheet items, amounted to €80.7 million (previous year adjusted figure: €80.4 million) as of December 31, 2013.

Net asset value is a key indicator for the valuation of real estate companies. Based on 9,325,572 shares in circulation as of the balance sheet date, the NAV per share was €8.65, compared to €8.62 in the previous year (adjusted figure).

| Balance sheet NAV | | |
|--|---------------|--------------------------|
| in € thousand | 2013 | 2012¹⁾ |
| Market value of properties (incl. properties available for sale) | 311,974 | 355,872 |
| Equity-accounted participations | – | 10,646 |
| Miscellaneous assets minus miscellaneous liabilities | 29,224 | 7,388 |
| Minority interests | (65,642) | (73,559) |
| Financial liabilities | (191,181) | (216,732) |
| Other liabilities | (3,702) | (3,194) |
| Net asset value | 80,673 | 80,421 |
| Net asset value per share | 8.65 | 8.62 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

EPRA-NAV per share The "Best Practice Recommendations" of the European Public Real Estate Association (EPRA) are accepted guidelines which complement the IFRS reporting of real estate companies and provide guidance on a transparent net asset value calculation. The EPRA-NAV indicator shown below has been calculated using this guideline. As deferred taxes are not relevant to Fair Value REIT-AG due to its REIT status, the EPRA-NAV figure also corresponds with the NNAV indicator used by some experts.

| EPRA-NAV | | |
|---|-------------------|--------------------------------|
| in € thousand | 12/31/2013 | 12/31/2012¹⁾ |
| NAV pursuant to the consolidated balance sheet | 80,673 | 80,421 |
| Market value of derivative financial instruments | 2,089 | 9,111 |
| Of which due to minority interests | (161) | (1,514) |
| Market value of derivative financial instruments of equity-accounted participations (proportionate) | – | 1,301 |
| EPRA-NAV | 82,601 | 89,319 |
| EPRA-NAV per share | 8.86 | 9.58 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

Supplementary Report

As of January 28, 2014, Fair Value REIT-AG reduced the remaining notional amount of the interest swap of €10.0 million by €5.0 million following the payment of a cancellation fee of around €0.9 million including accrued interest.

The directly-owned property in Henstedt-Ulzburg was sold to private investors for a sale price of €1.1 million. The transfer of ownership, risks and benefits took place on February 1, 2014 after the payment of the sale price into an account maintained by the notary. €0.7 million of the sale price was used for repaying financial liabilities.

The shareholder meeting of the subsidiary BBV06 in January 2014 approved the sale of the hotel property to a company belonging to the hotel operator for a sale price of €17.0 million. The transfer of ownership, risks and benefits took place on February 1, 2014 after the payment of the sale price into an account maintained by the notary. The sale price was used in full to repay liabilities to banks at the subsidiary.

On March 14, 2014, the subsidiary BBV03 sold the property in Weyhe-Leeste for €2.86 million to local private investors. The transfer of ownership, risks and benefits will take place on May 1, 2014 after the payment of the sale price into an account maintained by the notary. On the back of the absence of liabilities to banks, the sale price initially increases Group liquidity and will thereafter be paid out to shareholders. The pay-out entitled to minority shareholders totals €1.3 million.

Forecast

Economic Situation and Industry Outlook The German economy is anticipated to substantially gain momentum in 2014. The office and retail markets are likely to record stable development. The German investment market could also gain momentum given higher demand and improved financing conditions.

Macroeconomic situation

The forecasts of economic research institutes, the Federal Government and the Federal Bank almost all anticipate growth for the German economy of between 1.7% and 1.8% in 2014, which represents substantial progress compared to the development in the past two years.

In its annual economic report 2014, the German Federal Government expects that the growth impulses in the current financial year will mainly stem from domestic demand. The report anticipates further increases in employment and rising wages. Moreover, it expects increased equipment investments from German companies as well as resultant increased imports, and anticipates a reduced trade balance surplus overall. Company profits are also expected to rise and no inflationary tensions are anticipated to materialise.

Rental markets

According to analyst estimates, the office rental market will mostly record rising space turnover in 2014. As part of this, the anticipated new build volume will increase by 32% to around 1.2 million m². This space is however already around 60% pre-leased. Due to the continued demand for high-quality space in central locations, top rents will continue to moderately rise by around 1% in 2014.

The positive outlook in 2014 for economy, employment, real wages and consumption will also have a positive impact on retail turnover. This will result in at least stable, but more likely slightly increasing rental price development.

Investment market

The investment market for commercial real estate in Germany is likely to record at least stable transaction volumes overall in 2014. The interest of investors in German commercial real estate will therefore remain high. At the same time, interest rates will also remain low in 2014. Although the requirements for lenders still remain high with regards to equity backing, a slight increase in the loan-to-value ratio can already be observed. Moreover, the pressure on the margins of lenders is increasing through the increased competition. This environment could result in even greater momentum in the German investment market in 2014.

Sources: German Federal Bank, Federal Ministry for Economy and Energy, BDA, Jones Lang LaSalle, BNP Paribas Real Estate

Anticipated Income Position of the Group

Income position and earnings outlook for the Group in 2014 and 2015

The following forecasts for the financial years 2014 and 2015 are based on the property-based forecast for income and expenses of directly and indirectly-held Group real estate.

If income cannot be derived from contractual rent for the full year, rental space-specific assumptions for the probability of contract extensions and vacancy periods have been made. The same applies for the likely rental costs contained in real estate-related operating expenses. The planned maintenance expenses are largely based on specifically planned measures or otherwise on flat-rate empirical figures. The operating costs of the real estate were carried forward on an indexed basis based on the previous year figures.

Taking into account the wide range of portfolio effects resulting from a large amount of properties, the planned property-related expenses for maintenance and rental were based on empirical values, corrected with a respective flat-rate deduction of 25% recognised in profit or loss.

Possible one-off effects from market valuations were not taken into account. With the exception of the real estate in Henstedt-Ulzburg (directly-held) and Hannover (associated company BBV06) already disposed on February 1, 2014, the figures are based on an assumed unchanged real estate portfolio.

| EPRA-Earnings/FFO forecast | | | |
|---|-------------|-------------|-------------|
| | Actual | Forecast | |
| in € million | 2013 | 2014 | 2015 |
| Net sales | 36.4 | 30.5 | 31.4 |
| Real estate-related expenses | (13.3) | (12.7) | (12.5) |
| Net rental income | 23.1 | 17.8 | 18.9 |
| General administrative expenses/Other | (3.3) | (2.7) | (2.6) |
| Operating result | 19.8 | 15.1 | 16.3 |
| Income from participations | 1.6 | – | – |
| Net interest expenses | (8.8) | (5.0) | (4.5) |
| Income before minority interests | 12.6 | 10.1 | 11.8 |
| Minority interests in the result | (6.2) | (5.0) | (6.1) |
| EPRA-Earnings/FFO | 6.4 | 5.1 | 5.7 |
| EPRA-Earnings/FFO per share | 0.69 | 0.55 | 0.61 |

Mainly due to the property sales made since the start of 2013, but also due to the temporary vacancies, net sales will likely fall in 2014 by around 16% to €30.5 million. In the following year, net sales will rise as planned by 3% to €31.4 million.

Real estate-related expenses will fall year-on-year in 2014 by around 5% to €12.7 million after the €13.3 million recorded in the reporting year. For 2015, a further fall of 2% to €12.5 million is expected. General administrative expenses include the costs on AG-level and company-related expenses of the subsidiaries. They are partially variable and will fall to €2.7 million in 2014 due to the sales-related reduced assessment base, and will therefore be down around 18% on the €3.3 million recorded in the year under review. For 2015, a further decrease of 4% to €2.6 million is expected.

Based on these figures, the Management Board is anticipating an adjusted operating result of €15.1 million for 2014, down 24% on the year under review. For 2015, an increase of 8% to €16.3 million is once again expected.

In contrast, adjusted net interest expenses are expected to fall by 43% to €5.0 million in 2014 due to repayments and lower interest rates, with this item set to decrease by a further 10% to €4.5 million in 2015, although the actual future development depends on further interest rate development.

The fall in income will be partially offset by the substantial savings in net interest expenses. Earnings before minority shares in 2014 are therefore expected to total €10.5 million in 2014, with this amount rising 12% to €11.8 million in 2015.

After taking into account minority interests in subsidiaries, adjusted consolidated net income (EPRA-Earnings or FFO) is expected to reach €5.1 million or €0.55 per share in 2014. The Management Board is expecting FFO of €5.7 million or €0.61 per share in 2015.

The Management Board is planning dividend pay-outs for 2014 and 2015 of 45% respectively of the FFO anticipated on Group level. This represents a dividend of €0.25 per currently issued share for 2014 and €0.28 per share for 2015.

Anticipated Financial Position of the Group

The Management Board expects the Group's liquidity to rise by almost 10% from €17.4 million to around €19.0 million.

Liabilities to banks will be reduced with scheduled repayments and (already executed) sales-related unscheduled repayments by around €24.4 million or 13% to around €166.8 million.

At the same time, given assumed unchanged equity pursuant to Section 15 of the REIT Act, the REIT equity ratio will rise to around 50% of immovable assets as of December 31, 2014.

Opportunities and overall Statement of the Management on the Expected Development of the Group

The forecast economic development for Germany offers stable framework conditions overall for the real estate industry and therefore also for the Fair Value Group. This should continue to have a positive impact on demand for space and thus new lettings and re-lettings.

The demand for real estate investments remains high and is likely to extend to properties at secondary locations in 2014. This supports the aim of the Fair Value Group to optimise its directly-held and participation portfolio with further restructuring.

Overall, the Management Board considers the conditions in the real estate sector to be good for earnings to develop as planned.

Risk Report

Risk Management System

Objectives, Principles and Methods of Risk Management

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

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

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

The Management Board believes that no material risks for the Group exist which are not identified by risk management and which can be fundamentally avoided.

Key features of the internal control and risk management system with respect to the Group's accounting pursuant to § 289 Paragraph 5 of the HGB

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

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

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

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

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

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

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

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

Other risk management systems **Risk identification** In an effort to identify developments involving risks as early as possible, Fair Value continuously monitors macroeconomic and industry-specific developments in the real estate and financial sectors as well as the processes in the Fair Value Group.

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

Risk control An essential part of risk control is the aforementioned reporting, which forms a basis for the definition, evaluation and documentation of individual risks. The assessment of the individual risks is recorded in the risk inventory. The risk inventory is the basis for risk control decisions and shows the overall risk exposure of the Fair Value Group.

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

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

Individual Risks

Economic and Industry Risks

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

Corporate Strategy Risks

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

Operating Performance Risks

Leasing There are risks related to possible rent reductions, loss of rent and vacancies. In addition, it may not always be possible to implement index-related rent increases in full, immediately, or at all. In extreme cases, rents may also fall as a result of being index-linked. An overall negative deviation in rental income of 5% from the contracted amount would likely result in a fall in consolidated net income of around €0.7 million.

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

Valuation The value development of directly and indirectly held properties affects the corporate value of Fair Value REIT-AG both directly and indirectly. The valuation result as the difference between valuation losses and valuation gains has an impact on the Company's assets, balance sheet structure and financing terms (see financial liabilities). A universal change in the discount and capitalisation interest rates as part of the market valuation of the real estate portfolio by 25 bp upwards or downwards would lead to a roughly 3.6% fluctuation downwards or a 3.9% fluctuation upwards in the market valuation proportionate to Fair Value as of December 31, 2013.

As a result, this would reduce consolidated net income by around €5.4 million or improve it by €6.0 million.

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

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

Litigation There is a risk that Fair Value may get involved in legal disputes with tenants, property buyers and sellers, shareholders or partners in property funds.

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

Information Technology Risks The IT-systems of Fair Value REIT-AG and its service providers can irretrievably lose important data or experience unauthorized outside network access, both of which can provide costs and result in financial damage.

Financial Risks

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

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

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

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

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

Liquidity The liquidity of Fair Value REIT-AG is different from the liquidity ratio of the Fair Value Group. It is dependent on regular income from properties held directly as well as inflows from subsidiaries and associated companies less property management, administration and financing costs as well as amortisation and depreciation. There is a risk that the Company does not have sufficient liquidity available to it to fulfil the on-going obligations up to the pay-out of the legally prescribed minimum dividend at every point during the year.

The cash and cash equivalents of the AG existing on the balance sheet date, the planned cash flow for 2014 as well as the not yet exhausted credit framework are sufficient for the current requirements of on-going business activities and the payment of the proposed dividend.

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

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

There is also a general interest rate risk. In addition to the interest rate risk, there is the risk of increasing bank refinancing costs ("funding costs") and therefore rising bank margins. A 1% increase in the overall interest for the financial liabilities existing on December 31, 2013 within the Group and at the associated companies would result in around a €1.0 million reduction in consolidated net income.

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

Risks from the use of hedging instruments In 2008, Fair Value REIT-AG concluded an interest rate swap to limit risks relating to interest rate changes. A fixed interest rate of 4.94% p.a. was agreed for a period up to June 29, 2018 for an interest payment at the 3-month EURIBOR rate. As of the balance sheet date, a notional amount of €10.0 million with a negative market value of around €1.8 million was under contract. Due to the discontinuation of the valuation unit with the underlying loan, this amount was reported as interest expense in profit or loss. There is the risk that a negative interest structure could cause the negative market value to rise and impact consolidated net income.

Other Risks

Legal and tax environment

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

Regulatory risks

The German Capital Investment Code (Kapitalanlagegesetzbuch – KAGB), which entered into force on July 22, 2013, subjects all types of investment funds and their administrators to financial supervision. Capital management companies are subject to specific requirements in connection with their capital, organisation and code of conduct, and require written authorisation from BaFin by July 21, 2014 at the latest.

The classification as an investment fund requires prerequisites, including the investment of the collected capital according to a fixed investment strategy. The prerequisite for submitting a fixed investment strategy is the exact written stipulation of criteria for the investment of the capital in a scope which goes above and beyond general corporate strategy, as well as the corresponding limitation to the range for activity of the management.

In the company's view, the company does not pursue a fixed investment strategy which the Management Board has to deliver on for shareholders and which the latter could enforce. The company is therefore of the opinion that neither itself nor its participations qualify as investment assets.

Nevertheless, the risk exists that BaFin or a court could represent the opposite opinion. In this case, the company would have to take organisational precautions to fulfil the regulations of the KAGB. This would result in increased internal administration expenses and additional costs for external service providers which are incurred on a one-off and ongoing basis, including in connection with the required legal advice, approval costs and the integration of a depositary as a custodian. The Management Board estimates that the ongoing additional internal expenses would be at least €200 thousand per year. No empirical values are available for estimating the additional external expenses.

Risks for REIT-AG's

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

Risks Related to the REIT Status

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

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

Overall Assessment of the Company's Risk situation

Assessment of the risk situation by the Management Board

In order to assess the risk situation of the Fair Value Group, a probability rate of 50% was applied to the individual budgets which already contain risk precautions, e.g. rent default or vacancy, which underlie the forecast, as well as the determined market value of the properties as the default value. Negative deviations from the default value were determined with a probability rate of 30% (low deviation) and 20% (higher deviation).

To determine the rental risks, the planned property income per company was generally reduced by a further 1% or 3% for properties in the direct portfolio and 2.5% or 5% subsidiaries; only at subsidiary BBV 10 was a deduction of 5% or 10% of planned income applied to all subsidiary properties given the follow-up rental task relating to the DIY stores formerly leased by Praktiker AG.

To determine the valuation risks, a deduction of 2.5% or 5% for properties in the direct portfolio and 5% or 10% at subsidiaries was applied to the market values determined by an expert as of December 31, 2013.

Countermeasures for the weighted gross risks were not factored into the calculation; they therefore also represent the net risks. The maximum risk was determined using the checksum of all measured risks with a maximum deviation from the default value with a probability of occurrence of 100%.

The maximum risks totalled around €18.3 million using this approach after deducting minority interests. Of this amount, €13.7 million or 75% are non-cash valuation risks and around €2.0 million or roughly 11% relate to the risk that the Group's liability at a subsidiary is reactivated, which would however only come into force in the case that this company becomes insolvent.

The weighted net risks totalled €5.8 million; 83% or €4.8 million of these are non-cash valuation risks. The net risks affecting cash of the Fair Value Group are therefore estimated at a total of €1.0 million.

Overall, the Management Board therefore does not expect any risks to materialise in 2014 that could pose a threat to the continued existence of Fair Value REIT-AG.

Company Rating

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

Opportunities

The assumptions made for income and expenses underlying the planning could prove to be too conservative given the upbeat economic situation in Germany as well as property and location-specific aspects. This could lead to an improvement in net income compared to the forecast.

Thanks to the changes made to the portfolio during the past financial year, Fair Value Group has given itself room for manoeuvre which as a result could be used for a sustained increase in the dividend pay-out not only for 2013 but also for the following years.

Parallel to that, the early adoption of IFRS standard 10 with the full consolidation of all participations as of December 31, 2013 and the corresponding reduction in the complexity and the more transparent presentation of net assets, financial and income position of the Fair Value Group should increase the interest of the capital market in Fair Value.

The Management Board therefore sees the opportunity that on the back of these changes the interest of investors in the Fair Value share will rise and the sustained share price level will continue to near the net asset value of the share.

This would be a key prerequisite for a possible capital increase for financing income and value-boosting new investments.

Remuneration Report

Management Board

During the term of the valid employment contract (October 2012 to September 2016), the remuneration of the Management Board is made up of a basic remuneration of €220,000 p.a. plus fringe benefits (primarily a pension contribution totalling 10% of the basic remuneration and the provision of a car in the price class up to €50,000 net for both corporate and private use) as well as three variable remuneration components.

The variable remuneration components consist of

- a) A dividend-based remuneration of 4% of the Company's distributed dividend. The variable remuneration is paid subject to the discount of the share price in Xetra trading on the Frankfurt stock exchange at the consolidated balance sheet NAV either in cash or in virtual shares in Fair Value REIT-AG. The variable remuneration will be paid in virtual shares and not in cash to the amount of the percentage discount. The virtual shares can be exchanged for cash, no sooner than two years after they have been granted, at the price then valid in XETRA trading.
- b) An additional cash bonus totalling 10% of the annual savings on Company administration costs achieved is also paid. The basis for this calculation is the administration costs for the financial year 2011 for the first contractual year (October 2012 to October 2013). For the following year, the reference amount is always corrected by the percentage change of the NAV, although
- c) the maximum total amount of the bonuses after a) and b) is 100% of the fixed annual salary including specific fringe benefits (use of a company car and pension contributions).
- d) Moreover, a bonus totalling 0.2% of the positive change in the market capitalisation of the Company. The calculation of the compensation entitlement from these long-term components is made after four years by comparing the market capitalisation of the Company on October 1, 2012, and September 30, 2016. If the employee in question leaves the Management Board earlier than planned, the calculation and pay-out is made at the termination of the contract. The amount of this bonus component is limited to the annual basic compensation without fringe benefits plus the annual average of the variable compensation according to a) and b) when it is calculated.

Supervisory Board

Remuneration paid to members of the Supervisory Board consists of a fixed remuneration of €5,000 p.a. and a performance-related remuneration of €1 per €1,000 paid dividend upon payment of dividends. The variable part is limited to five times the fixed part of the remuneration. The Chairman and Vice-chairman receive double and one and a half times, respectively, of the fixed and variable remuneration of an ordinary member of the Supervisory Board.

Total remuneration payable to the Management Board and Supervisor Board according to § 314 (1) no. 6 HGB, is reflected in Note 32.

Other Information Pursuant to Section § 315 Paragraph 4 HGB

Composition of the share capital, voting rights and privileges

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

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

Holdings of 10 % or more of the voting rights

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

On the balance sheet date, no shareholder directly held 10% or more of the voting rights. Indirectly, the voting rights held by UniCredito Italiano S.p.A. in Milan, Bayerischen Hypothekendarlehenbank 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 totalled 32.41% and those held by H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG in Ebersberg amounted to a total of 30.46%. In addition, IC Immobilien Holding AG in Unterschleißheim held direct and indirect voting rights of 18.09%. Under § 11 Paragraph 4 of the REIT Act, an indirect holding may exceed the maximum participation limit.

Authorisation of the Management Board to buy back and issue new shares

Authorised capital The Company does not currently have authorised capital.

Conditional capital The Company does not currently have conditional capital.

Share buy-back programme

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

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

Amendments to the Articles of Association

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

Appointment and dismissal of Management Board members

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

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

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

Munich, March 24, 2014

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

| | |
|----|-----------------------------------|
| 52 | Consolidated Balance Sheet |
| 53 | Income Statement |
| 54 | Statement of Comprehensive Income |
| 54 | Statement of Changes in Equity |
| 55 | Cash Flow Statement |
| 57 | Notes |

| | |
|-----|-------------------------------------|
| 113 | Declaration by Legal Representative |
| 114 | Auditor's Opinion |

Consolidated Balance Sheet

| Consolidated balance sheet | | | | |
|---|----------|----------------|--------------------------|------------------------|
| in € thousand | Note no. | 12/31/2013 | 12/31/2012 ¹⁾ | 1/1/2012 ¹⁾ |
| Assets | | | | |
| Non-current assets | | | | |
| Intangible assets | (5) | 106 | 143 | 180 |
| Property, plant and equipment | (5) | 97 | 4 | 6 |
| Investment property | (6) | 292,297 | 355,872 | 367,684 |
| Equity-accounted investments | (7) | – | 10,646 | 11,758 |
| Other receivables and assets | (8) | 10 | 6 | 17 |
| Total non-current assets | | 292,510 | 366,671 | 379,645 |
| Current assets | | | | |
| Trade receivables | (10) | 2,491 | 2,415 | 2,341 |
| Income tax receivables | (11) | 27 | 83 | 75 |
| Other receivables and assets | (12) | 13,892 | 1,731 | 872 |
| Cash and cash equivalents | (13) | 17,361 | 14,182 | 18,768 |
| Total current assets | | 33,771 | 18,411 | 22,056 |
| Non-current assets available for sale | (9) | 19,585 | – | 1,100 |
| Total assets | | 345,866 | 385,082 | 402,801 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Subscribed capital | (14) | 47,034 | 47,034 | 47,034 |
| Share premium | | 46,167 | 46,167 | 46,167 |
| Reserve for changes in value | | – | (6,411) | (6,480) |
| Balance sheet loss | | (12,130) | (5,971) | (5,047) |
| Treasury shares | | (398) | (398) | (398) |
| Total equity | | 80,673 | 80,421 | 81,276 |
| Non-current liabilities | | | | |
| Minority interests | (15) | 65,642 | 73,559 | 75,658 |
| Financial liabilities | (16) | 126,583 | 160,816 | 171,167 |
| Derivative financial instruments | (17) | 2,089 | 9,111 | 9,582 |
| Other liabilities | (18) | – | 90 | 35 |
| Total non-current liabilities | | 194,314 | 243,576 | 256,442 |
| Current liabilities | | | | |
| Provisions | (19) | 429 | 364 | 347 |
| Financial liabilities | (16) | 64,598 | 55,916 | 60,467 |
| Trade payables | | 2,150 | 1,701 | 1,951 |
| Other liabilities | (18) | 3,702 | 3,104 | 2,318 |
| Total current liabilities | | 70,879 | 61,085 | 65,083 |
| Total shareholders' equity and liabilities | | 345,866 | 385,082 | 402,801 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

Income Statement

Consolidated income statement

| in € thousand | Note no. | 2013 | 2012 ¹⁾ |
|---|----------|-----------------|--------------------|
| Rental income | | 29,637 | 31,487 |
| Income from operating and incidental costs | | 6,790 | 5,341 |
| Leasehold payments | | (7) | (7) |
| Real estate-related operating expenses | | (13,327) | (11,523) |
| Net rental income | (22) | 23,093 | 25,298 |
| General administrative expenses | (23) | (3,287) | (3,482) |
| Other operating income | | 470 | 248 |
| Other operating expenses | | (498) | (449) |
| Total other operating income and expenses | (24) | (28) | (201) |
| Income from the disposal of investment properties | | 29,932 | 5,211 |
| Expenses in connection with the disposal of investment properties | | (30,661) | (5,160) |
| Result from sale of investment properties | (25) | (729) | 51 |
| Valuation gains | | 847 | 5,184 |
| Valuation losses | | (14,884) | (14,902) |
| Valuation result | (26) | (14,037) | (9,718) |
| Operating result | | 5,012 | 11,948 |
| Result from equity-accounted investments | (7) | 1,504 | (592) |
| Interest income | | 96 | 138 |
| Interest expense | (27) | (12,786) | (11,081) |
| Minority interests in the result | (15) | 947 | (591) |
| Financial result | | (11,743) | (11,534) |
| Net loss | | (5,227) | (178) |
| Earnings per share in € (basic/diluted) | (29) | (0.56) | (0.02) |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

Statement of Comprehensive Income

Statement of Changes in Equity

| Consolidated statement of comprehensive income | | | |
|---|----------|----------------|--------------------|
| in € thousand | Note no. | 2013 | 2012 ¹⁾ |
| Net loss | | (5,227) | (178) |
| Other results | | | |
| Change in cash flow hedges | (17) | 6,411 | 69 |
| Total other results | | 6,411 | 69 |
| Comprehensive income | | 1,184 | (109) |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

No amounts from other income are to be reclassified to the income statement in future periods.

| Statement of changes in consolidated equity | | | | | | | | |
|--|----------|--------------------------------------|--------------------|---------------|------------------------------|------------------------------|--------------|---------------|
| in € thousand except for circulating shares | Note no. | Shares in circulation [in pieces] | Subscribed capital | Share premium | Reserve for changes in value | Reserve for changes in value | Own shares | Total |
| Balance at January 1, 2012¹⁾ | (14) | 9,325,572 | 47,034 | 46,167 | (6,480) | (5,047) | (398) | 81,276 |
| Distribution of dividends | | – | – | – | – | (746) | – | (746) |
| Net loss | | – | – | – | – | (178) | – | (178) |
| Other results | | – | – | – | 69 | – | – | 69 |
| Balance at December 31, 2012¹⁾ | | 9,325,572 | 47,034 | 46,167 | (6,411) | (5,971) | (398) | 80,421 |
| Distribution of dividends | | – | – | – | – | (932) | – | (932) |
| Net loss | | – | – | – | – | (5,227) | – | (5,227) |
| Other results | | – | – | – | 6,411 | – | – | 6,411 |
| Balance at December 31, 2013 | | 9,325,572 | 47,034 | 46,167 | – | (12,130) | (398) | 80,673 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

In the past financial year, a dividend of €0.10 per share was paid out for the previous financial year.

In the year before that, the dividend totalled €0.08 per share.

Cash Flow Statement

| Consolidated cash flow statement | | | |
|--|----------|-----------------|--------------------|
| in € thousand | Note no. | 2013 | 2012 ¹⁾ |
| Net loss | | (5,227) | (178) |
| Adjustments to consolidated earnings for reconciliation to cash flow from operating activities | | | |
| Income tax expenses/(income) | (11) | 56 | (8) |
| Interest expenses | | 12,786 | 11,081 |
| Interest income | | (96) | (138) |
| Amortization of intangible assets and depreciation of property, plant and equipment | (5) | 37 | 39 |
| (Profits)/losses from the disposal of investment properties | (25) | 729 | (51) |
| Income from the disposal of participations | | (360) | (46) |
| Valuation result | (26) | 14,037 | 9,718 |
| Income from equity-accounted investments | (7) | (1,134) | 592 |
| Withdrawals from equity-accounted investments | (7) | 511 | 515 |
| Loss/(profit) for minority interests | (15) | (947) | 591 |
| Disbursement to minority interests | (15) | (4,786) | (3,222) |
| Result from the valuation of derivative financial instruments | (17) | 18 | 240 |
| Interest paid | (27) | (11,994) | (10,216) |
| Interest received | (27) | 96 | 138 |
| Changes in assets, equity and liabilities | | | |
| (Increase)/decrease in trade receivables | (10) | (596) | (410) |
| (Increase)/decrease in other liabilities | (8) | (536) | (848) |
| (Decrease)/increase in provisions | (19) | 65 | 17 |
| (Decrease)/increase in trade payables | | 449 | (250) |
| (Decrease)/increase in other liabilities | (18) | (284) | (79) |
| noncash relevant additions and disposals | | (1,468) | 336 |
| Cash flow from operating activities | | 1,356 | 7,821 |
| Investments in investment properties | (6) | (800) | (1,730) |
| Net income from the disposal of investment properties | (6) | 29,932 | 5,026 |
| Payments for purchase of non-current assets | (5) | (1) | – |
| Cash flow from investment activities | | 29,131 | 3,296 |
| Disbursements of exiting minority interests | (15) | (825) | (55) |
| Receipts from financial liabilities | (16) | 2,004 | 4,996 |
| Repayment of financial liabilities | (16) | (27,555) | (19,898) |
| Distribution of dividends | (14) | (932) | (746) |
| Cash flow from financing activities | | (27,308) | (15,703) |
| Cash effective change of liquid funds | (13) | 3,179 | (4,586) |
| Cash and cash equivalents – start of period | (13) | 14,182 | 18,768 |
| Cash and cash equivalents – end of period | | 17,361 | 14,182 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

Table of Contents

| | | |
|-----|------|---|
| 57 | (1) | General Information on the Company |
| | | Accounting and Valuation Methods |
| 57 | (2) | Key Accounting, Valuation and Consolidation Methods as well as Presentation of Amendments from Previous Years |
| 57 | (2a) | Key Accounting, Valuation and Consolidation Methods |
| 66 | (2b) | Changes to Accounting Methods |
| 70 | (3) | Estimates and the Use of Discretion as Part of Accounting |
| 70 | (4) | Measuring Fair Value |
| | | Notes to the Balance Sheet |
| 71 | (5) | Intangible Assets and Property, Plant and Equipment |
| 72 | (6) | Investment Property |
| 74 | (7) | Equity-accounted Participations |
| 75 | (8) | Other Assets (non-current) |
| 77 | (9) | Non-current Assets Available for Sale |
| 77 | (10) | Trade Receivables |
| 78 | (11) | Income Tax Receivables |
| 78 | (12) | Other Receivables and Assets |
| 79 | (13) | Cash and Cash Equivalents |
| 79 | (14) | Equity |
| 80 | (15) | Minority Interests |
| 82 | (16) | Financial Liabilities |
| 84 | (17) | Derivative Financial Instruments |
| 85 | (18) | Other Liabilities |
| 86 | (19) | Provisions |
| 86 | (20) | Contingent Liabilities and Pending Litigation |
| 86 | (21) | Leases |
| | | Notes to the Income Statement |
| 87 | (22) | Net Rental Income |
| 87 | (23) | General Administrative Expenses |
| 88 | (24) | Other Operating Income and Expenses |
| 88 | (25) | Earnings from the Sale of Investment Properties |
| 89 | (26) | Valuation Result |
| 89 | (27) | Interest Expenses |
| 89 | (28) | Additional Information Regarding the Consolidated Income Statement |
| 90 | (29) | Earnings per Share |
| | | Other Notes |
| 91 | (30) | Financial Instruments and Financial Risk Management |
| 96 | (31) | Segment Reporting |
| 106 | (32) | Related Parties |
| 112 | (33) | Events Occurring after the Balance Sheet Date |
| 112 | (34) | Declaration Regarding German Corporate Governance Code |
| 112 | (35) | Utilisation of the Option Provided by Section 264 b of the HGB |

Notes

(1) General Information on the Company

The consolidated financial statements of Fair Value REIT-AG for the financial year ending December 31, 2013 were approved for publication on March 24, 2014 following a resolution by company management. Fair Value REIT-AG is a stock company ("Aktiengesellschaft") founded and headquartered in Germany. The company does not have any branch offices. 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. The shares of Fair Value REIT-AG are publicly traded. The registered headquarters of the company are located at Leopoldstr. 244 in 80807 Munich, Germany.

As a real estate investment firm, the company focuses on the acquisition and management of commercial properties in Germany. Investment activities focus in particular on office and retail properties in regional centres. Fair Value REIT-AG invests directly in real estate as well as indirectly in real estate partnerships via the acquisition of participations. Information on the Group structure is presented in Note 2a. Information on other relationships between the Group and related parties are presented in Note 32.

Accounting and Valuation Methods

(2) Key Accounting, Valuation and Consolidation Methods as well as Presentation of Amendments from Previous Years

(2a) Key Accounting, Valuation and Consolidation Methods

Basis of preparation of the financial statements The consolidated financial statements from Fair Value REIT-AG were prepared in accordance with the International Financial Reporting Standards of the International Accounting Standards Board (IASB) while taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the EU.

The consolidated financial statements are generally prepared by applying the cost principle. The exceptions to this are investment properties as well as derivative financial instruments, which were measured at fair value.

The consolidated financial statements have been prepared in euros. Unless otherwise stated, all amounts are provided in thousands of euros (€ thousand). Rounding differences may occur.

Comparable figures The figures from the financial year from January 1 to December 31, 2012 adjusted pursuant to IAS 8 have been used as comparable figures (see Note 2b).

First-time adoption of accounting standards The application of the following standards or interpretations of the stipulations of the European Union was mandatory for the first time in the financial year 2013.

– IFRS 13 Measuring Fair Value

The first-time adoption of IFRS 13 had impacts on mandatory explanatory notes on specific assets and liabilities as well as on a disclosure of fair value hierarchies. There were no material impacts on the measurement of fair value.

The following standards were voluntarily adopted for the first time as of December 31, 2013:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements (revised 2011)
- IAS 28 Investments in Associates and Joint Ventures (revised 2011)

The impacts on the consolidated financial statements are presented in the notes.

Accounting standards not yet applied The following disclosures were endorsed by the EU as of December 31, 2013, but their application is only compulsory from January 1, 2014:

- Amendment to IAS 32 – Offsetting a Financial Asset and a Financial Liability
- IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

No material impacts are anticipated from the first-time adoption of the accounting standards not yet applied.

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

New standards

- IFRS 9 – Financial Instruments: Classification and Measurement
- IFRS 9 – Financial Instruments: Value Adjustments

As part of the IASB project for the comprehensive new regulation of financial instruments, the IASB published the first part of the new regulations IFRS 9 “Financial Instruments” in November 2009, which initially only regulated the classification and measurement of financial assets. According to this, depending on their characteristics and taking into account the business models for managing financial assets, financial assets are to be recognised at either amortised cost or at fair value in profit or loss. Equity instruments are always recognised at fair value, while value fluctuations of equity instruments may be recorded in other income, provided this option was specified on their addition. In October 2010, the IASB published the second part of IFRS 9 with new guidelines governing the classification and measurement of financial liabilities. In particular, the new regulations change the measurement of financial liabilities measured using the so-called “Fair Value Option” in profit or loss. In November 2013, the IASB published additions to IFRS 9 which contained new guidelines for hedge accounting and replaced the corresponding guidelines in IAS 39. These additions meant that the standard contained a new general model for accounting hedge relationships which broadened the scope of eligible underlying transactions and hedging instruments. However, the additions to IFRS 9 also contain the right to select a method – enabling all hedging relationships to be presented according to the existing regulations of IAS 39 or the new guidelines of IFRS 9. Moreover, the IASB postponed the date of mandatory adoption previously contained in IFRS 9 of January 1, 2015. A new first-time adoption date will only be specified when the standard has been completed.

In addition, the IASB has agreed further standards and amendments to standards which are to be applied in future, but which will likely have no impacts on the company.

Principles and scope of consolidation The consolidated financial statements encompass the financial statements of Fair Value REIT-AG and its subsidiaries as of December 31, 2013. Control is said to exist if the Group is subject to risks or has rights to fluctuating returns from its commitment at the participation, and it can use its power over the participation to influence these returns. In particular, the Group controls a participation when, and only when, it has all of the following characteristics:

- a) The power over the participation (i.e. the Group has the opportunity, due to currently existing rights, to control the activities of the participation which have a material influence on its returns),
- b) Being subject to risks or holding rights to fluctuating returns from its commitment at the participation
- c) The ability to use its power over the participation in such a way that this influences the returns of the participation.

Change to accounting due to the first-time adoption of IFRS 10 The Group's associated companies were subject to this examination in line with IFRS 10.7. The associated companies are fund companies whose main business activities relate to the management of commercial real estate in Germany.

The examination of point a) leads to the result that Fair Value REIT-AG is able to realise substantial rights at the fund company by way of a simple majority at the shareholders' meeting, such as regarding the adoption of the financial statements, the amount of the dividend pay-out and the selection of property or fund managers. There is empirical evidence that Fair Value REIT-AG regularly holds substantially more than 50% of the votes submitted at all shareholders' meetings. In the case of transactions as part of property sales, a qualified 66% or 75% majority of voting rights is applied, however these transactions do not represent key operating activities.

The examination of point b) is geared towards whether the investor receives variable returns from its participation in the investee or has the right to receive these (IFRS 10.6). As Fair Value REIT-AG receives ongoing pay-outs which are dependent on ongoing earnings, this prerequisite is indisputably fulfilled. If an investor is said to control a potential subsidiary the investor needs to have the possibility of influencing the amount of variable returns (point b)) with its power (point a)) (IFRS 10.7). Based on the information presented above, we believe it is indisputable that Fair Value REIT-AG is able to use its power to accordingly influence returns from the funds.

After examining the three main prerequisites for the existence of a parent-subsiary relationship, the assumption can be made that the former associated companies BBV 02, BBV 10, BBV 14, IC 12 and IC 15 have to be fully consolidated pursuant to IFRS 10.

The accounting of companies formerly recognised as associated companies in previous years as fully consolidated companies in line with IFRS 10 applies on December 31, 2012. January 1, 2012 represents the opening balance sheet of accounting according to IFRS 10.

The change to the accounting of the affected participations has led to adjustments of specific items in the balance sheet as well as the items of the income statement within the Group. The quantitative impacts on the financial statements as of December 31, 2012 are presented under Note 2b).

The assets and liabilities of the associated companies were taken on by the Group as of the date of acquisition with the proportionate equity.

The scope of consolidation as of December 31, 2013 constitutes the following:

| Voting rights/fixed capital interest in % | 12/31/2013 | 12/31/2012 |
|--|------------|------------|
| GP Value Management GmbH, Munich ("GPVM") | 100.00 | 100.00 |
| BBV 3 Geschäftsführungs-GmbH & Co. KG, Munich ("FV 03") | 100.00 | 100.00 |
| BBV 6 Geschäftsführungs-GmbH & Co. KG, Munich ("FV 06") | 100.00 | 100.00 |
| BBV 9 Geschäftsführungs-GmbH & Co. KG, Munich ("FV 09") | 100.00 | 100.00 |
| BBV 10 Geschäftsführungs-GmbH & Co. KG, Munich ("FV 10") | 100.00 | 100.00 |
| BBV 14 Geschäftsführungs-GmbH & Co. KG, Munich ("FV 14") | 100.00 | 100.00 |
| IC Fonds & Co. Büropark Teltow KG, Munich ("IC 07") | 77.74 | 77.74 |
| IC Fonds & Co. Forum Neuss KG, Munich ("IC 03") | 71.58 | 71.58 |
| BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, Munich ("BBV 06") | 59.72 | 56.69 |
| BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG, Munich ("BBV 03") | 54.10 | 54.10 |
| IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG, Munich ("IC 13") | 50.54 | 50.04 |
| IC Fonds & Co. SchmidtBank-Passage KG, Munich ("IC 12") | 48.86 | 40.95 |
| BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich ("BBV 14") | 45.22 | 45.12 |
| BBV Immobilien-Fonds Erlangen GbR, Munich ("BBV 02") | 41.53 | 41.39 |
| BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich ("BBV 10") | 40.77 | 38.43 |
| IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Munich ("IC 15") | 39.49 | 39.08 |
| BBV Immobilien-Fonds Nr. 9 GmbH & Co. KG, Munich ("BBV 09") | 0.00 | 25.17 |
| IC Fonds & Co. München Karlsfeld KG, Munich ("IC 01") | 0.00 | 56.29 |

The slight changes in individual participation levels are based on other shareholders exiting, on the additional acquisition of participations in the so-called secondary market and on roundings.

In addition, five management limited partnerships ("Geschäftsführungs GmbH & Co. KGs") and one general partner incorporation ("Komplementär GmbH") are consolidated, whose object of business is the acquisition, holding, managing and sale of interests in real estate partnerships.

The assets and liabilities as well as the overall results of both of the largest first-time fully consolidated companies BBV 10 and BBV 14 are outlined in the Note 31 segment reporting. In the past financial year, BBV 14 made two pay-outs totalling €7,914 thousand. The pay-out totalling €5,653 thousand was a one-off pay-out as part of the sale of a property in Berlin.

Methods of consolidation The subsidiaries are included from the day on which the Group obtains control until 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 acquisition. Interests of other shareholders are measured according to the possible payment obligation which would result from a cancellation of the minority shareholders and reported under financial liabilities.

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

Classification as current and non-current The Group structures its assets and liabilities on the balance sheet into current and non-current assets and liabilities. An asset is classified as current if:

- The realisation of the asset is expected within the normal business cycle or the asset is held for sale or consumption within this time period
- The realisation of the asset is expected within twelve months of the reporting date.

All other assets are classified as non-current.

A liability is classified as current if:

- The fulfilment of the liability is expected within the normal business cycle.
- The fulfilment of the liability is expected within twelve months of the reporting date or
- The company does not have unlimited right to postpone the fulfilment of the liability by at least twelve months after the reporting date.

All other liabilities are classified as non-current.

Measuring fair value The Group measures financial instruments and real estate at fair value at every reporting date. The fair values of financial instruments measured at amortised cost are listed in Note 4.

The fair value is the price which would be paid in an orderly business transaction between market participants on the valuation date for the sale of an asset or the transfer of a liability. When measuring fair value, the assumption is made that the business transaction which takes place during the sale of an asset or the transfer of a liability, either takes place on the:

- Main market for the asset or liability or
- The most advantageous market for the asset or liability, if no main market is available.

The Group needs to have access to the main market or the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions which market participants would base the pricing of the asset or liability on. In this context, the assumption is made that the market participants act in their best commercial interests.

When measuring the fair value of a non-financial asset, the ability of the market participant to generate economic benefits through the highest and best use of the asset or through its sale to another market participant, for whom the asset is subjected to highest and best use, is taken into account.

The Group uses valuation techniques which are appropriate to the respective circumstances and for which sufficient data exist for measuring the fair value. As part of this, the use of relevant, observable input factors is to be kept as high as possible and the use of non-observable input factors as low as possible.

All assets and liabilities, for which the fair value is to be determined or reported in the financial statements, are classified in the following fair value hierarchy, based on the input parameter of the lowest level which is significant for the measurement of fair value overall:

- Level 1 – The quoted (non-adjusted) prices in active markets for identical assets or liabilities
- Level 2 – Valuation methods in which the input parameter of the lowest level, which is significant for the measurement at fair value overall, is directly or indirectly observable on the market
- Level 3 – Valuation methods in which the input parameter of the lowest level, which is significant for the measurement at fair value overall, is not observable on the market

In the case of assets or liabilities which are reported in the financial statements on a recurring basis, the Group determines whether reclassifications between the levels of the hierarchy have taken place by examining the classification at the end of every reporting period.

The calculation of fair values of real estate is made using market value assessments which are produced on behalf of Fair Value REIT-AG or on behalf of the legal representatives of the subsidiary or associated company by external independent experts once a year on the balance sheet date.

According to the Practical Statement (PS) 3.2 of the RICS Valuation Standards (6th edition) from the Royal Institution of Chartered Surveyors (RICS), London, the expert appraiser identified the properties' market values as follows:

"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 IFRS and IAS 40 are comparable.

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

The market values of the individual properties are determined using the internationally recognised 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 Immobilienwertermittlungsverordnung (ImmoWertV – German Appraisal Directive), the cash flows are explicitly quantified during the observed period and are not shown as annuity payments.

As the influence of future cash flows falls as a result of the discounting, and as the forecasting uncertainty increases over the observed period, as a rule in the case of real estate investments the stabilised net investment income is capitalised after a ten-year period (detailed observation period) using a growth-implicit minimum interest rate (capitalisation 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 analysed past figures for the property to be valued or for one or several comparable properties.

The appraiser estimates 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, non-allocable incidental costs and capital expenditure expected by the owner, extension and rental costs for initial terms and renewals as well as property and lease-specific 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. In order to fulfil the disclosure requirements for the fair values, the Group has determined groups of assets and liabilities based on their type, characteristics and risks as well as their levels in the fair value hierarchy explained above.

The management of the Group is substantially involved in the process of valuing investment properties, which takes place at least once in every financial year, and it monitors this accordingly. As part of this, the results provided by the independent professional expert are checked for plausibility as part of an initial review and compared with the figures from the previous years. In addition, the valuation results are also scrutinised alongside the internally prepared assumptions made as part of the risk identification process and corresponding deviations and possible causes discussed with the professional expert. The development of the portfolio is also explained as part of regular discussions with the Supervisory Board and the value developments of the property portfolio are therefore continuously monitored.

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

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

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

Liabilities measured at amortised cost are all financial liabilities that are carried at their fair value less transaction costs when they are first recognised. As a rule they are measured at amortised 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 or loss are exclusively derivatives with a negative market value that are not mapped in hedge accounting.

Standard market purchases or sales of financial instruments are accounted on the trade date.

Recognition of income Income is recognised when it is probable that the economic benefits will be received by the Group and the amount of income can be reliably determined, irrespective of the date of payment. Income is measured at the fair value of the consideration received or receivable taking into account contractually stipulated payment terms, with taxes and other charges not being taken into account.

The Group has concluded leasing agreements for the commercial letting of its investment properties. In view of the terms of the agreements, including the fact that the leasing term does not form a significant part of the useful life of the commercial property, the Group has determined that all significant opportunities and risks connected with the ownership of the rented real estate remain with the Group. The Group therefore accounts these agreements as operating leasing contracts. The income from operating leasing contracts is recorded on a straight-line basis over the lease term and reported under net sales based on their operating character.

If a property is sold, the earnings are recognised when the opportunities and risks associated with ownership (ownership, risks and benefits) are transferred to the purchaser.

Intangible assets and property, plant and equipment Intangible assets and property, plant and equipment are reported at cost on initial recognition. In the following periods, they are recognised at cost less accumulated depreciation/amortisation and accumulated impairments, if applicable.

Receivables and other assets Receivables and other assets are initially recognised at fair value and measured using the effective interest method, also taking possible impairments into account. On every reporting date, the Group determines whether there are objective indications of an impairment. An impairment exists if one or several events, which have occurred since the first-time adoption of the receivable (a "loss event"), have had an impact on the anticipated future cash flows which can be reliably estimated. The need for an impairment is analysed on a case-by-case basis for the major customers on every reporting date.

Impairments are recorded under other operating expenses in the income statement.

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 recognised in profit or loss.

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 measured at amortised cost. Profits increase the liability, losses and distributions reduce the liability. The liability carried thus corresponds to the minority interest's computed interest in the net assets of the respective subsidiary carried on the consolidated balance sheet at book values.

As the Group's participations (with the exception of a 100 % participation in a "Geschäftsführungs-GmbH") are restricted to partnerships, there are no non-controlling interests present in the Group that would have to be disclosed in consolidated equity.

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.

Liabilities to banks Liabilities to banks are measured at fair value on initial recognition and subsequently at amortised cost, taking into account the effective interest method. 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 profit or loss with each instalment.

(2b) Changes to Accounting Methods

The Group has applied specific standards and amendments for the first time which require an adjustment to the previous year financial statements. These include IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosures of Interests in Other Entities. Disclosures pursuant to IFRS 12 are presented in the notes.

Due to the first-time adoption of IFRS 10, the former equity-accounted companies BBV 02, BBV 10, BBV 14, IC 12 and IC 15 became subsidiaries which are fully consolidated as part of their inclusion into the Group.

Effect on the balance sheet (increase/decrease) in assets and liabilities

| in T€ | Note no. | 12/31/2012 ¹⁾ | Adjustment | 12/31/2012 | 1/1/2012 ¹⁾ | Adjustment | 1/1/2012 |
|---|----------|--------------------------|-----------------|----------------|------------------------|-----------------|----------------|
| Assets | | | | | | | |
| Equity-accounted investments | (7) | 10,646 | (38,823) | 49,469 | 11,758 | (38,578) | 50,336 |
| Investment Property | (6) | 355,872 | 229,200 | 126,672 | 367,684 | 238,557 | 129,127 |
| Trade receivables | (10) | 2,415 | 1,017 | 1,398 | 2,341 | 1,119 | 1,222 |
| Income Tax Receivables | (11) | 83 | 18 | 65 | 75 | – | 75 |
| Other Receivables and Assets | (12) | 1,731 | 509 | 1,222 | 889 | 43 | 846 |
| Cash and Cash Equivalents | (13) | 14,182 | 8,321 | 5,861 | 18,768 | 11,043 | 7,725 |
| Total of the assets to be assumed | | 374,283 | 239,065 | 135,218 | 389,757 | 250,762 | 138,995 |
| Equity and liabilities | | | | | | | |
| Balance sheet loss | | (5,971) | 3,028 | (8,999) | (5,047) | 4,382 | (9,429) |
| Minority Interests | (15) | 73,559 | 58,260 | 15,299 | 75,658 | 61,070 | 14,588 |
| Financial liabilities | (16) | 160,816 | 90,943 | 69,873 | 171,167 | 118,357 | 52,810 |
| Derivative financial instruments | (17) | 9,111 | 2,426 | 6,685 | 9,582 | 3,689 | 5,893 |
| Provisions | (19) | 364 | 96 | 268 | 347 | 97 | 250 |
| Financial liabilities | (16) | 55,916 | 42,805 | 13,111 | 60,467 | 22,250 | 38,217 |
| Trade payables | | 1,701 | 836 | 865 | 1,951 | 944 | 1,007 |
| Other liabilities | (18) | 3,104 | 1,848 | 1,256 | 2,318 | 1,395 | 923 |
| Total of the liabilities to be assumed | | 298,600 | 200,242 | 98,358 | 316,443 | 212,184 | 104,259 |
| Change as of Dezember 31, 2012/January 1, 2012 | | 75,683 | 38,823 | 36,860 | 73,314 | 38,578 | 34,736 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

The adoption of IFRS 10 has led to adjustments of specific items in the balance sheet as well as the items of the income statement. The quantitative impacts on the financial statements as of December 31, 2012 and January 1, 2012 are presented below. As the consolidated financial statements as of December 31, 2013 were already prepared using IFRS 10, the determination and presentation of the effects from the switch as of December 31, 2013 would require a disproportionately high volume of work and was therefore not carried out.

Effect on the income statement (increase/decrease) in earnings

| in T€ | Note no. | 2013 | 2012 ¹⁾ | Adjustment | 2012 |
|---|----------|-----------------|--------------------|----------------|----------------|
| Rental income | | 29,637 | 31,487 | 20,322 | 11,165 |
| Income from operating and incidental costs | | 6,790 | 5,341 | 2,929 | 2,412 |
| Leasehold payments | | (7) | (7) | – | (7) |
| Real estate-related operating expenses | | (13,327) | (11,523) | (6,338) | (5,185) |
| Net rental result | (22) | 23,093 | 25,298 | 16,913 | 8,385 |
| General administrative expenses | (23) | (3,287) | (3,482) | (1,104) | (2,378) |
| Other operating income | | 470 | 248 | 123 | 125 |
| Other operating expenses | | (498) | (449) | (103) | (346) |
| Total other operating income and expenses | (24) | (28) | (201) | 20 | (221) |
| Net income from the sale of investment properties | | 29,932 | 5,211 | – | 5,211 |
| Expenses in connection with the sale of investment properties | | (30,661) | (5,160) | – | (5,160) |
| Result from sale of investment properties | (25) | (729) | 51 | – | 51 |
| Valuation gains | | 847 | 5,184 | 1,370 | 3,814 |
| Valuation losses | | (14,884) | (14,902) | (11,106) | (3,796) |
| Valuation result | (26) | (14,037) | (9,718) | (9,736) | 18 |
| Operating result | | 5,012 | 11,948 | 6,093 | 5,855 |
| Result from equity-accounted investments | (7) | 1,504 | (592) | (1,801) | 1,209 |
| Interest income | | 96 | 138 | 102 | 36 |
| Interest expense | (27) | (12,786) | (11,081) | (6,398) | (4,683) |
| Minority interest in the result | (15) | 947 | (591) | 651 | (1,242) |
| Financial result | | (11,743) | (11,534) | (5,645) | (5,889) |
| Net loss | | (5,227) | (178) | (1,353) | 1,175 |
| Earnings per share in € (basic/diluted) | (29) | (0,56) | (0,02) | | 0,13 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

Effect on equity (increase/decrease) in net equity

| in € thousand (except for circulating shares) | Note no. | Shares in circulation [in pieces] | Subscribed capital | Share premium | Reserve for changes in value | Balance sheet loss | Own shares | Total |
|--|----------|--------------------------------------|--------------------|---------------|------------------------------|--------------------|--------------|---------------|
| Balance at January 1, 2012 | (14) | 9,325,572 | 47,034 | 46,167 | (6,480) | (5,047) | (398) | 81,276 |
| Additional equity of the newly consolidated subsidiaries | | – | – | – | – | 42,946 | – | 42,946 |
| Reduction of proportionate equity of the newly consolidated subsidiaries | | – | – | – | – | (38,583) | – | (38,583) |
| Dissolvement of impairment of newly consolidated subsidiaries | | – | – | – | – | (4,363) | – | (4,363) |
| Balance at January 1, 2012¹⁾ | | 9,325,572 | 47,034 | 46,167 | (6,480) | (5,047) | (398) | 81,276 |
| Distribution of dividends | | – | – | – | – | (746) | – | (746) |
| Net income before inclusion of newly consolidated subsidiaries | | – | – | – | 69 | 1,444 | – | 1,513 |
| Change in result by newly consolidated subsidiaries | | – | – | – | – | (1,622) | – | (1,622) |
| Balance at December 31, 2012¹⁾ | | 9,325,572 | 47,034 | 46,167 | (6,411) | (5,971) | (398) | 80,421 |
| Distribution of dividends | | – | – | – | – | (932) | – | (932) |
| Net loss | | – | – | – | – | (5,227) | – | (5,227) |
| Other results | | – | – | – | 6,411 | – | – | 6,411 |
| Balance at December 31, 2013 | | 9,325,572 | 47,034 | 46,167 | – | (12,130) | (398) | 80,673 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

Effect on the statement of cash flows (increase/decrease) in cash flow

| in € thousand | Note no. | 2013 | 2012 ¹⁾ | Adjustment | 2012 |
|--|----------|-----------------|--------------------|----------------|----------------|
| Net loss/net income | | (5,227) | (178) | (1,353) | 1,175 |
| Adjustments to consolidated earnings for reconciliation to cash flow from operating activities | | | | | |
| Income tax expenses/(income) | (11) | 56 | (8) | (18) | 10 |
| Interest expenses | | 12,786 | 11,081 | 6,398 | 4,683 |
| Interest income | | (96) | (138) | (102) | (36) |
| Amortization of intangible assets and depreciation of property, plant and equipment | (5) | 37 | 39 | – | 39 |
| (Profits)/losses from the disposal of investment properties | (25) | 729 | (51) | – | (51) |
| Income from the disposal of participations | | (360) | (46) | (46) | – |
| Valuation result | (26) | 14,037 | 9,718 | 9,736 | (18) |
| Income from equity-accounted investments | (7) | (1,134) | 592 | 1,801 | (1,209) |
| Withdrawals from equity-accounted investments | (7) | 511 | 515 | (1,941) | 2,456 |
| Loss/(profit) for minority interests | (15) | (947) | 591 | (658) | 1,249 |
| Disbursement to minority interests | (15) | (4,786) | (3,222) | (2,652) | (570) |
| Result from the valuation of derivative financial instruments | (17) | 18 | 240 | (273) | 513 |
| Interest paid | (27) | (11,994) | (10,216) | (6,552) | (3,664) |
| Interest received | (27) | 96 | 138 | 102 | 36 |
| Changes in assets, equity and liabilities | | | | | |
| (Increase)/decrease in trade receivables | (10) | (596) | (410) | 105 | (515) |
| (Increase)/decrease in other liabilities | (8) | (536) | (848) | (466) | (382) |
| (Decrease)/increase in provisions | (19) | 65 | 17 | (1) | 18 |
| (Decrease)/increase in trade payables | | 449 | (250) | (108) | (142) |
| (Decrease)/increase in other liabilities | (18) | (284) | (79) | 578 | (657) |
| noncash relevant additions and disposals | | (1,468) | 336 | (3) | 339 |
| Cash flow from operating activities | | 1,356 | 7,821 | (4,547) | 3,274 |
| Investments in investment properties | (6) | (800) | (1,730) | (328) | (1,402) |
| Income from the disposal of investment properties | (6) | 29,932 | 5,026 | – | 5,026 |
| Payments for purchase of non-current assets | (5) | (1) | – | – | – |
| Cash flow from investment activities | | 29,131 | 3,296 | (328) | 3,624 |
| Disbursements of minority interests | (15) | (825) | (55) | (81) | 26 |
| Receipts from financial liabilities | (16) | 2,004 | 4,996 | – | 4,996 |
| Repayment of financial liabilities | (16) | (27,555) | (19,898) | (6,859) | (13,039) |
| Distribution of dividends | (14) | (932) | (746) | (1) | (745) |
| Cash flow from financing activities | | (27,308) | (15,703) | (6,941) | (8,762) |
| Cash effective change of liquid funds | (13) | 3,179 | (4,586) | (2,722) | (1,864) |
| Cash and cash equivalents – start of period | (13) | 14,182 | 18,768 | 11,043 | 7,725 |
| Cash and cash equivalents – end of period | | 17,361 | 14,182 | 8,321 | 5,861 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

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

Consolidation of companies in which the Group does not hold the majority of the voting rights

The quorum majority of the Group at the shareholder meetings of the subsidiaries, which decide on the management of subsidiaries, is decisive for the Group's assessment that the voting rights in the companies BBV02, BBV10, BBV14, IC12 and IC15 are not decisive when questioning to who controls the company. Although its proportionate voting rights are below 50% of the total, the Group represents the largest single shareholder respectively at the companies named. In the past three years, Fair Value REIT-AG has had a voting majority at the shareholder meetings of at least 63.18% at BBV02, at least 56.25% at BBV10, at least 67.49% at BBV14, at least 63.72% at IC12 and at least 62.44% at IC15. The remaining limited partner shares are in free float.

Re-valuation of investment properties The Group has mandated independent experts with the appraisals of the fair values of investment properties as of December 31, 2013. As the characteristics of investment properties apart from the sold properties in Erlangen, Hannover, Henstedt-Ulzburg and Weyhe-Leeste mean that no comparable market values are available, the valuation was made using the discounted cash flow method. Land and buildings were measured based on market-related data; prices for comparable properties were used and adjusted to specific market factors including type, location or condition of the respective property to be valued. The changes to the fair value are reported in the valuation result in the consolidated income statement.

Settlement credit BBV09 The result contained in the income statement as well as the settlement credit at BBV09 reported in the balance sheet are based on the reviewed but not yet certified financial statements and on the market values of the properties determined by the expert appointed by BBV09. Following the binding determination of the settlement credit by the appointed auditor as arbitrator, the financial statements will be finally prepared, reviewed and certified.

(4) Measuring Fair Value

| Fair Values of Assets and Liabilities | | | | | |
|---|------------------|---------|---|--|--|
| in T€ | Measurement date | Total | Quoted prices on active Markets (level 1) | Substantial observable Input parameter (level 2) | Substantial not observable Input parameter (level 3) |
| Investment Property | 12/31/2013 | 292,297 | – | – | 292,297 |
| Total non-current assets available for sale | | | | | |
| Commercial properties in Germany | 12/31/2013 | 19,585 | – | – | 19,585 |
| Derivate financial assets | | | | | |
| Cap premium | 12/31/2013 | 30 | – | 30 | – |
| Derivate financial liabilities | | | | | |
| Swap | 12/31/2013 | 1,778 | – | 1,778 | – |
| Market valuation Cap | 12/31/2013 | 311 | – | 311 | – |
| Financial liabilities | 12/31/2013 | 191,181 | – | 191,181 | – |

Notes to the Balance Sheet

(5) Intangible Assets and Property, Plant and Equipment

| Development of intangible assets and property, plant and equipment | | | |
|---|-------------------|-------------------------|---|
| in € thousand | Intangible assets | Construction in process | Property, plant and equipment (office and operating equipment) in € thousand |
| Acquisition costs | | | |
| Balance as of January 1, 2012 | 203 | – | 53 |
| Disposals | – | – | (44) |
| Balance as of December 31, 2012 | 203 | – | 9 |
| Additions | – | 92 | 3 |
| Balance as of December 31, 2013 | 203 | 92 | 12 |
| Accumulated depreciation, amortization and write-downs | | | |
| Balance as of January 1, 2012 | (23) | – | (47) |
| Additions | (37) | – | (1) |
| Disposals | – | – | 43 |
| Balance as of December 31, 2012 | (60) | – | (5) |
| Additions | (37) | – | (2) |
| Balance as of December 31, 2013 | (97) | – | (7) |
| Carrying amounts | | | |
| Balance as of January 1, 2012 | 180 | – | 6 |
| Balance as of December 31, 2012 | 143 | – | 4 |
| Balance as of December 31, 2013 | 106 | 92 | 5 |

(6) Investment Properties

Development of investment property

| in € thousand | Direct investments | Subsidiaries | Total |
|---|--------------------|----------------|----------------|
| Acquisition costs | | | |
| Balance as of January 1, 2012 | 51,550 | 115,505 | 167,055 |
| Additions (change of consolidation scope) | – | 279,898 | 279,898 |
| Additions (subsequent acquisition costs) | 683 | 101 | 784 |
| Disposals – sale | (3,086) | (2,002) | (5,088) |
| Balance as of December 31, 2012 | 49,147 | 393,502 | 442,649 |
| Additions (subsequent acquisition costs) | 517 | 191 | 708 |
| Disposals – sale | (6,027) | (29,800) | (35,827) |
| Reclassification to available-for-sale | (1,299) | (21,859) | (23,158) |
| Balance as of December 31, 2013 | 42,338 | 342,034 | 384,372 |

Changes in value

| | | | |
|---|----------------|-----------------|-----------------|
| Balance as of January 1, 2012 | (5,513) | (32,415) | (37,928) |
| Additions (change of consolidation scope) | – | (41,348) | (41,348) |
| Write-ups | 818 | 4,366 | 5,184 |
| Write-downs | (811) | (12,861) | (13,672) |
| Disposals – sale | 71 | 916 | 987 |
| Balance as of December 31, 2012 | (5,435) | (81,342) | (86,777) |
| Write-ups | 12 | 835 | 847 |
| Write-downs | (631) | (14,253) | (14,884) |
| Disposals – sale | 796 | 4,370 | 5,166 |
| Reclassification to available-for-sale | 199 | 3,374 | 3,573 |
| Balance as of December 31, 2013 | (5,059) | (87,016) | (92,075) |

Fair values

| | | | |
|---|---------------|----------------|----------------|
| Balance as of January 1, 2012 (before adjustment) | 46.037 | 83.090 | 129.127 |
| Balance as of December 31, 2012 | 43.712 | 312.160 | 355.872 |
| Balance as of December 31, 2013 | 37.279 | 255.018 | 292.297 |

There were a total of 49 properties on December 31, 2013, with 42 freehold properties, six properties in co-ownership and one leasehold property. Compared to December 31, 2012, the number of properties in the portfolio has decreased by 11. In the past financial year, six directly-held properties from Fair Value REIT-AG were sold, and five properties from subsidiaries.

The real estate portfolio is largely encumbered with mortgages as collateral for liabilities to banks. The properties of BBV03 with a total value of €6,870 thousand (2012: €6,630 thousand) are unmortgaged. There are pre-emptive rights for the user or leaseholder of a hotel in Hannover and a retail property in Ahaus. There are no other material restrictions on the sale of properties or contractual agreements to improve properties. The order commitment for repair and maintenance commissioned totals €1,042 thousand (2012: €930 thousand).

There are obligations from a long-term leasehold agreement (residual period of 27 years) which lead to future annual leasehold payments of €4 thousand. The agreement includes index clauses.

CBRE GmbH, Frankfurt/Main ascertained the properties' fair value using the DCF method on a property-by-property basis apart from the sold properties in Erlangen, Hannover, Henstedt-Ulburg and Weyhe-Leeste. 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 capitalisation rates and taking into account estimated selling costs incurred after 10 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 less the estimated incidental acquisition costs for a potential purchaser.

The following bandwidths for capitalisation and discounting rates were applied for the different types of uses in comparison with the previous year:

| Bandwidths for capitalisation and discounting rates¹⁾ | | | | |
|---|---------------------------|------------|---------------------|------------|
| | Capitalisation rates in % | | Discount rates in % | |
| | 12/31/2013 | 12/31/2012 | 12/31/2013 | 12/31/2012 |
| Source: Property appraisals CBRE 2013 | | | | |
| Office | 6.1–7.6 | 6.0–7.4 | 6.6–8.1 | 6.5–7.8 |
| Weighted average | 6.70 | 6.67 | 7.21 | 7.16 |
| Retail | 5.9–9.0 | 6.7–8.6 | 6.3–9.5 | 7.1–9.1 |
| Weighted average | 7.04 | 6.88 | 7.50 | 7.35 |
| Other | 6.6–8.3 | 6.3–8.6 | 7.1–8.8 | 7.0–9.1 |
| Weighted average | 7.41 | 7.25 | 7.91 | 7.84 |

The resulting value adjustments (valuation gains and losses) for the properties were due in particular to the adjustment to the capitalisation and discount rates and the reversal of the advantage from some of the existing rental agreements that were concluded with rent above the current market level (over-rents). Of the 14 properties with unchanged or increased valuations, three properties in Barmstedt, Neumünster and Quickborn (directly-held) as well as in Münster (BBV 10) have an unchanged value. Of the remaining 10 properties that have increased in value, four of these are held directly (Sparkassen portfolio). Due to the annual automatic adjustment of the rent in line with changes in the consumer price index, rents had risen by the end of 2013 year-on-year by approximately 1.34% at the directly-held properties, which is the main reason for the increased market values in otherwise unchanged conditions. Valuations also increased for six properties held by subsidiaries.

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

| Rental income in future | | |
|--------------------------------------|----------------|--------------------------|
| in € thousand | 12/31/2013 | 12/31/2012 ¹⁾ |
| Within one year | 24,551 | 27,354 |
| Between one to five years | 64,379 | 70,382 |
| After more than five years | 44,641 | 53,674 |
| Total of future rental income | 133,571 | 151,410 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

| | | | | | | | |
|-------------------------------|-------|-------|----|--------|--------|--------|--------|
| Balance as of January 1, 2012 | 2 356 | 7 211 | 72 | 12 817 | 14 785 | 18 517 | 55 758 |
|-------------------------------|-------|-------|----|--------|--------|--------|--------|

| | | | | | | | |
|-------------------------------|-------|-------|------|---------|---------|---------|---------|
| Balance as of January 1, 2012 | (175) | (543) | (64) | (1,059) | (1,786) | (1,795) | (5,422) |
|-------------------------------|-------|-------|------|---------|---------|---------|---------|

| | | | | | | | |
|-------------------------------|-------|-------|---|--------|--------|--------|--------|
| Balance as of January 1, 2012 | 2,181 | 6,668 | 8 | 11,758 | 12,999 | 16,722 | 50,336 |
|-------------------------------|-------|-------|---|--------|--------|--------|--------|

The earnings from equity-accounted participations carried in the income statement are broken down as follows:

| Income from equity-accounted participations | | |
|--|--------------|--------------------------|
| in € thousand | 2013 | 2012¹⁾ |
| Ongoing earnings | | |
| Proportionate valuation result | (5,118) | (9,491) |
| Other ongoing earnings | 6,252 | 8,271 |
| Proportionate earnings | 1,134 | (1,220) |
| Dissolvement (addition) of/to impairment | – | 628 |
| Income from disposal of participation | 370 | – |
| Total income from equity-accounted participations | 1,504 | (592) |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

Income from equity-accounted participations in the past financial year contained the valuation result of BBV09. This is made up of the settlement credit of €11,628 thousand less the Group carrying amount of BBV09 as of the balance sheet date totalling €11,258 thousand, which represents the income from the disposal of the participation, and the earnings share of €1,134 thousand.

The test of impairments at participations in the last few years stopped in the past financial year as the remaining former associated companies were fully integrated into the Group as subsidiaries.

This test of the value in use of the participations in the previous years showed that it was lower than the proportionate equity of the participations. This difference in value was 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, which however 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 no longer than five years from the balance sheet date and that the non-property related costs will not be incurred for longer than five years.

The examination of the values in use resulted in accumulated impairments of €4,363 thousand from the previous years which are excluded from the calculation as part of the full consolidation of the associated companies and lead to an increase in Group equity as of December 1, 2012.

(8) Other Assets (non-current)

| | | |
|---|-------------------|-------------------|
| in € thousand | 12/31/2013 | 12/31/2012 |
| Non-financial assets | | |
| Over coverage pension plan | 10 | 6 |
| Total other assets (non-current) | 10 | 6 |

The Group took over an existing pension commitment by IC Fonds GmbH in favour of Mr. Frank Schaich by way of an agreement dated July 10, 2008. This results in a defined benefit commitment of the Company

pursuant to IAS 19. A reinsurance 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 profit or loss.

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

| in € thousand | 2013 | 2012 |
|--|------------|-----------|
| Present value of the obligation | | |
| Balance – start of year | 89 | 70 |
| Past service cost | 4 | 3 |
| Interest expense | 3 | 4 |
| Actuarial losses/(gains) | (3) | 12 |
| Balance – end of year | 93 | 89 |
| Fair value of plan assets | | |
| Balance – start of year | 95 | 87 |
| Payments by employer | 5 | 5 |
| Expected income from plan assets | 3 | 3 |
| Balance – end of year | 103 | 95 |
| Over coverage pension plan | 10 | 6 |

For 2012, employer payments of €5,000 to the pension plan are expected.

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

| in € thousand | 2013 | 2012 |
|---|----------|------------|
| Past service cost | | |
| Carried under administrative expenses | 4 | 3 |
| Actuarial losses | | |
| Carried under administrative expenses | (3) | 12 |
| Interest expense | 3 | 4 |
| Anticipated income for plan assets | 3 | (2) |
| Carried under financial result | 6 | 2 |
| Total pension expenses | 7 | 17 |

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

The following actuarial assumptions have been made:

| in % | 2013 | 2012 |
|------------------------------------|------|------|
| Discount rate | 3.7 | 3.6 |
| Anticipated income for plan assets | 3.6 | 2.5 |

The Group paid contributions totalling €12,000 (2012: €15,000) to the statutory pension fund during the year under review. Further defined contribution payments in the Group totalled €17,000 (2012: €16,000).

(9) Non-current Assets Available for Sale

| in € thousand | 12/31/2013 | 12/31/2012 |
|--|---------------|------------|
| Hotel property Hannover, Hinüberstr. 6 ("BBV06") | 17,000 | – |
| Retail property Erlangen, Henkestr. 5 ("BBV02") | 1,485 | – |
| Office building Henstedt-Ulzburg, Hamburger Str. 83 ("Fair Value") | 1,100 | – |
| Total non-current assets available for sale | 19,585 | – |

The hotel property in Hannover (BBV06) and the office building in Henstedt-Ulzburg (Fair Value) were sold with a notarial purchase agreement dated December 23, 2013 and January 24, 2014 for €17,000 thousand and €1,100 thousand respectively. The ownership together with all benefits and risks was transferred to the purchasers for both properties with the payment of the purchase prices on February 1, 2014. The commercial property in Erlangen (BBV02) was sold with a notarial purchase agreement dated December 21, 2013 for a sale price of €1,485 thousand. The approval of the management of BBV02 was granted on February 14, 2014. As a result, the (economic) transfer of benefits and risks was made retroactively as of the end of December 31, 2013; the transfer of ownership only takes place after the prior entry of the shareholders of BBV02 into the land register.

(10) Trade Receivables

| in € thousand | 12/31/2013 | 12/31/2012 ¹⁾ |
|--|--------------|--------------------------|
| Rent receivables including settlement of incidental costs | | |
| Undue | 715 | 700 |
| Overdue and not value adjusted | | |
| Due since up to 30 days | 183 | 588 |
| Due since 30 to 90 days | 864 | 503 |
| Due since 90 to 360 days | 502 | 407 |
| Due since more than 360 days | 227 | 217 |
| Value-adjusted receivables | 513 | 217 |
| Total rent receivables | 3,004 | 2,632 |
| Value adjustments | (513) | (217) |
| Total trade receivables | 2,491 | 2,415 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

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

| in € thousand | 2013 | 2012 ¹⁾ |
|--------------------------------|------------|--------------------|
| Balance – start of year | 217 | 206 |
| Change of consolidation scope | – | 197 |
| Allocation | 367 | 29 |
| Drawdown | (38) | (165) |
| Release | (33) | (50) |
| Balance – end of year | 513 | 217 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

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

Rent receivables totalling €1,999,000 (2012: €1,753,000) have been pledged as collateral for bank loans.

(11) Income Tax Receivables

This relates to repayable withholding tax paid on interest income.

(12) Other Receivables and Assets

| in € thousand | 12/31/2013 | 12/31/2012 ¹⁾ |
|--|---------------|--------------------------|
| Financial assets | | |
| Receivable settlement credit BBV09 | 11,628 | – |
| Compensation payment for sale of properties (direct investments) | 1,960 | 561 |
| Others | 122 | 65 |
| Deposits | 13 | 11 |
| Settlement credit minority interests | 3 | 22 |
| Estimated receivables from a percentage lease | – | 330 |
| Total financial assets | 13,726 | 989 |
| Non-financial assets | | |
| VAT | 56 | 118 |
| Other | 56 | 94 |
| Accrual Cap premium | 30 | 449 |
| Accrued interest | 24 | 81 |
| Total non-financial assets | 166 | 742 |
| Total other receivables and assets | 13,892 | 1,731 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

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

(13) Cash and Cash Equivalents

In the case of the subsidiary BBV 06, a current account credit has been pledged to the lending bank. The credit had increased to €3,362,000 (2011: €2,360,000) on the balance sheet date. All the fund's current liabilities were settled via this account. Major renovations and similar expenditure are agreed with the bank in advance.

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

(14) Equity

Subscribed capital Subscribed capital comprises 9,406,882 no-par value bearer shares, unchanged year-on-year. All shares have been issued and fully paid in. On December 31, 2013, 9,325,572 (2012: 9,325,572 shares) of the issued shares were in circulation. Each share has a theoretical share of €5.00 in the subscribed capital. Shareholders are entitled to any dividends resolved, and have one vote per share in the General Meeting.

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

Balance sheet loss Results accrued within the Group are reported in the balance sheet loss (negative balance).

Treasury stock By resolution of the Annual General Meeting dated May 29, 2009, the Management Board is entitled to purchase own shares to the amount of up to 10% of the share capital until May 28, 2014. As part of this authorisation, the Company has purchased 81,310 shares over the previous years. Fair Value REIT-AG continued to hold approximately 0.86% of the share capital as of December 31, 2013.

(15) Minority Interests**Development of minority interests**

| in € thousand | IC01 | IC03 | IC07 | IC13 |
|--|------------|------------|--------------|--------------|
| Balance as of January 1, 2011 | 942 | 694 | 1,521 | 537 |
| Profit/Loss from cash flow hedges | – | – | – | – |
| Proportionate earnings – expense/(income) | (25) | 71 | 61 | 312 |
| Disbursements | (502) | – | (1) | (4) |
| Reclassifications (compensation) | – | – | – | – |
| Reclassifications (compensation interests general partner LPs) | – | – | – | – |
| Adjustment in line with IAS 8 | – | 4 | – | (44) |
| Balance as of December 31, 2011 | 415 | 769 | 1,581 | 801 |
| Profit/Loss from cash flow hedges | – | – | – | – |
| Proportionate earnings – expense/(income) | (324) | 44 | 16 | 421 |
| Adjustment in line with IAS 8 | – | – | (73) | – |
| Disbursements | – | – | – | (1) |
| Reclassifications (compensation) | – | – | 96 | – |
| Balance as of December 31, 2012 | 91 | 813 | 1,620 | 1,221 |
| Profit/Loss from cash flow hedges | – | – | – | – |
| Proportionate earnings – expense/(income) | – | (106) | (53) | 173 |
| Disbursements | (91) | – | – | – |
| Reclassifications (compensation) | – | – | – | (22) |
| Balance as of December 31, 2013 | – | 707 | 1,567 | 1,372 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

| BBV03 | BBV06 | IC12 | IC15 | BBV02 | BBV10 | BBV14 | Total ¹⁾ |
|--------------|--------------|--------------|---------------|------------|---------------|---------------|---------------------|
| 3,933 | 6,756 | 3,725 | 10,782 | 290 | 24,377 | 20,862 | 74,419 |
| – | 143 | – | – | – | 397 | – | 540 |
| (105) | 576 | (163) | 914 | (208) | (163) | 1,658 | 2,928 |
| (144) | (1) | (64) | (345) | – | (882) | (1) | (1,944) |
| (26) | (113) | (12) | (27) | (8) | (17) | 5 | (198) |
| – | – | – | – | – | (3) | (2) | (5) |
| – | 3 | (2) | (18) | – | (24) | (1) | (82) |
| 3,658 | 7,364 | 3,484 | 11,306 | 74 | 23,685 | 22,521 | 75,658 |
| – | 32 | – | – | – | 610 | – | 642 |
| 440 | 645 | 187 | 131 | 86 | (2,767) | 1,981 | 860 |
| (20) | (176) | – | – | – | – | – | (269) |
| (568) | (1) | (1) | (342) | – | (879) | (1,430) | (3,222) |
| (8) | (81) | (73) | (44) | – | – | – | (110) |
| 3,502 | 7,783 | 3,597 | 11,051 | 160 | 20,649 | 23,072 | 73,559 |
| – | (13) | – | – | – | 642 | – | 629 |
| (23) | (443) | (10) | 125 | 32 | (2,595) | 1,953 | (947) |
| (106) | (6) | (318) | (337) | – | (352) | (4,401) | (5,611) |
| – | (844) | (76) | (178) | – | (868) | – | (1,988) |
| 3,373 | 6,477 | 3,193 | 10,661 | 192 | 17,476 | 20,624 | 65,642 |

(16) Financial Liabilities

| Structure of the financial liabilities | | |
|---|-------------------|--------------------------------|
| in € thousand | 12/31/2013 | 13/31/2012¹⁾ |
| Non-current liabilities | | |
| Variable-interest bank borrowing | 123,453 | 153,230 |
| Fixed-interest bank borrowing | 3,130 | 7,586 |
| Total non-current liabilities | 126,583 | 160,816 |
| Current liabilities | | |
| Variable-interest bank borrowing | 34,294 | 15,515 |
| Fixed-interest bank borrowing | 30,304 | 40,401 |
| Total current liabilities | 64,598 | 55,916 |
| Total financial liabilities | 191,181 | 216,732 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

The bank loans bearing variable interest are based on EURIBOR plus a margin. These are hedged in the amount of €10,000,000 (2012: €30,430,000) with interest swaps, which mean that the variable interest rates can be swapped for fixed interest rates, with the result that the loans have fixed interest rates in economic terms. The interest rates for the variable-interest bank loans were 2.40% on average as of December 31, 2013, while these averaged 2.64% p.a. in the previous year including the non-effective hedged variable loans. The weighted average interest rate for the fixed-interest bank loans totalled 4.01% as of December 31, 2013, while this figure came in at 5.4% p.a. in the previous year including the effective hedged variable loans.

The loans totalling €191,181,000 are besides € 7,000,000 secured by mortgages in full. In addition, the rental receivables are assigned at all companies. For the Fair Value loan at Capital Bank – GRAWE Group, AG, Graz (Austria) totalling €7,000,000 (2012: €4,996,000), the interests held by Fair Value in the IC/BBV real estate funds are pledged as security.

| Land registry charges | | |
|------------------------------|----------|---------------|
| in € thousand | | Amount |
| IC 07 | Mortgage | 21,731 |
| IC 12 | Mortgage | 2,500 |
| IC 13 | Mortgage | 33,719 |
| IC 15 | Mortgage | 37,754 |
| BBV 02 | Mortgage | 6,243 |
| BBV 06 | Mortgage | 62,877 |
| BBV 10 | Mortgage | 53,711 |
| BBV 14 | Mortgage | 38,649 |
| Fair Value | Mortgage | 35,540 |

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

| Remaining terms of non-current liabilities | | |
|---|------------------|-------------------------------|
| in € thousand | 12/312013 | 12/312012¹⁾ |
| Between 1 and 2 years | 46,955 | 28,235 |
| Between 2 and 5 years | 21,609 | 65,421 |
| More than 5 years | 58,019 | 67,160 |
| Total non-current liabilities | 126,583 | 160,816 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

Unscheduled repayments of €16,248,000 were made on liabilities to banks in the financial year 2013. Of this amount, €10,000,000 was attributable to BBV 14, €3,005,000 to Fair Value, €2,493,000 to BBV 10 as well as 750,000 to BBV 06.

As of the end of the financial year, the loan for financing the Sparkassen portfolio was restructured. Two loan tranches were agreed, of which €10,000,000 has a fixed interest rate and €14,641,000 a variable interest rate. The term of both tranches was extended by one year until June 30, 2019.

The remaining loan at Westdeutsche ImmobilienBank AG has to undergo a so-called loan to value test 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 120% ("debt service coverage ratio" – DSCR). If this level is not met, a pledged fixed deposit account must be established to cover the difference or a suitably large repayment must be made. The covenants for the loan were met on December 31, 2013.

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

In the past financial year, the interest rate swaps at the subsidiary BBV 10 expired as of December 31, 2013. At Fair Value, the notional amount of the interest rate swap was reduced by €19,730,000 to €10,000,000, and the hedge relationship to the underlying loan therefore cancelled. As a result, in the past financial year, the effect of the interest rate swap was reduced to zero. Costs for the partial cancellation of the interest rate swap at Fair Value totalling €3,495,000 were incurred, and these were recorded in profit or loss in the consolidated income statement.

The loan at Capital Bank – GRAWE Group, AG, Graz (Austria) was extended in the past financial year by €2,004,000 to €7,000,000 and was therefore fully used. The loan matures on June 30, 2015 and can be paid back prematurely at any time.

(17) Derivative Financial Instruments

This item relates to interest hedging transactions (interest rate swaps and caps) by Fair Value REIT-AG as well as the subsidiaries BBV 06, BBV 10 and BBV 14, the market value of which developed as follows:

| Market value of derivative financial instruments | | | | | |
|---|-----------------------|--------------|--------------------------|--------------|--------------|
| in € thousand | With hedge accounting | | Without hedge accounting | | Total |
| | Direct investments | Subsidiaries | Direct investments | Subsidiaries | |
| Balance as of January 1, 2012 | 5,693 | 787 | – | 3,102 | 9,582 |
| Additions affecting income | – | – | 520 | (922) | (402) |
| Transfer at the expense of other result | 351 | (420) | – | – | (69) |
| Balance as of December 31, 2012 | 6,044 | 367 | 520 | 2,180 | 9,111 |
| Additions affecting income | – | – | 1,258 | (1,869) | (611) |
| Transfer at the expense of other result | (6,044) | (367) | – | – | (6,411) |
| Balance as of December 31, 2013 | – | – | 1,778 | 311 | 2,089 |

Fair Value REIT-AG concluded an interest rate hedge in connection with a variable-interest loan agreed during 2008 at Westdeutsche ImmobilienBank AG in the original amount of €33,690,000 with the same bank for the identical original amount. The transaction ran until June 29, 2018, similar to 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 by the bank for the same amount. On the back of the restructuring carried out in 2013 and the extension of the financing of the loan at WIB, the valuation unit which existed as part of a microhedge was cancelled with the bank loan, so that the hedging transaction is to be viewed as ineffective overall.

As part of the Group's interest rate management efforts, the notional amount of the interest rate swap carried forward totalling €29,730,000 was reduced by €19,730,000 following a partial cancellation. As of December 31, 2013, the notional amount totalled €10,000,000 (previous year: €30,630,000). The negative market value amounted to €1,778,000 on the balance sheet date (previous year: €6,564,000). The valuation is made based on the present values of the future interest payment flows (discounted cash flow model).

At subsidiaries BBV 06 and BBV 14, interest hedging transactions exist without a balance sheet hedge relationship. The negative market values totalled €311,000 in the past financial year (2012: €596,000). These are cap agreements, the terms of which run until December 31, 2014 and March 31, 2016 respectively. The risk should therefore be covered by part of a EURIBOR-related three-month variable interest rate loan if the EURIBOR rate exceeds 3.5% (BBV 06) respectively 4.25% (BBV 14).

The changes in value in the previous years are taken within the framework of other earnings to equity and are booked under the reserve for changes in value. Due to the no longer existent valuation unit with the bank loan, the reserve for changes in value was reversed in an amount totalling €6,044,000 and recorded in profit or loss at Fair Value. At the subsidiary BBV 10, existing interest hedging transactions expired at the end of the previous year as of the balance sheet date. A reversal of the corresponding amount was made through profit or loss.

Development of reserve for changes in value according to IAS 39

| in € thousand | Direct investments | Subsidiaries | Total |
|--|-----------------------|--------------|--------------|
| Balance as of January 1, 2012 | 5,693 | 787 | 6,480 |
| Additions affecting other results | 351 | (420) | (69) |
| Balance as of December 31, 2012 | 6,044 | 367 | 6,411 |
| Additions affecting income | (6,044) | (367) | (6,411) |
| Balance as of December 31, 2013 | – | – | – |

(18) Other Liabilities

| in € thousand | 12/31/2013 | 12/31/2012 ¹⁾ |
|---|--------------|--------------------------|
| Non-current | | |
| Financial liabilities | | |
| Exited minority interests | – | 90 |
| Total non-current liabilities | – | 90 |
| Current | | |
| Exited minority interests | 1,980 | 255 |
| Deposits received | 350 | 183 |
| Interest payable | 331 | 1,014 |
| Credit balance | 326 | 182 |
| Tax liabilities (value added tax) | 212 | 411 |
| Other | 261 | 116 |
| Supervisory Board remuneration | 33 | 36 |
| Liabilities from utility statements | 88 | 115 |
| Liabilities against companies of IC Group | 69 | 23 |
| Deferred income | 52 | 230 |
| Non-financial liabilities | | |
| Accrual Cap premium | – | 449 |
| Total current liabilities | 3,702 | 3,014 |
| Total other liabilities | 3,702 | 3,104 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

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

(19) Provisions

| Development of provisions | | | |
|--|------------|-------------------------------|------------|
| in € thousand | Personnel | Audit/ consulting costs | Total |
| Balance as of January 1, 2013 | 61 | 207 | 268 |
| Change consolidation scope | – | 96 | 96 |
| Additions | 140 | 194 | 334 |
| Availment | 34 | 231 | 265 |
| Reversal | – | 4 | 4 |
| Balance as of December 31, 2013 | 167 | 262 | 429 |

(20) Contingent Liabilities and Pending Litigation

As part of the sale of the office building Airport Office II, Düsseldorf, in 2008, the company made a pledge to the purchaser that it would use legal proceedings to make pecuniary claims against the general contractor of the property Airport Office II. As no out of court settlement had been reached, the company filed a claim at Düsseldorf district court on June 13, 2009. Following a decision on July 12, 2011, a court-appointed expert was assigned, who viewed the property at the start of 2012 and dated his report on October 22, 2012. A hearing for explanation of the report by the expert took place on October 1, 2013. The company's suit was dismissed by Düsseldorf district court on January 7, 2014. The buyer opted not to appeal against the court's decision. The costs of the case are completely covered by a provision.

For two subsidiaries, the Group is liable from the revival of liability as a limited partner within the meaning of Section 172 para. 4 HGB in the amount of €1,625,000 (2012: €1,624,000).

(21) Leases

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

The office space in Munich and one car were leased during the year. Expense totalling €12,000 (2012: €8,000) was incurred for the car (2012: one car). The minimum leasing payments payable until the time of the earliest possible termination are:

| Minimum leasing payments | | |
|--|------------|------------|
| in € thousand | 12/31/2013 | 12/13/2012 |
| Within 1 year | 17 | 17 |
| Between 1 to five 5 | 15 | 17 |
| Minimum leasing payments, total | 32 | 34 |

Notes to the Income Statement

(22) Net Rental Income

| Classification of net rental result | 2013 | | | 2012 ¹⁾ | | |
|--|-----------------------|---------------------------------------|---------------|-----------------------|---------------------------------------|---------------|
| | Investment properties | Non-current assets available for sale | Total | Investment properties | Non-current assets available for sale | Total |
| in € thousand | | | | | | |
| Rental income | 27,414 | 2,223 | 29,637 | 31,487 | – | 31,487 |
| Income from operating and incidental costs | 6,679 | 111 | 6,790 | 5,341 | – | 5,341 |
| Leasehold payments | (7) | – | (7) | (7) | – | (7) |
| Real estate-related operating expenses | | | | | | |
| Real estate that generated income | (12,936) | (391) | (13,327) | (11,523) | – | (11,523) |
| Total net rental income | 21,150 | 1,943 | 23,093 | 25,298 | – | 25,298 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

(23) General Administrative Expenses

| in € thousand | 2013 | 2012 ¹⁾ |
|---|--------------|--------------------|
| Fund management fees | 734 | 971 |
| Personnel expenses | 594 | 463 |
| Stock market listing, general meeting and events | 319 | 292 |
| Legal and consulting costs | 299 | 345 |
| Non-deductible VAT | 267 | 255 |
| Provision reversal of asset-management fee | 255 | 277 |
| Audit expenses | 205 | 231 |
| Accounting | 154 | 146 |
| Other | 166 | 106 |
| Remuneration (Supervisory and Advisory Boards, General Partner) | 124 | 127 |
| Valuations | 55 | 156 |
| Office costs | 46 | 34 |
| Trustee fees | 39 | 38 |
| Travel and vehicle expenses | 30 | 41 |
| Total general administrative expenses | 3,287 | 3,482 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

(24) Other Operating Income and Expenses, Overall

| in € thousand | 2013 | 2012 ¹⁾ |
|--|--------------|--------------------|
| Income | | |
| Reversal of accruals for maintenance, outstanding charges | 222 | 131 |
| Refund of expenses | 157 | 101 |
| Other | 91 | 16 |
| Total income | 470 | 248 |
| Expenses | | |
| Additions to of individual write-downs for receivables | (367) | (29) |
| Reversal of individual write-downs for receivables | 71 | 215 |
| Other derecognition of receivables | (205) | (522) |
| Reimbursable costs | (7) | – |
| Other | 10 | (113) |
| Total expenses | (498) | (449) |
| Total other operating income and expenses (balance) | (28) | (201) |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

(25) Earnings from the Sale of Investment Properties

| in € thousand | 2013 | 2012 ¹⁾ |
|--|-----------------|--------------------|
| Net income from the sale of investment properties (purchase prices) | 31.152 | 5.211 |
| Expenses in connection with the sale of investment properties | | |
| Carrying amounts | (30.661) | (4.975) |
| Purchase costs | (1.220) | (185) |
| Total expenses in connection with the sale of investment properties | (31.881) | (5.160) |
| Earnings from the sale of investment properties | (729) | 51 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

This relates to six directly held properties and five properties at subsidiaries sold during the financial year.

(26) Valuation Result

| in € thousand | 2013 | 2012 ¹⁾ |
|--|-----------------|--------------------|
| Valuation gains | 847 | 5.184 |
| Valuation losses | (14.884) | (13.969) |
| | (14.037) | (8.785) |
| Subsequent adjustment in line with IAS 8 | – | (933) |
| Total valuation result | (14.037) | (9.718) |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

The valuation losses in the financial year resulted from the market valuation on the balance sheet date. This impacts 12 directly-held properties and 19 properties at participations. There were valuation gains at four directly-held properties and ten properties at participations.

(27) Interest Expenses

| in € thousand | 2013 | 2012 ¹⁾ |
|---|---------------|--------------------|
| Interests for loans and swaps | 8,740 | 10,501 |
| Compensation payment Swap | 3,495 | – |
| Changes in value of derivative financial instruments (as far as affecting net income) | 407 | 240 |
| Other | 144 | 340 |
| Total interest expenses | 12,786 | 11,081 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

(28) Additional Information Regarding the Consolidated Income Statement**Personnel expenses**

| in € thousand | 2013 | 2012 |
|-------------------------------------|------------|------------|
| Salaries | 507 | 415 |
| Gratuities | 30 | – |
| Social security contributions | 57 | 48 |
| Total personnel expenses | 594 | 463 |
| thereof expenses for pension scheme | 25 | 18 |

On average during the year, there were three employees including the Management Board (2012: three). As of December 31, 2013, the Company had a total of three employees including the Management Board.

Auditors' fees and services In 2013, fees were recorded as expenses for the following services by the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich (in the previous year for the auditor BDO AG Wirtschaftsprüfungsgesellschaft, Düsseldorf) for the consolidated financial statements:

| in € thousand | 2013 | 2012 ¹⁾ |
|--|------------|--------------------|
| Audits of the financial statements | 198 | 225 |
| Other services | 7 | 6 |
| Total auditor's fees and services | 205 | 231 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

(29) Earnings per Share

Basic earnings per share are calculated as follows:

| | | 2013 | 2012 ¹⁾ | 2012 |
|--|---------------|---------------|--------------------|-------------|
| Consolidated earnings | in € thousand | (5,227) | (178) | 1,175 |
| Divided by: Weighted average ordinary shares | in pieces | 9,325,572 | 9,325,572 | 9,325,572 |
| Earnings per share (basic/diluted) | in € | (0,56) | (0,02) | 0,13 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

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

Other Notes

(30) Financial Instruments and Financial Risk Management

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

| Fair values of financial instruments | 12/31/2013 | | 12/31/2012 ¹⁾ | |
|--|------------------|----------------|--------------------------|----------------|
| | Carrying amounts | Fair values | Carrying amounts | Fair values |
| in € thousand | | | | |
| Assets | | | | |
| Trade receivables | 2,491 | 2,491 | 2,415 | 2,415 |
| Other receivables | 13,892 | 13,892 | 1,731 | 1,731 |
| Cash and cash equivalents | 17,361 | 17,361 | 14,182 | 14,182 |
| Total assets | 33,744 | 33,744 | 18,328 | 18,328 |
| Equity and liabilities | | | | |
| Liabilities measured at amortized cost | | | | |
| Minority interests | 65,642 | 65,642 | 73,630 | 73,559 |
| Financial liabilities | 191,181 | 191,181 | 216,550 | 216,732 |
| Trade payables | 2,150 | 2,150 | 1,701 | 1,701 |
| Other liabilities | 3,702 | 3,702 | 3,104 | 3,104 |
| Liabilities recognized at fair value through profit and loss | | | | |
| Derivatives without hedge accounting | 2,089 | 2,089 | 2,700 | 2,700 |
| Liabilities that do not belong to the valuation categories of IAS 39 | | | | |
| Derivatives with hedge accounting | – | – | 6,480 | 6,480 |
| Total equity and liabilities | 264,764 | 264,764 | 304,165 | 304,276 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

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 financial liabilities are identified as the present values of the cash flows associated with the liabilities based on the interest yield curve on the balance sheet date.

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

| in € thousand | 2013 | 2012 ¹⁾ |
|---|----------------|--------------------|
| Loans and receivables | | |
| Other operating income | 33 | 50 |
| Other operating expenses | (534) | (386) |
| Loans and receivables, Total | (501) | (336) |
| Liabilities recognized at fair value through profit and loss liabilities | | |
| Interest rate swaps without hedge accounting (interest expenses) | (611) | (402) |
| Net gains (losses) | (1.112) | (738) |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

The net result includes all other income and expenses 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. The net result does not include interest expenses – these are presented in the Note 27.

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 assets, financial position and results of operations as low as possible.

The Group's risk management is performed centrally at 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) **Market risks** The Group has concluded leasing agreements for the commercial letting of its investment properties. These rental agreements have a direct influence on the measurement at fair value of the investment properties based on the respective amount and term. If this rental income falls and the assumed vacancy rate increases, this would have negative impacts on the fair values of the investment properties.
- b) **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 risks primarily result 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. €-788,000 (2012: €-406,000) lower or higher. This effect is based on the changed interest expense for variable-interest loans, less the impact of interest rate hedges and interest on bank balances.

An increase in the discount rate and capitalisation rate would lead to a reduction in the fair value of the investment properties, while a decrease in these rates would lead to a corresponding increase in the fair values of the investment properties.

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 or loss but at amortised cost. However, in the event of a premature repayment of the liability (e.g., if the financed property is sold), this risk becomes more important. The Group does not hedge this risk.

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

- c) **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 first class credit standing. Creditworthiness is monitored on an ongoing basis. The tenant structure is broad. During the financial year 2013, rental defaults amounted to 1.69% (2012: 1.07%) of rental income on the back of an increased need for individual value adjustments at IC 15 (€153,000) and BBV 14 (€115,000). Reversals of individual value adjustments fell by €144,000 in the past financial year and derecognitions by €317,000.

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.

d) Liquidity risks

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

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

| in € thousand | 12/31/2013 | | | | 12/31/2012 ¹⁾ | | | |
|----------------------------------|-------------------|---------------------------|---------------------------|-------------------|--------------------------|---------------------------|---------------------------|-------------------|
| | due within 1 year | due between 1 and 2 years | due between 3 and 5 years | due after 5 years | due within 1 year | due between 1 and 2 years | due between 3 and 5 years | due after 5 years |
| Minority interests | – | – | – | 65,642 | – | – | – | 73,559 |
| Liabilities to banks | 69,390 | 50,516 | 29,278 | 58,711 | 61,551 | 32,361 | 74,169 | 68,988 |
| Derivative financial instruments | 567 | 506 | 1,016 | – | 3,413 | 1,341 | 3,768 | 589 |
| Provisions | 429 | – | – | – | 364 | – | – | – |
| Trade payables | 2,150 | – | – | – | 1,701 | – | – | – |
| Other liabilities | 3,702 | – | – | – | 3,104 | 90 | – | – |
| Total maturities | 76,238 | 51,022 | 30,294 | 124,353 | 70,133 | 33,792 | 77,937 | 143,136 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

The amounts generally involve the payments to be made including interest.

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 profit under commercial law, allowing dividends to be distributed.

There were no changes in the Group's capital management.

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

| Consolidated equity ratio | | 12/31/2013 | 12/31/2012 ¹⁾ |
|---------------------------|---------------|------------|--------------------------|
| Equity | in € thousand | 80,673 | 80,421 |
| Total assets | in € thousand | 345,866 | 385,082 |
| Equity ratio | in % | 23.3 | 20.9 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

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

A key element of capital management is also to fulfil the REIT Act equity requirements, as this is one of the factors required for corporation and trade tax to be permanently waived for the Company.

According to section 15 of the REIT Act, equity must total at least 45% of immovable assets.

| in € thousand | 12/31/2013 | 12/31/2012 ¹⁾ |
|--|----------------|--------------------------|
| Equity (consolidated balance sheet) | 80,673 | 80,421 |
| Minority interests | 65,642 | 73,559 |
| Equity within the meaning of Section 15 of the REIT Act | 146,315 | 153,980 |
| Immovable assets | | |
| Investment property | 292,389 | 355,872 |
| Equity-accounted investments | – | 10,646 |
| Non-current assets available for sale | 19,585 | – |
| Total immovable assets | 311,974 | 366,518 |
| Equity ratio within the meaning of Section 15 of the REIT Act | 46.9 % | 42.0 % |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b). The equity ratio according to section 15 REIT act of 42.0 % solely refers to the adjusted accounts relating to the first-time adoption of IFRS 10. The certified equity ratio according to section 15 REIT act as of 12/31/2012 was 52.6 % of immovable assets.

(31) Segment Reporting

The Group holds real estate assets directly in Fair Value REIT-AG and in its subsidiaries. The Group's organisational and management structure is in line with these two forms of participation. As a result, there are two operational areas – "Direct Investments" and "Subsidiaries", whereby subsidiaries are reported individually. Alongside these, there are also participations in other real estate business partnerships, which cannot be assigned to one of these two segments. The Group operates exclusively in the geographic region of "Germany". The accounting and valuation methods in the reporting segments are identical to the Group's methods described in Note 2a. 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:

| in € thousand | 2013 | | 2012 ¹⁾ | |
|---|------------------|-----------------|--------------------|-----------------|
| | Segment revenues | Segment results | Segment revenues | Segment results |
| Direct investments | 3.665 | 1.987 | 3.828 | 2.666 |
| Subsidiaries | 32.762 | 4.509 | 33.000 | 10.756 |
| Segment revenues and results, total | 36,427 | 6,496 | 36,828 | 13,422 |
| Earnings from equity-accounted participations | | 1,134 | | (592) |
| Other income from participations | | 370 | | – |
| Central administrative expenses and other | | (1,463) | | (1,474) |
| Net interest expenses | | (12,690) | | (10,680) |
| Affecting valuation of derivative financial instruments | | – | | (263) |
| Minority interest in the result | | 947 | | (591) |
| Income tax | | (21) | | – |
| Net income | | (5,227) | | (178) |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

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

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

| in € thousand | 2013 | 2012 ¹⁾ |
|--|---------------|--------------------|
| Main tenant 1 (Direct investments segment) | 2,811 | 3,063 |
| Main tenant 2 (Subsidiaries segment) | 1,919 | 1,959 |
| Other each under 10 % | 31,697 | 31,806 |
| Total rental revenue | 36,427 | 36,828 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

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

| in € thousand | 2013 | | 2012 ¹⁾ | |
|-----------------------|--------------------|---------------|--------------------|---------------|
| | Direct investments | Subsidiaries | Direct investments | Subsidiaries |
| Office | 3,665 | 9,044 | 3,828 | 9,491 |
| Retail | – | 15,913 | – | 15,481 |
| Others | – | 7,805 | – | 8,028 |
| Total revenues | 3,665 | 32,762 | 3,828 | 33,000 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

Segment earnings in both segments are calculated before taking into account central administrative costs, income from equity-accounted investments, 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:

| in € thousand | 2013 | | 2012 ¹⁾ | |
|-------------------------------|--------------------|-----------------|--------------------|----------------|
| | Direct investments | Subsidiaries | Direct investments | Subsidiaries |
| Valuation gains | 12 | 835 | 818 | 4,366 |
| Valuation losses | (631) | (14,253) | (811) | (12,861) |
| | (619) | (13,418) | 7 | (8,495) |
| Adjustment in line with IAS 8 | – | – | (3) | (1,227) |
| | (619) | (13,418) | 4 | (9,722) |
| Capital gains (losses) | 166 | (895) | 63 | (12) |
| | (453) | (14,313) | 67 | (9,734) |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

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

| Income statement by segments 2013 | | | | | |
|---|-------------------------------|----------|--------------|--------------|--------------|
| | Direct investments | | | | |
| in € thousand | FV AG | IC01 | IC03 | IC07 | IC13 |
| Rental income | 2,975 | – | 798 | 575 | 1,836 |
| Income from operating and incidental costs | 690 | – | 212 | 285 | 573 |
| Segment revenue | 3,665 | – | 1,010 | 860 | 2,409 |
| Leasehold payments | – | – | – | – | – |
| Real estate-related operating expenses | (1,044) | – | (379) | (909) | (904) |
| Administrative expenses related to segment | (183) | – | (66) | (42) | (112) |
| Other operating expenses and income (balance) | 2 | – | (100) | (14) | 26 |
| Result from sale of investment properties | 166 | – | (774) | – | – |
| Valuation gains | 12 | – | – | – | – |
| Valuation losses | (631) | – | – | (63) | (590) |
| Segment profit | 1,987 | – | (309) | (168) | 829 |
| Central administration costs | (1,463) | – | – | – | – |
| Income from equityaccounted participations | 511 | – | – | – | – |
| Other income from participations | 2,348 | – | – | – | – |
| Net interest expenses | (6,707) | – | (63) | (72) | (478) |
| Minority interests | – | – | – | – | – |
| Income tax | (21) | – | – | – | – |
| Annual result 2013 | (3,345) | – | (372) | (240) | 351 |

| Subsidiaries | | | | | | | | Reconciliation | Group |
|--------------|---------|-------|---------|-------|---------|---------|----------|----------------|----------|
| BBV03 | BBV06 | IC12 | IC15 | BBV02 | BBV10 | BBV14 | Total | | |
| 605 | 4,021 | 465 | 2,916 | 217 | 9,076 | 6,153 | 26,662 | – | 29,637 |
| 105 | 622 | 257 | 318 | 16 | 2,110 | 1,602 | 6,100 | – | 6,790 |
| 710 | 4,643 | 722 | 3,234 | 233 | 11,186 | 7,755 | 32,762 | – | 36,427 |
| – | (7) | – | – | – | – | – | (7) | – | (7) |
| (541) | (1,575) | (625) | (648) | (77) | (3,886) | (2,739) | (12,283) | – | (13,327) |
| (118) | (236) | (43) | (158) | (57) | (413) | (394) | (1,639) | (2) | (1,824) |
| – | 67 | 47 | (47) | 30 | (40) | (15) | (46) | 37 | (7) |
| – | (99) | – | – | (30) | 105 | (97) | (895) | – | (729) |
| 10 | 210 | 210 | – | 15 | 390 | – | 835 | – | 847 |
| (110) | (3,214) | – | (1,582) | – | (8,478) | (216) | (14,253) | – | (14,884) |
| (49) | (211) | 311 | 799 | 114 | (1,136) | 4,294 | 4,474 | 35 | 6,496 |
| – | – | – | – | – | – | – | – | – | (1,463) |
| – | – | – | – | – | – | – | – | 623 | 1,134 |
| – | – | – | – | – | – | – | – | (1,978) | 370 |
| – | (797) | (83) | (591) | (59) | (3,068) | (772) | (5,983) | – | (12,690) |
| – | – | – | – | – | – | – | – | 947 | 947 |
| – | – | – | – | – | – | – | – | – | (21) |
| (49) | (1,008) | 228 | 208 | 55 | (4,204) | 3,522 | (1,509) | (373) | (5,227) |

Income statement by segments 2012

| in € thousand | Direct investments | | | | |
|---|--------------------|--------------|------------|------------|--------------|
| | FV AG | IC01 | IC03 | IC07 | IC13 |
| Rental income | 3,243 | 103 | 589 | 449 | 1,794 |
| Income from operating and incidental costs | 585 | 20 | 183 | 204 | 502 |
| Segment revenue | 3,828 | 123 | 772 | 653 | 2,296 |
| Leasehold payments | – | – | – | – | – |
| Real estate-related operating expenses | (874) | (7) | (468) | (669) | (1,187) |
| Administrative expenses related to segment | (191) | (81) | (29) | (38) | (95) |
| Other operating expenses and income (balance) | (164) | (99) | (12) | (2) | 26 |
| Result from sale of investment properties | 63 | – | – | – | – |
| Valuation gains | 818 | – | 50 | 560 | 1,240 |
| Valuation losses | (814) | (650) | (78) | (36) | (898) |
| Segment profit | 2,666 | (714) | 235 | 468 | 1,382 |
| Central administration costs | (1,464) | – | – | – | – |
| Income from equity accounted participations | 511 | – | – | – | – |
| Other income from participations | 2,069 | – | – | – | – |
| Net interest expenses | (2,748) | (26) | (79) | (80) | (540) |
| Minority interests | – | – | – | – | – |
| Income tax | – | – | – | – | – |
| Annual result 2013 | 1,034 | (740) | 156 | 388 | 842 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

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

| in € thousand | 12/31/2013 | | 12/31/2012 ¹⁾ | |
|---|----------------|----------------|--------------------------|----------------|
| | Assets | Liabilities | Assets | Liabilities |
| Direct investments | 53,266 | 841 | 45,929 | 1,140 |
| Subsidiaries | 292,366 | 5,403 | 328,354 | 4,095 |
| Total segment assets/segment liabilities | 345,632 | 6,244 | 374,283 | 5,235 |
| Non-allocated assets/liabilities consolidation | 234 | 258,949 | 10,799 | 299,426 |
| Total Group assets/group liabilities | 345,866 | 265,193 | 385,082 | 304,661 |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

The segments' assets primarily comprise investment properties, receivables and cash and cash equivalents. The assets of the "Subsidiaries" segment also include non-current assets available for sale (Note 9). The non-allocated assets in the past financial year consist of the intangible assets as well as cash and cash equivalents of the "Geschäftsführungs-GmbH Co. KGs" as well as the general partner GmbH. In the previous year, non-allocated assets and liabilities also contained the associated company BBV09. Segment liabilities comprise operating liabilities. Financial liabilities, derivative financial instruments and minority interests are reported under non-allocated liabilities.

| Subsidiaries | | | | | | | | Reconciliation | Group |
|--------------|--------------|------------|--------------|------------|----------------|--------------|---------------|----------------|---------------|
| BBV03 | BBV06 | IC12 | IC15 | BBV02 | BBV10 | BBV14 | Total | | |
| 709 | 4,331 | 403 | 2,907 | 216 | 10,344 | 6,402 | 28,247 | – | 31,490 |
| 100 | 765 | 274 | 295 | (3) | 778 | 1,635 | 4,753 | – | 5,338 |
| 809 | 5,096 | 677 | 3,202 | 213 | 11,122 | 8,037 | 33,000 | – | 36,828 |
| – | (7) | – | – | – | – | – | (7) | – | (7) |
| (280) | (1,700) | (685) | (802) | (82) | (2,304) | (2,465) | (10,649) | – | (11,523) |
| (149) | (309) | (37) | (129) | (23) | (425) | (502) | (1,817) | – | (2,008) |
| 4 | (13) | 37 | 67 | (2) | 8 | (78) | (64) | 27 | (201) |
| – | (12) | – | – | – | – | – | (12) | – | 51 |
| 610 | 536 | 460 | – | 90 | 520 | 300 | 4,366 | – | 5,184 |
| (85) | (1,235) | (44) | (1,077) | – | (9,497) | (488) | (14,088) | – | (14,902) |
| 909 | 2,356 | 408 | 1,261 | 196 | (576) | 4,804 | 10,729 | 27 | 13,422 |
| – | – | – | – | – | – | – | – | (10) | (1,474) |
| – | – | – | – | – | – | – | – | (1,103) | (592) |
| – | – | – | – | – | – | – | – | (2,069) | – |
| 3 | (1,180) | (82) | (1,034) | (69) | (3,654) | (1,194) | (7,935) | 3 | (10,680) |
| – | – | – | – | – | (263) | – | (263) | – | (263) |
| – | – | – | – | – | – | – | – | (591) | (591) |
| 912 | 1,176 | 326 | 227 | 127 | (4,493) | 3,610 | 2,531 | (3,743) | (178) |

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

| Assets and liabilities by segments 2013 | | | | | |
|--|---------------------------|----------|--------------|----------------|-----------------|
| | Direct investments | | | | |
| in € thousand | FV AG | IC01 | IC03 | IC07 | IC13 |
| Intangible assets and property, plant and equipment | 97 | – | – | – | – |
| Investment property | 37,279 | – | – | 7,860 | 18,580 |
| Non-current assets held for sale | 1,100 | – | – | – | – |
| Trade receivables | 364 | – | 121 | 200 | 85 |
| Income tax receivables | 24 | – | – | – | – |
| Other receivables and assets | 13,685 | – | 22 | – | 1 |
| Cash and cash equivalents | 717 | – | 2,662 | 461 | 775 |
| Subtotal segment assets | 53,266 | – | 2,805 | 8,521 | 19,441 |
| Participation in subsidiaries | 64,128 | – | – | – | – |
| Total assets | 117,394 | – | 2,805 | 8,521 | 19,441 |
| Provisions | (243) | – | (16) | (5) | (13) |
| Trade payables | (310) | – | (240) | (47) | (142) |
| Other liabilities | (288) | – | (61) | (115) | (217) |
| Subtotal segment liabilities | (841) | – | (317) | (167) | (372) |
| Minority interests | – | – | – | – | – |
| Financial liabilities | (31,797) | – | – | (1,316) | (16,296) |
| Derivative financial instruments | (1,778) | – | – | – | – |
| Total liabilities | (34,416) | – | (317) | (1,483) | (16,668) |
| Net assets as of December 31, 2013 | 82,978 | – | 2,488 | 7,038 | 2,773 |
| Overview of maturities of financial liabilities | | | | | |
| Long term | (30,641) | – | – | – | (15,703) |
| Short term | (1,156) | – | – | (1,316) | (593) |
| Financial liabilities | (31,797) | – | – | (1,316) | (16,296) |

| Subsidiaries | | | | | | | | Reconciliation | Group |
|--------------|-----------------|----------------|-----------------|----------------|-----------------|-----------------|------------------|------------------|------------------|
| BBV03 | BBV06 | IC 12 | IC 15 | BBV02 | BBV10 | BBV14 | Total | | |
| – | – | – | – | – | – | – | – | 106 | 203 |
| 6,530 | 21,796 | 7,980 | 34,030 | – | 88,362 | 69,880 | 255,018 | – | 292,297 |
| – | 17,000 | – | – | 1,485 | – | – | 18,485 | – | 19,585 |
| 34 | 588 | 86 | 224 | 5 | 498 | 286 | 2,127 | – | 2,491 |
| – | – | – | – | – | – | – | – | 3 | 27 |
| 29 | 79 | 7 | 24 | 30 | 8 | 14 | 214 | 3 | 13,902 |
| 810 | 3,369 | 435 | 1,692 | 4 | 2,898 | 3,416 | 16,522 | 122 | 17,361 |
| 7,403 | 42,832 | 8,508 | 35,970 | 1,524 | 91,766 | 73,596 | 292,366 | 234 | 345,866 |
| – | – | – | – | – | – | – | – | (64,128) | – |
| 7,403 | 42,832 | 8,508 | 35,970 | 1,524 | 91,766 | 73,596 | 292,366 | (63,894) | 345,866 |
| (12) | (22) | (13) | (15) | (5) | (34) | (41) | (176) | (10) | (429) |
| (14) | (391) | (77) | (122) | (67) | (520) | (215) | (1,835) | – | (2,145) |
| (28) | (864) | (113) | (332) | (12) | (1,310) | (340) | (3,392) | (27) | (3,707) |
| (54) | (1,277) | (203) | (469) | (84) | (1,864) | (596) | (5,403) | (37) | (6,281) |
| – | – | – | – | – | – | – | – | (65,642) | (65,642) |
| – | (25,415) | (2,061) | (17,883) | (1,112) | (60,397) | (35,100) | (159,580) | 196 | (191,181) |
| – | (60) | – | – | – | – | (251) | (311) | – | (2,089) |
| (54) | (26,752) | (2,264) | (18,352) | (1,196) | (62,261) | (35,947) | (165,294) | (65,483) | (265,193) |
| 7,349 | 16,080 | 6,244 | 17,618 | 328 | 29,505 | 37,649 | 127,072 | (129,377) | 80,673 |
| – | – | (1,985) | (7,704) | (1,045) | (35,605) | (33,900) | (95,942) | – | (126,583) |
| – | (25,415) | (76) | (10,179) | (67) | (24,792) | (1,200) | (63,638) | 196 | (64,598) |
| – | (25,415) | (2,061) | (17,883) | (1,112) | (60,397) | (35,100) | (159,580) | 196 | (191,181) |

Assets and liabilities by segments 2012¹⁾

| | Direct investments | | | | |
|--|-----------------------|--------------|----------------|----------------|-----------------|
| in € thousand | FV AG | IC01 | IC03 | IC07 | IC13 |
| Intangible assets and property, plant and equipment | 5 | – | – | – | – |
| Investment property | 43,712 | – | 6,010 | 7,920 | 19,170 |
| Non-current assets held for sale | – | – | – | – | – |
| Trade receivables | 399 | 115 | 166 | 186 | 116 |
| Income tax receivables | 71 | – | – | – | – |
| Other receivables and assets | 744 | 23 | 9 | – | 97 |
| Cash and cash equivalents | 998 | 246 | 60 | 870 | 207 |
| Subtotal segment assets | 45,929 | 384 | 6,245 | 8,976 | 19,590 |
| Participation in subsidiaries | 66,528 | – | – | – | – |
| Equity-accounted participations | 10,189 | – | – | – | – |
| Total assets | 122,646 | 384 | 6,245 | 8,976 | 19,590 |
| Provisions | (167) | (11) | (9) | (8) | (13) |
| Trade payables | (323) | (119) | (14) | (25) | (119) |
| Other liabilities | (650) | (46) | (162) | (100) | (85) |
| Subtotal segment liabilities | (1,140) | (176) | (185) | (133) | (217) |
| Minority interests | – | – | – | – | – |
| Financial liabilities | (33,734) | – | (3,200) | (1,564) | (16,929) |
| Derivative financial instruments | (6,564) | – | – | – | – |
| Total liabilities | (41,438) | (176) | (3,385) | (1,697) | (17,146) |
| Net assets as of December 31, 2012 | 81,208 | 208 | 2,860 | 7,279 | 2,444 |
| Overview of maturities of financial liabilities | | | | | |
| Long term | (32,775) | – | (2,971) | (1,316) | (13,273) |
| Short term | (959) | – | (229) | (248) | (3,656) |
| Financial liabilities | (33,734) | – | (3,200) | (1,564) | (16,929) |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

| | | | | | | | Subsidiaries | | | |
|--|-------|----------|---------|----------|---------|----------|--------------|-----------|----------------|-----------|
| | BBV03 | BBV06 | IC12 | IC15 | BBV02 | BBV10 | BBV14 | Total | Reconciliation | Group |
| | — | — | — | — | — | — | — | — | 142 | 147 |
| | 6,630 | 43,230 | 7,770 | 35,600 | 1,470 | 99,140 | 85,220 | 312,160 | — | 355,872 |
| | — | — | — | — | — | — | — | — | — | — |
| | 16 | 400 | 133 | 158 | 8 | 248 | 470 | 2,016 | — | 2,415 |
| | — | — | — | — | — | — | — | — | 12 | 83 |
| | 41 | 374 | 6 | 53 | 1 | — | 449 | 1,053 | (60) | 1,737 |
| | 1,061 | 2,360 | 482 | 1,654 | 18 | 2,354 | 3,813 | 13,125 | 59 | 14,182 |
| | 7,748 | 46,364 | 8,391 | 37,465 | 1,497 | 101,742 | 89,952 | 328,354 | 153 | 374,436 |
| | — | — | — | — | — | — | — | — | (66,528) | — |
| | — | — | — | — | — | — | — | — | 457 | 10,646 |
| | 7,748 | 46,364 | 8,391 | 37,465 | 1,497 | 101,742 | 89,952 | 328,354 | (65,918) | 385,082 |
| | (14) | (37) | (9) | (16) | (7) | (32) | (32) | (188) | (9) | (364) |
| | (84) | (181) | (70) | (162) | (19) | (301) | (284) | (1,378) | — | (1,701) |
| | (21) | (267) | (88) | (394) | (22) | (469) | (875) | (2,529) | (15) | (3,194) |
| | (119) | (485) | (167) | (572) | (48) | (802) | (1,191) | (4,095) | (24) | (5,259) |
| | — | — | — | — | — | — | — | — | (73,559) | (73,559) |
| | — | (27,787) | (2,132) | (18,752) | (1,176) | (65,446) | (46,242) | (183,228) | 230 | (216,732) |
| | — | (121) | — | — | — | (1,951) | (475) | (2,547) | — | (9,111) |
| | (119) | (28,393) | (2,299) | (19,324) | (1,224) | (68,199) | (47,908) | (189,870) | (73,353) | (304,661) |
| | 7,629 | 17,971 | 6,092 | 18,141 | 273 | 33,543 | 42,044 | 138,484 | (139,271) | 80,421 |
| | — | (19,538) | (2,060) | (2,986) | (1,112) | (39,685) | (45,100) | (128,041) | — | (160,816) |
| | — | (8,249) | (72) | (15,766) | (64) | (25,761) | (1,142) | (55,187) | 230 | (55,916) |
| | — | (27,787) | (2,132) | (18,752) | (1,176) | (65,446) | (46,242) | (183,228) | 230 | (216,732) |

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

| in € thousand | 2013 | | 2012 ¹⁾ | |
|--|---------------------|--------------|---------------------|--------------|
| | Capital expenditure | Depreciation | Capital expenditure | Depreciation |
| Direct investments | | | | |
| Investment property | 517 | – | 683 | – |
| Intangible assets and property, plant and equipment | – | (39) | – | (38) |
| Total direct investments | 517 | (39) | 683 | (38) |
| Subsidiaries | | | | |
| Investment property | 15 | – | 101 | – |
| Total subsidiaries | 15 | – | 101 | – |
| Total group investments and amortisation/depreciation | 532 | (39) | 784 | (38) |

¹⁾ Year adjusted as part of the first-time adoption of IFRS 10 (see Note 2b)

(32) Related Parties

Related companies The Group's related companies are Uni-Credit S.p.A., Rome, which holds 32.41% of the voting rights in the Company and IC Immobilien Holding AG, with 18.09% of the voting rights, taking into account indirectly held shares. Also related to the Group is Bayerische Beamten Lebensversicherung a.G. with 3.76% of the voting rights.

Of the UniCredit S.p.A. and AMMS Komplementär GmbH respective voting rights of 32.41% pursuant to Section 22 (1) sentence 1 number 1 of the Wertpapierhandelsgesetz (WpHG)

- German Securities Trading Act), voting rights of 3% or more in Fair Value REIT AG are held by the following subsidiaries and companies (funds):
- UniCredit Bank AG (formerly Bayerische Hypo- und Vereinsbank AG "HVB")
- Wealth Management Capital Holding GmbH
- H.F.S. HYPO-Fondsbeteiligungen für Sachwerte GmbH
- WealthCap Real Estate Management GmbH
- H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG
- H.F.S. Zweitmarkt Invest 2 GmbH & Co. KG
- H.F.S. Zweitmarkt Invest 3 GmbH & Co. KG
- H.F.S. Zweitmarkt Invest 4 GmbH & Co. KG
- H.F.S. Zweitmarkt Invest 5 GmbH & Co. KG

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

There is a close relationship to IC Immobilien Holding AG and its subsidiary IC Immobilien Service GmbH due to extensive business relationships and service contracts.

Financing Transactions with UniCredit Bank AG UniCredit Bank AG (formerly Bayerische Hypo- und Vereinsbank AG) acts as a lender to the Group. In addition, there is a variable interest rate cap agreement with this bank (see Note no. 17). Interest expenses totalled €1,746,000 (2012: €3,901,000). As of December 31, 2013 there were liabilities from loans amounting to €62,656,000 (2012: €69,170,000) and liabilities from the variable interest rate cap agreement amounting to €60,000 (2012: €121,000). As of December 31, 2013, there were bank balances with UniCredit Bank AG totalling €4,437,000 (2012: €4,057,000); there was interest income from fixed term deposits and other balances totalling €4,000 (2012: €13,000).

Financing Transactions with Bayerische Beamten Lebensversicherung a.G. (BBV Life Insurance)

The BBV Life Insurance acts as a lender of the group. As of December 31, 2013 there were liabilities from loans amounting to €1,081,000 (BBV 02) and €23,206,000 (BBV 10).

The following **service agreements** were concluded between Fair Value REIT-AG and companies in the IC Real Estate Group:

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

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

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

The contract can be terminated with notice of six months required, on December 31, 2014. 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.

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

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

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

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

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

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

For the conclusion of residential and commercial rental agreements with unlimited duration, IC Immobilien Service GmbH will receive, in addition to cost reimbursement for advertisements etc., a fee equating to two months of rent, provided that no estate agent fees are incurred by Fair Value and IC Immobilien Service GmbH receives no remuneration from the tenant.

The agency fees are off set if estate agents are involved in the transaction. In such cases, ICIS will still receive, at the minimum, a coordination fee equating to 50% of a monthly rent.

This remuneration is net plus the respective applicable VAT.

The agreement can be terminated by adhering to the notice period of six months as of December 31, 2014. It extends by periods of one year in each case if it is not terminated with notice of six months to the end of the respective term of the contract by one of the contractual parties.

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

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

| Expenses and income with IC Real Estate Group | 2013 | | 2012 | |
|---|--------------------|--------------|--------------------|--------------|
| | Direct investments | Subsidiaries | Direct investments | Subsidiaries |
| in € thousand | | | | |
| Service fees | | | | |
| External management service (including fund administration) | – | 1,136 | – | 1,602 |
| Accounting | 154 | – | 146 | – |
| Property management fee | 89 | 110 | 103 | 452 |
| Trustee fees | – | 254 | – | 116 |
| Commissions | – | 221 | – | 361 |
| Construction support | 64 | 214 | – | 182 |
| Other | – | 6 | 74 | – |
| Services, total | 307 | 1,941 | 323 | 2,713 |
| Other income | – | (93) | – | – |
| Total expenses and income | 307 | 1,848 | 323 | 2,713 |

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

| | 2013 | | 2012 | |
|--|--------------------|--------------|--------------------|--------------|
| | Direct investments | Subsidiaries | Direct investments | Subsidiaries |
| in € thousand | | | | |
| Receivables | – | 93 | – | – |
| Liabilities from services | (69) | (272) | (20) | (42) |
| Other liabilities | (14) | (55) | – | – |
| Total receivables and liabilities | (83) | (234) | (20) | (42) |

Remuneration Payments for members of the Management Board

| in € thousand | 2013 | 2012 |
|--|------------|------------|
| Payments due at short term | 285 | 250 |
| Services rendered after termination of employment contract | 18 | 12 |
| Share-based appreciation rights | 46 | 13 |
| Total remuneration Management Board | 349 | 275 |

Payments in the past financial year solely relate to Management Board member Frank Schaich and are made up as follows:

| in € thousand | 2013 | 2012 |
|--|------------|------------|
| Performance-unrelated remuneration | | |
| Fixed salary | 220 | 212 |
| Benefits in kind and other | 12 | 18 |
| Performance-related remuneration | 108 | 32 |
| Benefits according to Section 285 No. 9 HGB | 340 | 263 |
| Expenses for pension plan | 9 | 12 |
| Total | 349 | 275 |

During the term of the valid employment contract (October 2012 to September 2016), the remuneration of the Management Board is made up of a basic remuneration of €220,000.00 p.a. plus fringe benefits. The fringe benefits primarily relate to a pension contribution totalling 10% of the basic remuneration (previously double the highest compulsory employer contribution for jobs subject to compulsory social security contributions) and the provision of a car in the price class up to €50,000 net for both business and private use as well as three variable remuneration components.

The variable remuneration components consist of

- a. A dividend-based remuneration of 4% of the Company's distributed dividend. The variable remuneration is paid subject to the discount of the share price in Xetra trading on the Frankfurt stock exchange at the consolidated balance sheet NAV either in cash or in virtual shares in Fair Value REIT-AG. The variable remuneration will be paid in virtual shares and not in cash to the amount of the percentage discount. The virtual shares can be exchanged for cash, no sooner than two years (previously four years) after they have been granted, at the price then valid in XETRA trading.

| Virtual Shares | |
|--|------------------|
| in pieces | Shares |
| Balance as of January 1, 2012 | 2,661.94 |
| Additions | 2,737.18 |
| Disposals | – |
| Balance as of December 31, 2012 | 5,399.12 |
| Additions | 9,012.90 |
| Disposals | – |
| Balance as of December 31, 2013 | 14,412.02 |

- b. An additional cash bonus totalling 10% of the annual savings on company administration costs achieved is also paid. The basis for this calculation are the administration costs for the financial year 2012 for the first contractual year. For the following year, the reference amount is always corrected by the percentage change of the NAV.
- c. The maximum total amount of the bonuses after a. and b. is 100% (previously 50%) of the fixed annual salary including specific fringe benefits (use of a company car and pension contributions).
- d. A bonus totalling 0.2% of the positive change in the market capitalisation of the Company is also paid. The calculation of the compensation entitlement from these long-term components is made after four years by comparing the market capitalisation of the Company on October 1, 2012, and September 30, 2016. If the employee in question leaves the Management Board earlier than planned, the calculation and pay-out is made at the termination of the contract. The amount of this bonus component is limited to the annual basic compensation without fringe benefits plus the annual average of the variable compensation according to a. and b. when it is calculated.

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

Supervisory Board remuneration The members of the Supervisory Board were granted current payments totalling €33,000 (2012: €27,000) in the financial year 2013. No loans and advances were granted to members of the Supervisory Board; in addition, no contingent liabilities were entered into in favour of Supervisory Board members.

(33) Events Occurring after the Balance Sheet Date

Regarding any events after the balance sheet reference is made to the supplementary report in the Group management report.

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

Most recently on February 4, 2014, the Management and Supervisory Boards issued the declaration of conformity within the meaning of Section 161 of the AktG. This declaration was made permanently accessible to shareholders on the Company's website.

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

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

- BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG, München
- BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, München

Munich, March 24, 2014

Fair Value REIT-AG



Frank Schaich

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 24, 2014

Fair Value REIT-AG

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

Frank Schaich

Auditor's Opinion

We have audited the consolidated financial statements for Fair Value REIT-AG, Munich, comprising the balance sheet, statement of comprehensive income, income statement, statement of changes in shareholders' equity, cash flow statement and notes to the financial statements as well as the Group management report for the fiscal year from January 1, 2013 to December 31, 2013. 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 principles of proper accounting 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 financial statements of the subsidiaries included in the consolidation, the definition of the scope of consolidation, the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual consolidated financial statements and the Group management report. We are confident that our audit provides a sufficiently sound basis on which to make an assessment.

Our audit led to no objections.

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

Munich, March 31, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|------------|---------|
| Neugebauer | Horbach |
| Auditor | Auditor |

Compliance

- 116 Supervisory Board and Management Board
- 118 Report of the Supervisory Board
- 120 Corporate Governance Report

Supervisory Board and Management Board

Supervisory Board

Prof. Dr. Heinz Rehkugler (Chairman of the Supervisory Board)

Member of the Supervisory Board since 10/2007

Term of appointment due to run until the General Meeting in 2017

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

Since 1977 University Professor (retired 2009)

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

Prof. Dr. Heinz Rehkugler (born 1943) studied business administration and obtained his doctorate from the University of Munich and went on to become managing director at a management consulting firm. He became a university professor in 1977 and was head of the Financial Economics and Banking department at the University of Freiburg from 1994 to 2009. In addition to his entrepreneurial activities, Prof. Rehkugler has gained an excellent reputation as a result of his many publications on financial economics and real estate. He is professor for real estate investments at Steinbeis University, Berlin and scientific director of the Center for Real Estate Studies at DIA Freiburg and Steinbeis University.

Dr. Oscar Kienzle (Deputy Chairman of the Supervisory Board)

Member of the Supervisory Board since 7/2007

Term of appointment due to run until the General Meeting in 2017

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

09/2011–04/2013 Chairman of the Supervisory Board of IC Immobilien Holding AG, Unterschleißheim

Since 07/2009 Management Board of the Günther Graf von Hardenberg Stiftung, Baden-Baden

Since 05/2013 Chairman of the Supervisory Board of GIEAG Immobilien AG, Munich

Dr. Oscar Kienzle (born 1947) was a lawyer by profession and he completed a second degree in mathematics and macroeconomics with a MBA in Fontainebleau. He is a Fellow of the Royal Institute of Chartered Surveyors (FRICS). Dr. Kienzle held various positions in the real estate sector of WestLB Group, including general manager of RWI (fund initiator), member of the board of EUPIC (today Unibail-Rodamco), an European open-ended real estate fund and Director of the WestLB Real Estate Group, before he founded the IC Real Estate Group in 1988, being its Chief Executive until August 2011. From September 2011 until April 2013 Dr. Kienzle was Chairman of the Supervisory Board of IC Immobilien Holding AG and he is Chairman of the Supervisory Board of GIEAG Immobilien AG as of May 2013. Since July 2009 Dr. Kienzle is a member of the Board of Günther Graf von Hardenberg Foundation in Baden-Baden.

Christian Hopfer (Member of the Supervisory Board)

Member of the Supervisory Board since 7/2007

Term of appointment due to run until the General Meeting in 2017

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

Since 12/2012 Managing Director of Real Grundbesitz GmbH, Zorneding

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

Management Board

Frank Schaich

CEO since September 17, 2007

Term of appointment due to run until September 30, 2016

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

Report of the Supervisory Board

Dear Shareholders,

The substantial rise in the operating result and distributable profit confirm the positive development of Fair Value REIT-AG. Moreover, the company succeeded in simplifying the Group structure with various measures, which not only increases the transparency of the company for shareholders, but also creates potential for further cost cuts and growth in income. The Supervisory Board supported the corresponding efforts of the Management Board and the employees by actively participating in strategic and operating planning. Our common aim is to continue this positive development.

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 2013 fiscal year. The Supervisory Board discussed in detail and approved the company's budget and planning as well as the plans for the Group. Discussions were regularly held in the Supervisory Board meetings regarding the revenue and income developments in the Group as well as the financial status and assets position, with particular consideration being given to the risk situation. Interim reports were also discussed.

Corporate Governance

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

The recommendations of the German Corporate Governance Code issued by the government commission were updated in May 2013 and these were discussed in detail with the Management Board. In this context, the efficiency of the work of the Supervisory Board was also reviewed. The current declaration of compliance pursuant to § 161 of the AktG was submitted together with that of the Management Board on February 4, 2014 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 February 5, 2014 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 Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, which was appointed by the Annual General Meeting on May 16, 2013. 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 2013 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 31, 2014. 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 and approved the Consolidated Financial Statements of Fair Value REIT-AG on March 31, 2014.

Review in Accordance with German REIT Legislation

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

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

Munich, March 31, 2014

On behalf of the Supervisory Board



Prof. Dr. Heinz Rehkugler

Corporate Governance Report

The Management and Supervisory Boards of Fair Value REIT-AG attach great importance to the application of clear and efficient rules for the management and control of the business and to the recommendations of the German Corporate Governance Code. Both boards of Fair Value REIT-AG again have dealt with the latest version of the code during the 2013 fiscal year.

Corporate governance refers to good and responsible corporate management and control, with the ultimate aim of creating long-term added value. Guidelines have been drawn up for this and are summarized for German companies in the German Corporate Governance Code (GCGC), which was updated in May 13, 2013.

Management and control structure

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

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

Management Board compensation

During the duration of the applicable employment contract (October 2012 until September 2016) the compensation of the Management Board consists of a base salary of €220,000 per annum plus additional benefits (primarily pension benefits equivalent to 10 % of the base salary, and provision of a passenger vehicle for business and personal use up to a purchase price of €50,000 net), and three variable compensation components.

The variable compensation components consist

- a) of a dividend-based compensation equivalent to 4 % of the dividend that the Company pays out.
Such variable compensation shall be paid out either in cash or in virtual shares of Fair Value REIT-AG, depending on the discount of the share price in XETRA trading on the Frankfurt Stock Exchange to the balance-sheet NAV. The variable compensation shall be paid in virtual shares equivalent to the level of the percentage discount. In other words, it shall not be paid in cash. Not before two years after granting, the virtual shares are entitled to a cash payout at the then prevailing share price in XETRA trading.
- b) of an additional cash bonus equivalent to 10 % of the administration cost savings which the Company achieves in a given year. For the first contractual year (October 2012 until October 2013), the basis

- for this calculation shall be the level of administration costs in the 2011 fiscal year. For the following years, the initial amount shall be in each case adjusted by the percentage change in the NAV, whereby
- c) the maximum total amount of bonuses pursuant to a) and b) shall amount to 100% of the annual base salary including certain additional benefits (company car and pension contributions).
 - d) also of a bonus equivalent to 0.2% of the positive change in the Company's market capitalisation.

The calculation of the compensation attributable from this long-term component shall be performed after four years by comparing the Company's market capitalisations on October 1, 2012 and on September 30, 2016. If the Management Board leaves the Company earlier, such calculations and payments shall be performed at the end of the contract. The level of the bonus component shall be limited to one year's basic salary excluding additional benefits, plus the annual average of the variable compensation pursuant to a) and b) until the calculation.

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.

Director's Dealings

During the 2013 fiscal year, Fair Value REIT-AG received no reports regarding securities transactions on the part of members of the Management and the Supervisory Boards or persons with a close relationship to these members as defined in § 15 WpHG (German Securities Trading Act).

Share ownership

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

Share ownership by members of the Management Board and Supervisory Board

| Body | Number | in % |
|---------------------------------------|----------------|-------------|
| Management Board (Frank Schaich) | 3,028 | |
| Supervisory Board (Dr. Oscar Kienzle) | 225,716 | |
| Total | 228,744 | 2.43 |

Transparency and disclosure of information

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

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

The company reports on a quarterly basis regarding business performance as well as about the financial status and earnings position. The general public is informed about the company's activities via the media.

Information that could have a significant effect on the company's share price is released in the form of ad-hoc disclosures in accordance with legal provisions. Fair Value REIT-AG uses its website at www.fvreit.de to provide shareholders, investors and the general public with information.

Accounting and auditing

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

Declaration concerning the German Corporate Governance Code (GCGC)

The Management and Supervisory Boards of Fair Value REIT-AG issued the following declaration of conformity with the German Corporate Governance Code (Version dated May 13, 2013) within the meaning of section 161 of the AktG on February 4, 2014:

Fair Value REIT-AG's Management and Supervisory Boards welcome and support the German Corporate Governance Code and the objectives it pursues. Fair Value REIT-AG follows the recommendations of the German Corporate Governance Code in the version dated May 13, 2013 and will continue to do so in future with the following exceptions:

- **D&O insurance** The D&O insurance concluded for the Management and Supervisory Boards does not include a deductible for members of the Supervisory Board (Item 3.8 GCGC). The Company is of the opinion that the inclusion of a deductible is not necessary to urge the members of the Supervisory Board to a responsible behaviour as they are already obliged to a responsible behaviour in the best interest of the company qua their office and that an inclusion of a deductible may prevent potential suitable candidates from assuming the office as members of the Supervisory Board.
- **Number of Management Board Members** The Management Board currently only comprises one member (Item 4.2.1 GCGC). The Management and Supervisory Boards find this acceptable given the comparably low amount of investments under management.
- **Age limit for members of the Management and Supervisory Boards, Composition of the Supervisory Board** There is no age limit for members of the Managing and Supervisory Boards (Items 5.1.2 and 5.4.1 GCGC). The Company is of the opinion that the determination of an age limit is not appropriate as the Company shall also benefit from the knowledge and experience of older persons in the work of the Managing and Supervisory Boards. The Supervisory Board has not yet named specific targets for its composition and the recommendations to the shareholders' meeting for the election of the members of the Supervisory Board, which shall provide for diversity and in particular the appropriate representation of women (Item 5.4.1 GCGC), and the Supervisory Board has no plans yet to do so in the future as it is of the opinion that fixed quota regulations are not beneficial so that it will rather consider in the best interest of the Company mainly the professional competence, experience and integrity before other criteria will be considered.
- **Committees** In view of its low number of members, the Supervisory Board has not formed any committees (Item 5.3 GCGC).

| | |
|-----|---|
| 124 | Management Board Declaration adhering to the requirements of the REIT Act |
| 125 | Auditor's Report Pursuant to Section 1 Para. 4 of the REIT Act |
| 126 | Method of Real Estate Valuation |
| 128 | Individual Property Information of Fair Value REIT-AG's portfolio |
| 132 | Financial Calendar |
| 133 | Imprint |

Management Board Declaration Adhering to the Requirements of the REIT Act

In connection with the financial statements pursuant to Section 264 HGB as well as the consolidated financial statements pursuant to Section 315a HGB as of December 31, 2013, the Management Board declares the following with regards to adhering to the requirements of Sections 11 to 15 of the REIT Act (REITG) as well as the composition of income with regards to possible advanced taxation pursuant to Section 19 para. 3 in connection with Section 19a REITG as of December 31, 2013:

Section 11 – Shares in free float (min. 15 %)

As of December 31, 2013, to our knowledge 39.44% of the shares in our company were in free float in line with Section 11 para. 1 of the REIT Act. This was communicated to BaFin (German Federal Financial Supervisory Authority) on January 10, 2014. In compliance with Section 11 para. 4 of the REIT Act, to our knowledge no single shareholder directly holds 10 % or more of the shares in the company or shares in an amount which would result in a shareholder directly holding 10% or more of the voting rights.

Section 12 – Asset and income requirements (min. 75 % of assets and net sales respectively)

As of December 31, 2013, immovable assets were calculated at € 311,974 thousand in line with Section 12 para. 1 and 2 REITG. This represents 90.9 % of assets totalling € 343,374 thousand calculated pursuant to Section 12 para. 2. Net sales plus other income from immovable assets pursuant to Section 12 no. 4 REITG stem exclusively (100%) from rent, leasing and leases including property-related activities or sales of immovable assets. The asset and income requirements pursuant to Section 12 para. 2b and 3b REITG were not applicable as no REIT service companies are part of the Group.

Section 13 – Dividend requirements (min. 90 % of net income pursuant to HGB)

Following a resolution of the Annual General Meeting on May 16, 2013, a dividend of € 0.10 per share in circulation was distributed in 2013, which corresponds to € 932,557.20 or 96.60% of 2012 net income according to German commercial law modified in line with Section 13 no. 1 REITG. For the financial year 2013, the Management Board is proposing a dividend of € 0.25 per share in circulation. This corresponds to € 2,331,393.00 or 92.57% of net income according to German commercial law modified in line with Section 13 no. 1 REITG.

Section 14 – Exclusion of real estate trading (max. 50 % in five years)

Pursuant to Section 14 para. 2, the proceeds from the sale of immovable assets within the last five financial years (2009 to 2013) totalled € 46.9 million and therefore accounted for 22.5 % of the average portfolio of immovable assets of € 208,253 thousand during this period. The Group did not qualify as a real estate trader during the financial year 2013.

Section 15 – Equity (min. 45 % of immovable assets)

Equity pursuant to Section 15 REITG totalled € 146,315 thousand as of December 31, 2013. This represents 46.9 % of Group immovable assets totalling € 311,974 thousand calculated pursuant to Section 12 para. 1 REITG.

Section 19 – Advanced taxation of dividends

The dividends of Fair Value REIT-AG do not stem from parts of profit subject to advanced taxation.

Munich, March 24, 2014

Fair Value REIT-AG
Frank Schaich

Auditor's Report Pursuant to Section 1 Para. 4 of the REIT Act

For the attention of Fair Value REIT-AG

As auditor of the financial statements and the consolidated financial statements of Fair Value REIT-AG, Munich, for the financial year January 1 to December 31, 2013, we checked the information in the corresponding attached disclosures of the Management Board for adherence to the requirements of Sections 11–15 of the REIT Act as well as the composition of income with regards to pre-taxed and untaxed income pursuant to Section 19 para. 3 in connection with Section 19a of the REIT Act as of December 31, 2013 (referred to as the "REIT declaration" in the following). The disclosures in the REIT declaration are the responsibility of the company's Management Board. Our task is to express an opinion on these disclosures based on our audit.

We carried out our audit taking into account the IDW audit instructions published by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany, Incorporated Association – IDW): Special requirements in the auditing of a REIT stock company pursuant to Section 1 para. 4 of the REIT Act, for a pre-REIT stock company pursuant to Section 2 clause 3 of the REIT Act and auditing pursuant to Section 21 para. 3 clause 3 of the REIT Act (IDW PH 9.950.2). We planned and carried out audit activities for producing our opinion of the disclosures in the REIT declaration in line with these, in order to provide an opinion with sufficient certainty of whether the disclosures on the free float ratio and the maximum interest ownership per shareholder pursuant to Section 11 para. 1 and 4 of the REIT Act corresponds with the disclosures pursuant to Section 11 para. 5 of the REIT Act as of December 31, 2013, and whether the disclosures on the requirements of Sections 12–15 of the REIT Act as well as the composition of income with regards to pre-taxed and untaxed income pursuant to Section 19a of the REIT Act are correct. Our task was not to fully trace or examine the tax assessment of the relevant companies. As part of our audit we compared the disclosures on the free float ratio and the maximum interest ownership per shareholder pursuant to Section 11 para. 1 and 4 of the REIT Act with the information pursuant to Section 11 para. 5 of the REIT Act as of December 31, 2013 and matched the disclosures in the REIT declaration relating to Sections 12–15 of the REIT Act with the corresponding disclosures of the annual financial statements and consolidated financial statements of the company. We are confident that our audit provides a sufficiently sound basis on which to make an assessment.

According to our opinion based on the insights gained as part of the audit, the disclosures in the REIT declaration on the free float ratio and the maximum interest ownership per shareholder pursuant to Section 11 para. 1 and 4 REIT Act correspond with the disclosures pursuant to Section 11 para. 5 of the REIT Act as of December 31, 2013, and the disclosures in the REIT declaration on the requirements of Sections 12–15 of the REIT Act as well as the composition of income with regards to pre-taxed and untaxed income pursuant to Section 19a of the REIT Act are correct.

This report is intended exclusively for submission to the financial authorities in Munich as part of the tax assessment pursuant to Section 21 para. 2 of the REIT Act and may not be used for other purposes.

Munich, March 31, 2014

Ernst & Young Gmbh
Wirtschaftsprüfungsgesellschaft

| | |
|-------------------|-------------------|
| Neugebauer | Horbach |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

Method of Real Estate Valuation

Proceedings and Assumptions

As in the previous years, Frankfurt-based CB Richard Ellis GmbH (CBRE) was engaged to value Fair Value's directly and indirectly held properties as of December 31, 2013. CBRE is not a company regulated by a supervisory body, however it does employ publicly appointed, sworn experts, members of the Royal Institution of Chartered Surveyors (RICS) and real estate experts certified by HypZert GmbH in its Valuation division.

According to the Valuation Standard (VS) 3.2 RICS Valuation-Professional Standards (8th edition) from the Royal Institution of Chartered Surveyors (RICS), CBRE identified the properties' market values as defined below:

"The estimated amount for which an investment or liability 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 subtracting account incidental acquisition costs (land transfer tax, estate agents' fees and notary's and attorney's fees) and was presented as the net capital value.

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

In so doing, after identifying all of the factors relevant for the valuation, the future cash flows, some of which are linked to forecasts, are aggregated on an accrual basis. The balance of the receipts and payments recorded is then discounted to a fixed point in time (valuation date) using the discount rate. In contrast to the German Ertragswertverfahren (income-based approach) according to the Immobilienwertermittlungsverordnung (ImmoWertV – German Real Estate Appraisal Directive), the cash flows are 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 growth-implicit 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 renewals, the probability of existing rental agreements being extended, vacancy periods and vacancy costs, no allocable incidental costs and capital expenditure expected by the owner, fitting and rental costs of initial and renewals as well as property and lease-specific 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 1 of the RICS Valuation-Professional Standards CBRE points out explicitly in its valuation reports as of January 24, 27, 28 and 29, 2014, 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 of Fair Value REIT-AG's Portfolio

Portfolio as of December 31, 2013

| Address | Fund | Primary use | Year of construction | Last renovation/modernization | Plot size [m²] | Market value 12/31/2012 [€ thousand] | Market value 12/31/2013 [€ thousand] | Change [€ thousand] | Change [%] |
|---------------------------------------|------|-------------|----------------------|-------------------------------|----------------|--------------------------------------|--------------------------------------|---------------------|--------------|
| Direct investments | | | | | | | | | |
| Appen Hauptstrasse 56 e/d | n/a | Office | 1975 | 1995 | 4,320 | 244 | 202 | (42) | (17.2) |
| Bad Bramstedt Bleeck 1 | n/a | Office | 1973 | 2006 | 3,873 | 1,190 | 1,150 | (40) | (3.4) |
| Bad Segeberg Oldesloer Strasse 24 | n/a | Office | 1982 | 2007 | 5,152 | 9,100 | 8,990 | (110) | (1.2) |
| Barmstedt Königstrasse 19–21 | n/a | Office | 1911 | lfd. | 2,842 | 1,400 | 1,400 | – | – |
| Bornhöved Am alten Markt 9a | n/a | Office | 1991 | 2005 | 873 | 665 | 624 | (41) | (6.2) |
| Ellerbek Pinneberger Strasse 155 | n/a | Office | 1985 | 2001 | 1,708 | 354 | 339 | (15) | (4.2) |
| Geschendorf Dorfstrasse 29 | n/a | Office | 1985 | 2006 | 1,154 | 239 | 224 | (15) | (6.3) |
| Henstedt-Ulzburg Hamburger Strasse 83 | n/a | Office | 1989 | 2004 | 1,219 | 1,100 | 1,100 | – | – |
| Leezen Hamburger Strasse 40 | n/a | Office | 1989 | 2005 | 886 | 195 | 184 | (11) | (5.6) |
| Neumünster Ehdorfer Strasse 153 | n/a | Office | 1971 | 2003 | 1,685 | 259 | 247 | (12) | (4.6) |
| Neumünster Kuhberg 11–13 | n/a | Office | 1989 | 2005 | 5,286 | 15,100 | 15,100 | – | – |
| Neumünster Röntgenstrasse 118, 120 | n/a | Office | 1972 | 1998 | 2,481 | 282 | 197 | (85) | (30.1) |
| Norderstedt Ulzburger Strasse 363 d/e | n/a | Office | 1994 | 2004 | 2,762 | 1,580 | 1,560 | (20) | (1.3) |
| Pinneberg Damm 49 | n/a | Office | 1996 | 2007 | 1,383 | 2,710 | 3,040 | 330 | 12.2 |
| Quickborn Kieler Strasse 100 | n/a | Office | 1980 | 2002 | 1,625 | 1,570 | 1,570 | – | – |
| Sparrieshoop Rosenstrasse 15 | n/a | Office | 1961 | 1999 | 984 | 203 | 177 | (26) | (12.8) |
| Tornesch Willy-Meyer-Strasse 3–5 | n/a | Office | 1977 | 2003 | 970 | 631 | 636 | 5 | 0.8 |
| Trappenkamp Am Markt 1 | n/a | Office | 1985 | 2005 | 1,190 | 659 | 666 | 7 | 1.1 |
| Wahlstedt Markt 1 | n/a | Office | 1975 | 2005 | 1,848 | 1,000 | 973 | (27) | (2.7) |
| Subtotal direct investments | | | | | 42,241 | 38,481 | 38,379 | (102) | (0.3) |

| Discount rate 12/31/2013 [%] | Capitalization rate 12/31/2013 [%] | Lettable space [m²] | Vacancies [m²] | Secured remaining term of rental agreements [years] | Income based occupancy rate [%] | Annualized contractual rent [€ thousand] | Annualized potential rent [€ thousand] | Contractual rental yield before costs [%] | Potential rental yield before costs [%] | Participating interest [%] |
|---------------------------------------|---|---------------------------|-------------------|--|---|---|---|--|--|----------------------------------|
| 6.90 | 6.40 | 212 | – | 4.0 | 100.0 | 21 | 21 | 10.3 | 10.3 | 100.00 |
| 7.00 | 6.50 | 997 | 40 | 11.8 | 94.3 | 79 | 84 | 6.9 | 7.3 | 100.00 |
| 7.00 | 6.50 | 9,184 | 358 | 9.8 | 95.9 | 630 | 657 | 7.0 | 7.3 | 100.00 |
| 7.00 | 6.50 | 1,257 | – | 10.5 | 100.0 | 100 | 100 | 7.1 | 7.1 | 100.00 |
| 6.80 | 6.30 | 664 | – | 3.7 | 100.0 | 55 | 55 | 8.8 | 8.8 | 100.00 |
| 6.60 | 6.10 | 356 | – | 3.2 | 100.0 | 27 | 27 | 8.0 | 8.0 | 100.00 |
| 6.90 | 6.40 | 316 | – | 3.1 | 100.0 | 21 | 21 | 9.5 | 9.5 | 100.00 |
| 6.80 | 6.40 | 1,005 | – | 12.0 | 100.0 | 77 | 77 | 7.0 | 7.0 | 100.00 |
| 7.10 | 6.60 | 174 | – | 4.0 | 100.0 | 17 | 17 | 9.3 | 9.3 | 100.00 |
| 7.50 | 7.00 | 346 | – | 3.0 | 98.8 | 25 | 26 | 10.2 | 10.4 | 100.00 |
| 7.20 | 6.70 | 11,808 | – | 11.5 | 100.0 | 1,029 | 1,029 | 6.8 | 6.8 | 100.00 |
| 7.50 | 7.00 | 534 | – | 3.5 | 100.0 | 31 | 31 | 15.5 | 15.5 | 100.00 |
| 6.80 | 6.40 | 1,340 | 43 | 10.0 | 98.9 | 112 | 113 | 7.2 | 7.3 | 100.00 |
| 6.60 | 6.10 | 1,879 | – | 9.9 | 100.0 | 207 | 207 | 6.8 | 6.8 | 100.00 |
| 6.60 | 6.10 | 1,309 | – | 12.0 | 100.0 | 108 | 108 | 6.9 | 6.9 | 100.00 |
| 7.35 | 6.85 | 237 | – | 2.7 | 100.0 | 18 | 18 | 10.3 | 10.3 | 100.00 |
| 6.80 | 6.30 | 657 | – | 4.4 | 100.0 | 59 | 59 | 9.3 | 9.3 | 100.00 |
| 6.60 | 6.10 | 787 | – | 3.2 | 100.0 | 57 | 57 | 8.6 | 8.6 | 100.00 |
| 6.75 | 6.25 | 1,346 | – | 3.3 | 100.0 | 88 | 88 | 9.1 | 9.1 | 100.00 |
| | | 34,407 | 441 | 9.7 | 98.8 | 2,761 | 2,794 | 7.2 | 7.3 | |

Portfolio as of December 31, 2013

| Address | Fund | Primary use | Year of construction | Last renovation/modernization | Plot size [m²] | Market value 12/31/2012 [€ thousand] | Market value 12/31/2013 [€ thousand] | Change [€ thousand] | Change [%] |
|--|--------|-------------|----------------------|-------------------------------|----------------|--------------------------------------|--------------------------------------|---------------------|--------------|
| Subsidiaries | | | | | | | | | |
| Teltow Rheinstrasse 8 | IC 07 | Office | 1995 | – | 5,324 | 7,920 | 7,860 | (60) | (0.8) |
| Ahaus-Wüllen Andreasstrasse 1 | BBV 06 | Retail | 1990 | – | 5,513 | 1,080 | 980 | (100) | (9.3) |
| Ahaus-Wüllen Andreasstrasse 3–7 | BBV 06 | Retail | 1973 | – | 13,036 | 3,690 | 3,530 | (160) | (4.3) |
| Hannover Hinüberstrasse 6 | BBV 06 | Other | 1981 | 2006 | 3,204 | 19,600 | 17,000 | (2,600) | (13.3) |
| Köln Köhlstrasse 8 | BBV 06 | Other | 1982 | – | 40,591 | 8,600 | 8,490 | (110) | (1.3) |
| Krefeld Gutenbergstrasse 152/ St. Töniser Strasse 12 | BBV 06 | Retail | 1990 | – | 8,417 | 4,070 | 3,860 | (210) | (5.2) |
| Lippetal-Herzfeld Lippestrasse 2 | BBV 06 | Retail | 1990 | – | 3,155 | 1,570 | 1,780 | 210 | 13.4 |
| Meschede Zeughausstrasse 13 | BBV 06 | Retail | 1989 | – | 1,673 | 460 | 436 | (24) | (5.2) |
| Waltrop Bahnhofstrasse 20a–e | BBV 06 | Retail | 1989 | – | 1,742 | 2,730 | 2,720 | (10) | (0.4) |
| Köln Marconistrasse 4–8 | BBV 03 | Other | 1990 | – | 13,924 | 3,780 | 3,670 | (110) | (2.9) |
| Weyhe-Leeste Hauptstrasse 51–55 | BBV 03 | Retail | 1989 | 2005 | 11,248 | 2,850 | 2,860 | 10 | 0.4 |
| Langenfeld Max-Planck-Ring 26/28 | IC 13 | Other | 1996 | – | 14,727 | 7,530 | 7,460 | (70) | (0.9) |
| Neubrandenburg Friedrich-Engels-Ring 52 | IC 13 | Office | 1996 | – | 4,705 | 7,940 | 7,490 | (450) | (5.7) |
| Potsdam Großbeerenstr. 231 | IC 13 | Office | 1995 | – | 2,925 | 3,700 | 3,630 | (70) | (1.9) |
| Chemnitz Hartmannstrasse 3a–7 | IC 12 | Office | 1997 | – | 4,226 | 7,270 | 7,480 | 210 | 2.9 |
| Dresden Nossener Brücke 8–12 | BBV 14 | Office | 1997 | – | 4,134 | 7,420 | 7,480 | 60 | 0.8 |
| Rostock Kröpeliner Strasse 26–28 | BBV 14 | Retail | 1995 | – | 7,479 | 62,500 | 62,400 | (100) | (0.2) |
| Erlangen Henkestrasse 5 | BBV 02 | Retail | 1984 | – | 6,350 | 1,470 | 1,485 | 15 | 1.0 |
| Ahaus Zum Rotering 5–7 | BBV 10 | Retail | 1989 | – | 3,884 | 1,590 | 1,720 | 130 | 8.2 |
| Celle Vor den Fuhren 2 | BBV 10 | Retail | 1992 | – | 21,076 | 11,300 | 8,850 | (2,450) | (21.7) |
| Eisenhüttenstadt Nordpassage 1 | BBV 10 | Retail | 1993 | – | 96,822 | 35,700 | 31,100 | (4,600) | (12.9) |
| Genthin Altmärker Strasse 5 | BBV 10 | Retail | 1998 | – | 3,153 | 780 | 702 | (78) | (10.0) |
| Langen Robert-Bosch-Strasse 11 | BBV 10 | Office | 1994 | – | 6,003 | 15,200 | 14,200 | (1,000) | (6.6) |
| Münster Hammer Strasse 455–459 | BBV 10 | Retail | 1991 | – | 15,854 | 7,900 | 7,550 | (350) | (4.4) |
| Osnabrück Hannoversche Strasse 39 | BBV 10 | Retail | 1989 | – | 7,502 | 3,280 | 3,340 | 60 | 1.8 |
| Lutherstadt Wittenberg Lerchenbergstrasse 112/113, Annendorfer Strasse 15/16 | BBV 10 | Retail | 1994 | – | 20,482 | 20,700 | 20,900 | 200 | 1.0 |
| Chemnitz Heinrich-Lorenz-Strasse 35 | IC 15 | Office | 1998 | – | 4,718 | 4,000 | 3,830 | (170) | (4.3) |
| Chemnitz Am alten Bad 1–7, Theaterstrasse 34a | IC 15 | Office | 1997 | – | 3,246 | 6,000 | 5,800 | (200) | (3.3) |
| Dresden Königsbrücker Strasse 121 a | IC 15 | Other | 1997 | – | 4,242 | 11,900 | 11,100 | (800) | (6.7) |
| Quickborn Pascalkehre 15/15a | IC 15 | Office | 1997 | – | 9,129 | 13,700 | 13,300 | (400) | (2.9) |
| Subtotal subsidiaries | | | | | 348,484 | 286,230 | 273,003 | (13,227) | (4.6) |
| Total Group | | | | | 390,725 | 324,711 | 311,382 | (13,329) | (4.1) |

| Discount rate 12/31/2013 [%] | Capitalization rate 12/31/2013 [%] | Lettable space [m²] | Vacancies [m²] | Secured remaining term of rental agreements [years] | Income based occupancy rate [%] | Annualized contractual rent [€ thousand] | Annualized potential rent [€ thousand] | Contractual rental yield before costs [%] | Potential rental yield before costs [%] | Participating interest [%] |
|---------------------------------------|---|---------------------------|-------------------|--|---|---|---|--|--|----------------------------------|
| 7.00 | 6.50 | 9,731 | 1,562 | 3.1 | 84.3 | 610 | 724 | 7.8 | 9.2 | 77.74 |
| 8.10 | 7.60 | 1,496 | – | 2.0 | 100.0 | 116 | 116 | 11.8 | 11.8 | 59.72 |
| 8.00 | 7.50 | 3,915 | – | 1.0 | 100.0 | 329 | 329 | 9.3 | 9.3 | 59.72 |
| 7.10 | 6.60 | 19,460 | – | 6.0 | 100.0 | 1,636 | 1,636 | 9.6 | 9.6 | 59.72 |
| 8.80 | 8.30 | 23,626 | 5,287 | 1.3 | 76.4 | 720 | 942 | 8.5 | 11.1 | 59.72 |
| 7.75 | 7.25 | 4,575 | 458 | 8.2 | 94.8 | 316 | 334 | 8.2 | 8.7 | 59.72 |
| 7.40 | 6.90 | 1,452 | – | 10.8 | 100.0 | 154 | 154 | 8.7 | 8.7 | 59.72 |
| 7.40 | 6.90 | 1,095 | – | 1.5 | 100.0 | 42 | 42 | 9.6 | 9.6 | 59.72 |
| 7.60 | 7.10 | 2,124 | 250 | 3.9 | 92.0 | 224 | 244 | 8.2 | 9.0 | 59.72 |
| 8.20 | 7.70 | 9,640 | – | 9.0 | 100.0 | 330 | 330 | 9.0 | 9.0 | 54.10 |
| 7.85 | 7.35 | 3,141 | 165 | 1.7 | 96.6 | 330 | 341 | 11.5 | 11.9 | 54.10 |
| 8.60 | 8.10 | 10,940 | – | 6.2 | 100.0 | 660 | 660 | 8.8 | 8.8 | 50.54 |
| 7.75 | 7.25 | 7,232 | 392 | 2.0 | 95.6 | 911 | 954 | 12.2 | 12.7 | 50.54 |
| 7.35 | 6.85 | 3,824 | 134 | 2.4 | 94.8 | 300 | 317 | 8.3 | 8.7 | 50.54 |
| 7.10 | 6.30 | 8,380 | 998 | 3.4 | 86.7 | 531 | 613 | 7.1 | 8.2 | 48.86 |
| 8.10 | 7.60 | 8,791 | 32 | 1.3 | 96.9 | 721 | 744 | 9.6 | 9.9 | 45.22 |
| 6.30 | 5.90 | 19,307 | 420 | 5.1 | 97.5 | 4,475 | 4,591 | 7.2 | 7.4 | 45.22 |
| 8.00 | 7.50 | 2,770 | – | 2.8 | 100.0 | 218 | 218 | 14.7 | 14.7 | 41.53 |
| 7.75 | 7.25 | 2,054 | – | 10.0 | 100.0 | 142 | 142 | 8.3 | 8.3 | 40.77 |
| 8.90 | 8.40 | 10,611 | – | 0.2 | 100.0 | 978 | 978 | 11.1 | 11.1 | 40.77 |
| 9.50 | 9.00 | 30,543 | 6,098 | 3.0 | 86.3 | 3,441 | 3,988 | 11.1 | 12.8 | 40.77 |
| 8.00 | 7.50 | 1,275 | 138 | 4.2 | 91.9 | 75 | 81 | 10.7 | 11.6 | 40.77 |
| 7.60 | 7.10 | 13,647 | 5,762 | 2.2 | 60.2 | 848 | 1,408 | 6.0 | 9.9 | 40.77 |
| 7.80 | 7.30 | 7,353 | – | 5.1 | 100.0 | 716 | 716 | 9.5 | 9.5 | 40.77 |
| 8.10 | 7.60 | 4,207 | – | 3.9 | 100.0 | 302 | 302 | 9.1 | 9.1 | 40.77 |
| 7.00 | 6.50 | 14,710 | 654 | 8.3 | 97.4 | 1,664 | 1,708 | 8.0 | 8.2 | 40.77 |
| 7.50 | 7.00 | 5,845 | 81 | 2.0 | 98.5 | 455 | 462 | 11.9 | 12.1 | 39.49 |
| 6.65 | 6.15 | 5,110 | 454 | 1.2 | 89.8 | 398 | 443 | 6.9 | 7.6 | 39.49 |
| 7.90 | 7.40 | 11,554 | – | 15.5 | 100.0 | 901 | 901 | 8.1 | 8.1 | 39.49 |
| 6.90 | 6.50 | 10,570 | – | 3.4 | 99.8 | 1,144 | 1,146 | 8.6 | 8.6 | 39.49 |
| | | 258,980 | 22,882 | 4.5 | 92.7 | 23,690 | 25,565 | 8.7 | 9.4 | |
| | | 293,387 | 23,324 | 5.0 | 93.3 | 26,451 | 28,360 | 8.5 | 9.1 | |

Financial Calendar

Financial calendar

Fair Value REIT-AG

| | |
|----------------------|---|
| May 8, 2014 | Interim Report 1st Quarter 2014 |
| Mai 20–21, 2014 | 17. MKK – Munich Capital Market Conference (Munich, Germany) |
| May 27, 2014 | Annual General Meeting (Munich, Germany) |
| August 7, 2014 | Semi-Annual Report 2014 |
| Oktober 2014 | Presentation, Conference Real Estate Shares (Frankfurt/Main, Germany) |
| November 6, 2014 | Interim Report 1st to 3rd Quarter 2014 |
| November 24–26, 2014 | Presentation, German Equity Forum (Frankfurt/Main, Germany) |

Imprint

Fair Value REIT-AG

Leopoldstrasse 244
80807 Munich
Germany
Tel. +49 (0)89/92 92 815-01
Fax +49 (0)89/92 92 815-15
info@fvreit.de
www.fvreit.de

Registered office: Munich
Commercial register at Munich Local Court
No. HRB 168 882

Date of publication: April 3, 2014

Managing Board

Frank Schaich

Supervisory Board

Prof. Dr. Heinz Rehkugler, Chairman
Dr. Oscar Kienzle, Vice Chairman
Christian Hopfer

Pictures

Fair Value REIT-AG

Concept, Design and Realization

KMS TEAM GmbH
www.kms-team.com

Disclaimer

This annual report contains future-oriented statements, which are subject to risks and uncertainties. They are estimations of the management board of Fair Value REIT-AG and reflect their current views with regard to future events. Such expressions concerning forecasts can be recognised by terms such as "expect", "estimate", "intend", "can", "will" and similar expressions with reference to the enterprise. Factors, that can cause deviations or effects can be (without claim on completeness): the development of the property market, competition influences, alterations of prices, the situation on the financial markets or developments related to general economic conditions. Should these or other risks and uncertainty factors take effect or should the assumptions underlying the forecasts prove to be incorrect, the results of Fair Value REIT-AG could vary from those, which are expressed or implied in these forecasts. The Company assumes no obligation to update such expressions or forecasts.

Fair Value REIT-AG

Leopoldstrasse 244
80807 Munich
Germany

Tel. +49 (0)89/92 92 815-01
Fax +49 (0)89/92 92 815-15
info@fvreit.de
www.fvreit.de