fair value REIT

Annual Report 2014

Stimulating Growth, Creating Value.

Key figures

Key figures Fair Value Group

Revenues and earnings		2014	2013
Rental revenues	in € thousand	23,914	29,637
Net rental result	in € thousand	17,626	23,093
Operating result (EBIT)	in € thousand	5,877	5,012
Result from at equity-accounted investments	in € thousand	–	1,504
Consolidated net income	in € thousand	(47)	(5,227)
Earnings per share	in €	(0.01)	(0.56)
Adjusted consolidated net income (EPRA-Earnings)/FFO	in € thousand	4,402	6,405
EPRA-Earnings/FFO per share	in €	0.47	0.69

Assets and capital		12/31/2014	12/31/2013
Non-current assets	in € thousand	277,909	292,510
Non-current assets available for sale	in € thousand	13,240	19,585
Current assets	in € thousand	20,745	33,771
Total assets	in € thousand	311,894	345,866
Equity/Net asset value (NAV)	in € thousand	78,273	80,673
Equity ratio	in %	25.1	23.3
Immovable assets	in € thousand	280,958	311,974
Equity within the meaning of Section 15 of the REIT act	in € thousand	138,321	146,315
Equity ratio within the meaning of Section 15 of the REIT act (minimum 45 %)	in %	49.2	46.9

Real estate investments		12/31/2014	12/31/2013
Number of properties	amount	43	49
Market value of properties[1]	in € million	281	312
Contractual rent	in € million	23.7	26.5
Potential rent	in € million	25.9	28.4
Occupancy	in %	91.5	93.3
Remaining term of rental agreements	years	5.0	5.0
Contractual rental yield before costs	in %	8.4	8.5

[1] According to market valuations as of 12/31/2014

Further key figures

		12/31/2014	12/31/2013
Number of shares in circulation	in pieces	9,325,572	9,325,572
Net asset value (NAV) per share	in €	8.39	8.65
EPRA-NAV per share	in €	8.49	8.86
Number of employees (including Management Board)		3	3

Group management report

Consolidated financial statements

Compliance

Letter to shareholders

Frank Schaich, Management Board

Dear shareholders, ladies and gentlemen,

we continued to optimise our portfolio during the financial year 2014 and sold properties which were not considered to be part of our core portfolio. As a result of these property sales, net rental income totalled €17.6 million in the financial year 2014, some €5.5 million down on the previous year figure but only slightly short of the forecast figure of €17.8 million. At the same time, we were able to increase the operating result by 18% to €5.9 million following €5.0 million in the previous year, as valuation losses on property fell by €7.6 million year-on-year and were therefore around 54% lower than in 2013.

The net valuation losses were concentrated on five properties (accounting for €7.4 million) and largely related to upcoming letting related costs at three properties and, to a lesser extent, a fall in contractual rents at two properties.

As expected, we were able to substantially reduce net interest expenses. This item was recorded at €5.0 million, some 61% down on the previous year figure. After deducting the proportion of earnings attributable to minority shareholders, this resulted in an almost balanced net result, following a consolidated net loss of €5.2 million in the previous year.

Group equity as of December 31, 2014 attributable to the shareholders of Fair Value REIT-AG fell to €78.3 million compared to €80.6 million in the previous year. This represents a net asset value per share currently in circulation of €8.39 compared to €8.65 at the end of the previous year. This decrease resulted from the dividend payment of €0.25 per share made in 2014.

On the balance sheet date, the REIT equity ratio rose to 49.2% of real estate assets (46.9% in the previous year), which is substantially higher than the legally required minimum level of 45%.

Adjusted consolidated net income (FFO = funds from operations) came in at €4.4 million, €2.0 million down on the previous year figure of €6.4 million. This change was mainly attributable to the reported sales of non-strategic real estate.

The past financial year 2014 developed highly positively overall and largely lived up to our expectations. We will therefore propose the distribution of the planned dividend of €0.25 per share for the financial year 2014 at the Annual General Meeting on May 19, 2015. The proposed dividend corresponds with a distribution ratio of 100% of retained earnings pursuant to HGB and 53% of FFO.

New shareholder structure boosts the share price

The new structure of our main shareholders which took place in December 2014 led to a substantial rise in the share price. Obotritia Capital KGaA bought blocks of shares via three subsidiaries and currently holds around 25.1% of the voting rights in Fair Value REIT-AG. In Obotritia Capital KGaA, we have gained an anchor investor which supports our strategic aims.

FFO and dividend forecast for 2015

At the start of 2015 we issued a convertible bond with a volume of around €8.5 million which is listed in free market trading (Quotation Board) on the Frankfurt Stock Exchange. This capital measure provides us with further financial scope for accelerated growth. We are already successfully using the net in-flow of funds to extend participations at subsidiaries. In addition, we are planning to take over previously indirectly-held properties and add them to the directly-held portfolio. This leads to NAV accretion and increases the FFO return per share due to savings in fund costs.

Taking into account the net in-flow from the convertible bond, we are anticipating operating profits (FFO) for 2015 of between €4.7 million and €5.1 million. In relation to shares currently in circulation, this corresponds with a spread of between €0.50 and €0.55 per share. This results in a forecast FFO return of roughly 6.0% and 6.6% of the balance sheet NAV per share of €8.39 as of December 31, 2014.

We plan to distribute at least 50% of these profits as a dividend. This corresponds with a dividend of between €0.25 and €0.27 per share currently in circulation for 2015.

In the current market environment, we have identified good opportunities for investments in German commercial real estate which promise sustainable success. We would like to thank you for your trust and would warmly welcome your continued support on our growth track.

Munich, March 24, 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
90 % of net income

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 trade tax at company level

German REITs are not subject to corporation tax and trade 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.

Stimulating growth, creating value.

The rising interest in listed companies holding German commercial real estate portfolios, the good positioning of our company as well as the changes in our shareholder base in the financial year 2014 have spurred on demand for Fair Value shares.

This development culminated in December 2014 in a complete restructuring of the major shareholder structure and in a rise in free float (share of voting rights under 5 %) to a temporary level of around 74 % of issued shares. Parallel to this, the share price rose steeply and substantially closed in on the net asset value per share (NAV).

Against this backdrop, we issued a convertible bond with a volume of €8.46 million in January 2015, which has a conversion price of €9.00 per share and which therefore represents a conditional capital increase of up to 10 %. The conversion price is higher than the current NAV per share, which means that a dilution has been avoided for existing shareholders.

The net in-flow from this capital measure has since been successfully used for the growth of our company, boosting the NAV in the process. We are focusing on increasing participations in subsidiaries and selectively concentrating on directly acquiring office and retail properties. As part of this we are also aiming to substantially raise the level of operating consolidated net income (FFO).

We plan to create significant value for our shareholders on the back of the combination of rising NAV and increasing FFO.

Focus on secondary locations

Fair Value REIT-AG invests in German commercial real estate. As part of this, the focus is on retail and office properties in secondary locations. These locations offer more stable long-term rental and value development than property markets in primary locations which tend to react more strongly to economic cycles.

As of December 31, 2014, the directly and indirectly-held portfolio consisted of 43 properties (previous year: 49 properties) with market values totalling around €281 million (previous year: €311 million). This includes three properties held for sale with sale prices of around €13 million in total. Six properties with a transaction volume totalling around €23 million were sold in the past financial year, of which three were directly-held.

Portfolio overview as of Dezember 31, 2014

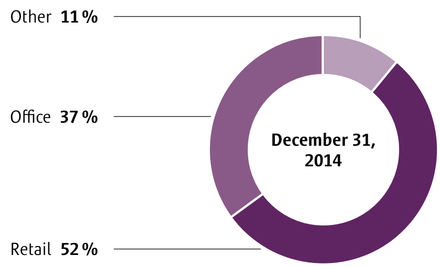
Direct investments and participations	Number of properties	Total lettable space [in m²]	Annualised contractual rent [in T€]	Market value as of 12/31/2014 [in T€]	Occupancy rate [in %]	secured remaining term of rental agreements [in yrs]	Contractual rental yield before costs [in %]	**Fair Value REIT-AG's share** Participating interest [in %]
Direct investments segment	16	32,819	2,639	36,310	98.3	8.9	7.3	100.0
Subsidiaries segment	27	233,604	21,031	244,648	90.7	4.5	8.6	47.1
Total portfolio	**43**	**266,423**	**23,670**	**280,958**	**91.5**	**5.0**	**8.4**	**53.9**

The market values of the properties as of December 31, 2014 were 2.6% down on the like-for-like previous year figures. 98% of this valuation loss was focused on five properties in Celle, Dresden (2 properties), Eisenhüttenstadt and Langen.

Around 58% of the valuation loss resulted from estimated vacancy costs and letting costs for two office buildings (Dresden and Langen) as well as for the shopping centre in Eisenhuettenstadt. The remaining 42% resulted from the follow-up rental of the former Praktiker DIY store in Celle to the new tenant "hagebaumarkt" at a reduced minimum rent as well as a reduction in the minimum rent for the hotel in Dresden in order to ensure continued success of the tenant.

Distribution by type of use

in % of potential rents



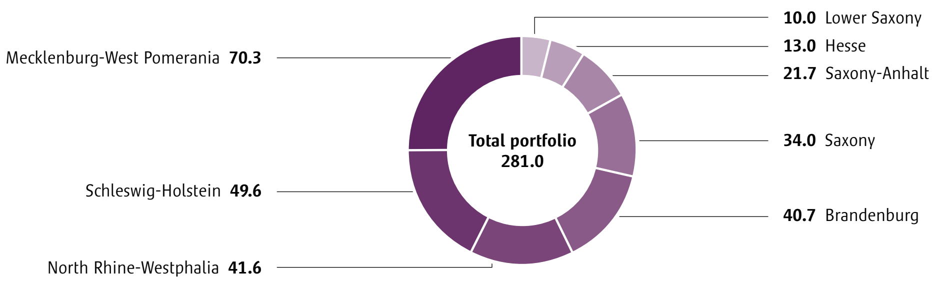
As of December 31, 2014, the portfolio generated 52% of the total potential rent of €28.5 million with real estate which is primarily used for retail. Around 37% of the potential rent is generated by properties primarily used for offices, while 11% stems from properties with other uses.

In its future new investments, Fair Value REIT-AG aims to increasingly focus on commercial properties with strong cash flows which fit the existing portfolio.

As part of this, the company is continuing its focus on secondary locations in Germany. The geographic distribution of the future portfolio should gradually come to reflect the distribution of overall economic value creation in Germany.

Regional distribution of the properties (total portfolio)

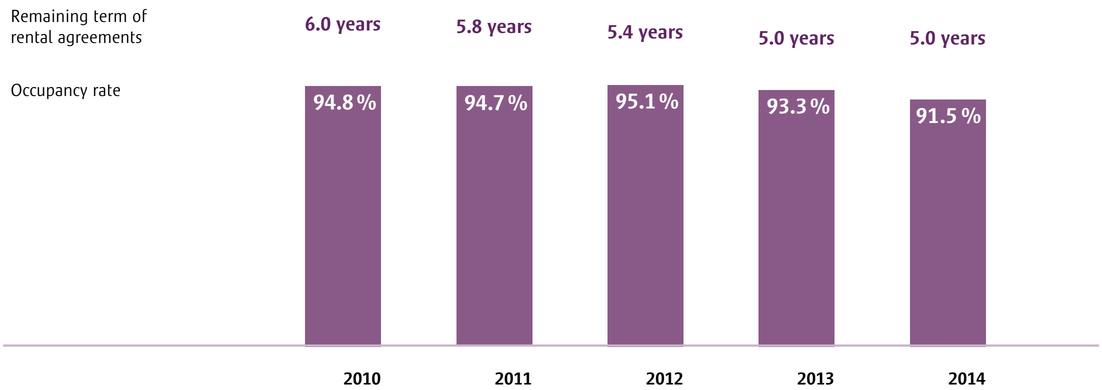
Market values as of December 31, 2014 in € million



Well positioned portfolio

The group portfolio once again proved its quality and substance in 2014. The occupancy rate remained at a high level, substantially over 90 percent, while the weighted remaining term of the rental agreements was stable at 5 years. This ensures predictable rental income in the long term.

Occupancy rate total portfolio



At the start of the past financial year 2014 and with an occupancy rate of around 93% of potential rent, 73 rental agreements with a rental volume totalling around 9% of contractual rents were due for renewal. This rental volume was largely successfully maintained through contractual extensions and re-lettings.

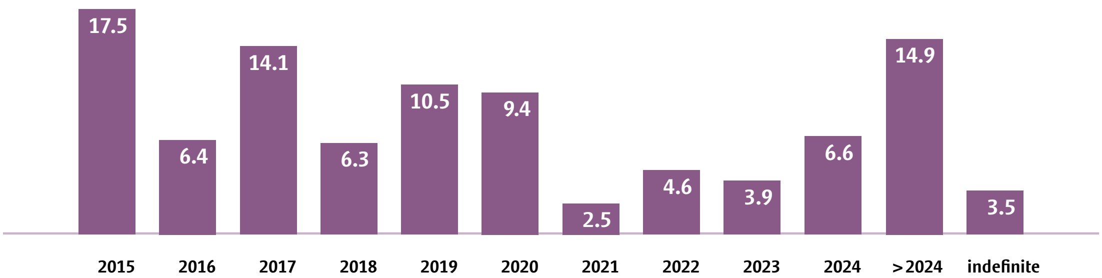
At the end of 2014, the occupancy rate of the overall portfolio of Fair Value REIT-AG was 91.5% of the potential rent of €25.9 million. The unchanged weighted remaining term of the rental agreements of 5.0 years year-on-year also reflects the quality of the properties and locations in the portfolio.

Of a current total of 568 leases in the entire portfolio, 88 agreements are due for renewal in the financial year 2015. This represents a proportion of 17.5% of the contractual rents of €23.7 million as of December 31, 2014.

The largest share of this amount (almost 40%) is attributable to the Metro subsidiary real,- SB-Warenhaus GmbH, which will not extend its current lease agreement expiring on October 31, 2015. Parts of the space are already in negotiation with several high-profile retail chains for a hypermarket as well as for a discount supermarket.

Rental expiry by year of expiry

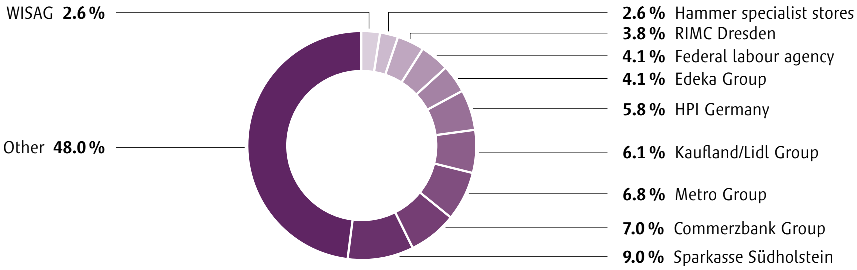
in % of contructual rents, as of December 31, 2014



The ten largest tenants in the portfolio make up around 52% of the contractual rents of the Fair Value Group. Large retail chains (Metro, Lidl/Kaufland, Edeka and Hammer Fachmärkte) make up the largest proportion of contractual rents with around 20%. Bank tenants (Sparkasse Suedholstein, 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 10% of contractual rents.

10 largest tenants as of 12/31/2014

in % of contractual rent



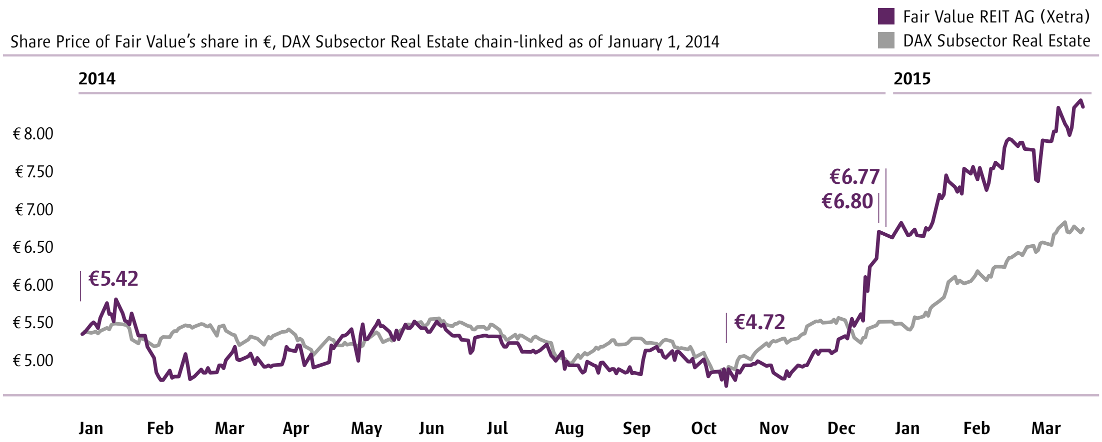
The Fair Value REIT-AG on the capital market

2014 was a very positive year on the stock markets despite geopolitical turbulence and economic concerns. The leading German index DAX closed at the end of the year with a gain of 2.7 % year-on-year. In this upbeat market environment, the Fair Value share was able to make comparatively clear gains and closed 2014 at €6.77, some 34 % up on the level of the previous year.

At the start of 2015, the share was even able to further enhance its extraordinary performance and was trading at €8.48 on March 24, 2015 – the first time it has reached this level since November 2007. As a result, the share price closed slightly higher than the net asset value per share per December 31, 2014 (€8.39).

Development of Fair Value's share

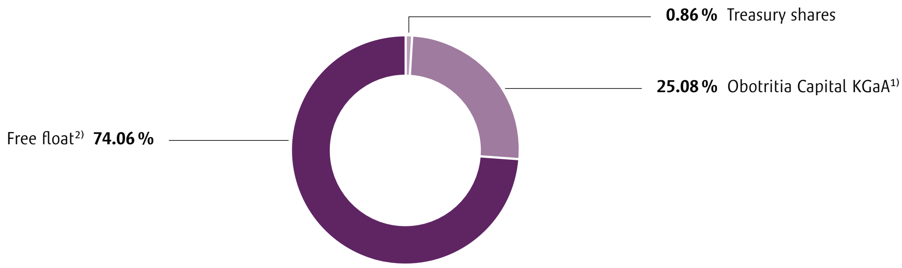
Share Price of Fair Value's share in €, DAX Subsector Real Estate chain-linked as of January 1, 2014



The price development of the Fair Value share was primarily driven by the continued portfolio alignment efforts, stable business development and the substantial rise in dividends in 2014 to €0.25. Moreover, the entry of Obotritia KGaA as the new major shareholder in Fair Value REIT-AG in December led to a further significant rise in the share price to an annual high of €6.80 on December 23, 2014. Obotritia KGaA, which is founded and run by the former CEO of TAG Immobilien AG Rolf Elgeti, acquired stakes from three subsidiaries of the UniCredit Bank Group and actually holds 25.01% of the voting rights in Fair Value REIT-AG. Moreover, IC Immobilien Holding AG and IFB Beteiligungen AG i.L. also sold their blocks of shares. The new shareholder structure led to a rise in free float to 74%. At the same time, the company welcomed an anchor investor which supports the significant growth plans of Fair Value REIT-AG.

Fair Value REIT-AG´s shareholder structure

as of January 22, 2015



1) Obotritia Beteiligungs GmbH < 9,99%, Jägersteig Beteiligungs GmbH < 9,99%, Försterweg Beteiligungs GmbH < 9,99%
2) According to freefloat-definition of Deutsche Börse AG (shareholders < 5%)

Thanks to the placement of a convertible bond at the start of 2015 with an overall nominal value of €8.46 million, Fair Value REIT-AG created financial scope for the intended accelerated growth. The convertible bond, which excluded shareholders' subscription rights for existing shareholders, has a five-year term and is subject to interest of 4.5% per year. The conversion price of €9.00 per share is around 7.3% higher than the balance sheet net asset value per share in circulation – therefore this does not have a diluting effect. The convertible bond has been included in free market trading (Quotation Board) of the Frankfurt Stock Exchange under ISIN DE000A13SAB8 on January 19, 2015.

Given the positive share price development in the past calendar year described above and the extension of the capital market instrument portfolio to include a convertible bond, Fair Value REIT-AG views its capital market development as highly positive overall. Market capitalisation totalled around €64 million as of the end of 2014 (an increase of approx. €16 million year-on-year) and the trading liquidity of the share quadrupled compared to the previous year with an average of 20,672 shares traded per day.

Key data

Fair Value REIT-AG's share	**2014**
Sector	Real Estate (REIT)
WKN (German Securities Code)/ISIN	A0MW97/DE000A0MW975
Stock symbol	FVI
Share capital	€18,813,764.00
Number of shares (non-par value shares)	9,406,882 pcs.
Proportion per share in the share capital	€2.00
Initial listing	November 16, 2007
High/low 2014 (XETRA)	€6.80/€4.72
Market capitalization as of December 31, 2014 (XETRA)	€63.71 million
Market segment	Prime Standard
Stock exchanges Prime Standard	Frankfurt, XETRA
Stock exchanges OTC	Stuttgart, Berlin-Bremen, Duesseldorf, Munich
Designated sponsor	ODDO SEYDLER BANK AG
Indices	RX REIT All Shares-Index, RX REIT-Index

Investor relations

Active and transparent capital market communication is very important to Fair Value REIT-AG. As a result, dialogue with shareholders, analysts and journalists is given a high priority and this work is constantly being enhanced. The Management Board also had contact with investors, analysts as well as trade and financial media during the reporting period as part of roadshows and capital market conferences, such as the MKK Munich Capital Market Conference in May 2014, the "Fachkonferenz Deutsche Immobilienaktien" (Trade Conference for German Real Estate Shares) in October 2014 and the German Equity Forum in November 2014.

Information on the company, share, convertible bond and shareholder structure is provided on the company's website at www.fvreit.de. Fair Value REIT-AG publishes details of its business development in annual and interim reports as well as in ad-hoc releases and press releases.

In the past financial year, various analysts monitored Fair Value REIT-AG on a regular basis and produced research on the company. The latter can be viewed on the website www.fvreit.de in the Investor Relations/Research section.

Group management report

Operating result (FFO)
€4.4 million
(2013: €6.4 millon)

Group net loss €–0.05 million
(2013: €–5.2 million)

Balance sheet equity ratio 25 %
(2013: 23 %)

REIT-equity ratio 49.2 %
(2013: 46.9 %)

Table of contents

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, 2014.

Requirements of the REIT Act

			Status Fair Value	
REIT-G	Criteria	Requirement	**12/31/2014**	**12/31/2013**
§ 11	Free float – Non-consolidated financial statements[1]	Min. 15%	62.4%	39.4%
§ 12, para. 2 a	Asset requirements – Group	Min. 75%	90.1%	90.9%
§ 12, para. 3 a	Income requirements – Group	Min. 75%	100.0%	100.0%
§ 13	Minimum distribution to shareholders – Non-consolidated financial statements	Min. 90%	n.a%[2]	92.6%
§ 14	Exclusion of real estate trading – Group	Max. 50%	30.9%	22.5%
§ 15	Minimum equity requirement – Group	Min. 45%	49.2%	46.9%

[1] Free float according to section 22 and 23 securities trading act (WpHG)
[2] The proposal is to fully distribute the retained earnings of around €2.3 million stemming from the withdrawal from the capital reserve.

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.

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 allow savings on participation-related administration expenses and a further expansion in the proportion of directly-held properties in the overall portfolio.

Portfolio

As of December 31, 2014, the directly and indirectly-held portfolio consisted of 43 properties (previous year: 49 properties) with market values, which correspond with the fair values according to IFRS 13, totalling around €281 million (previous year: €312 million).

The fall of €31 million compared to the previous year, which is equivalent to a 10% reduction year-on-year, resulted to €23 million (75%) from the sales of six directly and indirectly held properties, and to around €8 million (25%) from valuation losses in the portfolio as of December 31, 2014.

Direct investments As of the balance sheet date, Fair Value REIT-AG directly owned 16 commercial properties (previous year: 19), the majority of which are used as bank branch offices in Schleswig-Holstein with lettable space totalling 32,819 m² (previous year: 34,407 m²). Based on individual appraisals, the market value of these properties as of the balance sheet date was determined to total around €36.3 million. This is therefore slightly down on the comparable (like-for-like) figure from the previous year of €36.9 million. The reduction is mainly due to the increase in the land transfer tax rate in Schleswig-Holstein.

The contractual rents for these properties totalled €2.6 million as of the balance sheet date, on a par with the level at the end of the previous year. This represents an income-weighted occupancy rate of 98.3% of the potential rent in the case of full occupancy (previous year portfolio, like-for-like: 98.8%). Potential rents are the achievable rents for a property which as of the balance sheet date are made up of the contractual rents and market rents for vacant space.

In the past financial year, three directly-held properties were sold. The total sale price of around €1.56 million was approx. 3% up on the market values of these properties as of December 31, 2013 (around €1.52 million).

Subsidiaries Fair Value REIT-AG holds participations in a total of 17 subsidiaries, of which 11 companies are property-holding real estate partnerships (previous year: 10) and five companies are management partnerships without direct property ownership. One subsidiary is the general partner GmbH in the BBV management partnerships, in the IC Fonds KGs as well as in a new property partnership founded for the purpose of a property acquisition in Chemnitz (see notes no. 2).

In the past financial year, three properties were sold by subsidiaries. The total sale price of around €21.4 million was on a par with the market values of these properties as of December 31, 2013.

Subsidiaries held 27 properties (previous year: 30 properties) as of the balance sheet date. The market values of the properties held by the subsidiaries totalling €244.6 million as of December 31, 2014 were down 2.8% or €7.0 million on the like-for-like figure of €251.7 million from the previous year.

A valuation loss of €7.4 million was recorded on five properties in Celle, Dresden (2 properties), Eisenhüttenstadt and Langen. For the remaining 22 properties at subsidiaries, the valuation gains totalled €1.6 million, some €0.4 million higher than the total valuation losses of €1.2 million.

The retail property in Celle was successfully rented to a "hagebaumarkt" DIY store following the insolvency of the main tenant Praktiker; however, the agreed minimum rent is substantially lower than the rent previously agreed. As no empirical figures are available for the agreed turnover rent, a valuation reduction of around €2.0 million was set for the property in Celle based on the minimum rent. Estimated vacancy and follow-up letting costs at the office buildings in Dresden and Langen resulted in value reductions totalling €1.8 million. At the shopping centre in Eisenhüttenstadt, a valuation reduction of €2.6 million was also due to estimated vacancy and follow-up rental costs. A reduction in the minimum rent was agreed upon with the tenant of the hotel property in Dresden, with a view to ensuring its continued existence, which resulted in a valuation loss of around €1.1 million.

The contractual rents of the subsidiaries totalling €21.0 million were 2% down on the like-for-like previous year figure €21.5 million as of the balance sheet date. This represents an income-weighted occupancy rate of 90.7% of the potential rent in the case of full occupancy (previous year portfolio, like-for-like: 92.0%).

Aims and strategy

Fair Value REIT-AG strives to provide dividend pay-outs which fulfil the legal provision of at least 90% of net income under the German commercial law and even more so at least 50% of adjusted consolidated net income (EPRA Earnings or FFO funds from operations). The proposed dividend for the past financial year of €0.25 per share corresponds to around 53% of the FFO achieved in 2014 of €0.47 per share.

The dividend potential of the Group is to be secured and expanded in the long term with successive savings on external administration levels which are typically incurred in indirectly-held properties, further optimisation of the financing costs and the use of growth-related economies of scale.

Given this goal, free cash available for investments are to be used by the company to further increase the existing participations and expand the portfolio of directly-held properties. After years of portfolio realignment the intention is to generate financial leeway and to utilize the existing market opportunities for accelerated growth in the years to come. On the back of this, the company will start to conduct specific activities previously carried out by third-party service providers with its own internal personnel in future.

In its future new investments, Fair Value REIT-AG aims to focus on commercial properties with strong cash flows which fit the existing portfolio well.

Independently of this, the Management Board is continuing the existing focus on secondary and regional locations. The geographic distribution of the existing portfolio across the German federal states should gradually come to reflect the distribution of overall economic value creation in Germany.

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. Moreover, the company exercises the general partner function and therefore the management function over subsidiaries in all property-holding participations.

The Management Board works closely with the Supervisory Board and the latter is consulted regarding 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 289 a 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 close to Munich. With its subsidiaries, the company currently provides support for an investment volume of approximately €12 billion on behalf of private and institutional investors, according to its own information.

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.

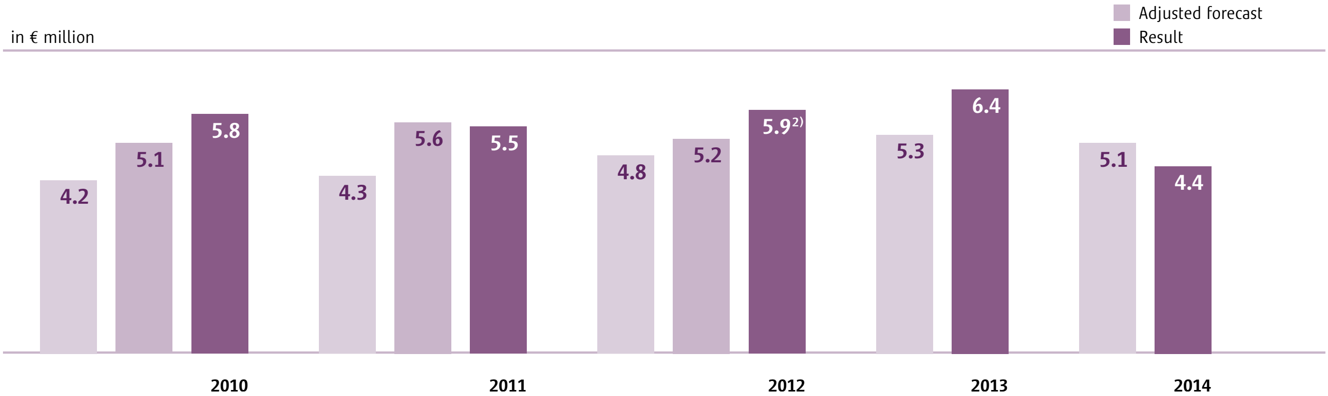
At least every quarter, the company obtains information in accordance with its specifications about all the directly and indirectly-held properties. The reports contain information about important, contractually relevant incidents or incidents that deviate from plans and strategy. Important performance 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" are published in the forecast section.

EPRA-earnings[1)]

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:

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



[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.

Macroeconomic and sector-specific conditions

The German economy recorded stronger growth in 2014. The number of employed people reached a new high, while inflation fell below 1%. The commercial real estate markets recorded substantially rising space turnover with only a slight growth in rents in the office and retail segment. The investment market recorded considerable growth in transaction volumes.

Macroeconomic situation

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

After a phase of stagnation in the second and third quarters of the past year, sentiment among companies latterly picked up once more. On average for 2014, the gross domestic product (GDP) rose by 1.5% after 0.4% in the previous year on a price-adjusted basis. Development was driven by the rise in private spending as well as investments in equipment and buildings. Foreign trade also once again contributed to growth compared to the previous year.

Consumer prices rose in 2014 by an average of 0.9% year-on-year. The price increase was therefore substantially down on the previous year level of 1.5%. The annual rate of inflation was significantly impacted by the price cuts for energy, which fell by 2.1%.

Given the upbeat economic development, the employment market recorded very positive development overall. The seasonally-adjusted employment figures continued to rise during 2014 and reached a new high of 42.7 million people in December 2014. On average during 2014, 2.90 million people were registered as unemployed in Germany. As a result, the unemployment rate fell year-on-year by 0.2% to 6.7%.

Real estate market in Germany

Source: Jones Lang LaSalle

The leasing market **Office space** Space turnover on the German office rental market increased substantially, particularly towards the end of 2014. At the seven large real estate centres[1] a total of 3.0 million m² was turned over during the course of the year. This is around 3% more than the previous year. An above-average turnover share of 30% came in the fourth quarter alone. The highest growth was recorded in Berlin with 36%, while the largest fall in turnover was 22% in Düsseldorf. In Hamburg, Stuttgart and Munich, the turnover figures rose year-on-year, while turnover fell in Cologne and Frankfurt.

Top rents increased in Hamburg, Munich and Stuttgart. In Düsseldorf top rents fell, while they remained on a par with the previous year in Berlin, Frankfurt and Cologne. On average across all seven centres, there was an increase of 0.6% (previous year: 1.9%).

Vacant space came in lower at all locations. The average vacancy rate dropped during 2014 from 8.3% to 7.6% – the lowest level since 2002. At the same time, during the course of the year, a total of around 988,000 m² was completed, which represents an 11% growth in floor space.

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

Retail space The growing spending propensity among consumers substantially boosted space turnover on the retail space market in the financial year 2014. Space totalling around 582,000 m² was commited during the year, some 20% more than in 2013 (492,000 m²). 990 leases were agreed, which is almost on a par with the previous year (1,010). This rise was driven by the strong growth in demand for large spaces of over 1,000 m², which made up around two thirds of the space turnover.

The textile sector continued to plot a clear expansion track, recording the highest proportion of growth at 40%. The second strongest category for the fourth year in succession was gastronomy and food with around 18%. The retail segment health and beauty was the third strongest area with 9%. The top rents in the best retail locations in the 185 cities considered across Germany rose by 1.9% following 1.6% in the previous year.

The investment market The German investment market for commercial real estate recorded a further rise in transaction volume in 2014 by around 30% to almost €40 billion (previous year: around €31 billion). Office real estate was the largest portion of the overall volume, coming in at 44% after 46% in the previous year. Retail real estate ranked second with a proportion of 22%, compared to 26% in the previous year.

The most active buyers during the reporting period were asset and fund managers and special funds with a proportion of around €16 billion, some 40% of the overall volume. In 2014, foreign buyers contributed around 50% following a 33% share in the overall investment volume in the previous year.

Overall statement from the company management on business development

Fair Value REIT-AG closed the past financial year with substantially improved consolidated net income year-on-year and a significantly higher REIT equity ratio.

As part of the sale of six directly and indirectly-held properties, sales prices before transaction costs totalling €22.9 million were achieved, slightly down on the carrying amounts of €23,2 million on December 31, 2013. These disposals as well as the sales-related unscheduled repayments of financial liabilities totalling €19.2 million were driven by the company's aim to dispose of individual, non-strategic properties and at the same time further boost the REIT equity ratio.

The occupancy rate of the real estate portfolio as of December 31, 2014 fell slightly from 93.3% in the previous year to 91.5% of potential rent. The average remaining term of lease agreements was kept on a par with the previous year figure of 5.0 years as of the balance sheet date due to active rental management.

A valuation loss totalling around €7.5 million (previous year: €14.0 million) or 2.6% compared to the like-for-like previous year figure resulted from the market valuation of the real estate on the balance sheet date. This valuation loss largely stems from the five properties in Celle, Dresden (2 properties), Eisenhüttenstadt and Langen. At the other 38 properties in the overall portfolio, the valuation gains and losses offset each other.

Around 58% of the reduction in the valuation resulted from estimated vacancy and follow-up rental costs for two office buildings in Dresden and Langen as well as for the shopping centre in Eisenhuettenstadt. The remaining 42% are the result of the successful follow-up rental of the former Praktiker DIY store in Celle to the new tenant "hagebaumarkt" at a reduced minimum rent as well as a reduction in the minimum rent for the hotel in Dresden with a view to ensuring its continued survival.

Net interest expenses came in at €5.0 million, around €7.7 million (61%) down on the previous year figure of €12.7 million. It should be noted that the previous year figure contains one-off effects in connection with interest hedging transactions totalling around €4.0 million. Adjusted for this one-off effect in the previous year, the fall in net interest expenses is attributable to sale-related unscheduled repayments of financial liabilities as well as improved interest rate conditions.

Overall, after taking into account minority interests, this resulted in a consolidated net loss of €0.05 million (previous year: consolidated net loss of €5.2 million).

Taking into account the dividend pay-out in May 2014 for the previous year totalling €2.3 million, Group equity was reduced to €78.3 million (previous year: €80.7 million) or €8.39 per share currently in circulation. As at the same time total assets were substantially reduced compared to the balance sheet from the previous year (to €311.9 million as of the balance sheet date 2014, after €345.9 million one year previously), the equity ratio as of December 31, 2014 was 25% - up on the previous year figure of 23%.

Taking into account the minority interests in the subsidiaries as intended in the calculation of REIT equity, the balance sheet capital of all shareholders totalled €138.3 million or 44% of total assets (previous year: 42%).

As of the balance sheet date, the REIT equity ratio was at 49.2% of immovable assets (previous year: 46.9%) and therefore fulfilled the requirement of Section 15 REITG of at least 45.0%.

EPRA-Earnings (FFO) compared to the forecast and previous year In the financial year 2014, one-off effects after minority interests totalled €4.4 million on balance according to the following table. At €3.4 million (77%), the valuation result made up the largest proportion of this. A further €0.6 million (14%) resulted from the market valuation of interest rate swaps and from the precautionary impairment of a receivable for the pay-out of the settlement for a participation which was cancelled in the previous year. Roughly €0.4 million (9%) are one-off effects resulting from property sales.

Adjusted consolidated net income (EPRA-earnings) or FFO 2014

		Adjustment for one-off effects			
in € thousand	**According to group income statement**	Profit/ losses on sale	Real estate valuation	Other	**Adjusted Group income statement**
Net rental income	**17,626**	**–**	**–**	**–**	**17,626**
General administrative expenses	(2,920)	–	–	–	(2,920)
Other operating income and expenses	(599)	–	–	630	31
Earnings from the sale of investment properties	(692)	692	–	–	**–**
Valuation result	(7,538)	–	7,538	–	**–**
Operating result	**5,877**	**692**	**7,538**	**630**	**14,737**
Net interest expenses	(5,046)	–	–	26	(5,020)
Income before minority interests	**831**	**692**	**7,538**	**656**	**9,717**
Minority interests in the result	(878)	(287)	(4,136)	(14)	(5,315)
Consolidated net income (loss)	**(47)**	**405**	**3,402**	**642**	**4,402**
Consolidated net income (loss) per share	(0.01)				0.47

FFO of €4.4 million was therefore €0.7 million or 14% down on the forecast €5.1 million published in the forecast of the annual report 2013:

FFO 2014 in comparison to the forecast

in € million	**2014 Forecast**	**2014 Result**
Net sales	30.5	30.1
Real estate-related expenses	(12.7)	(12.5)
Net rental income	**17.8**	**17.6**
General administrative expenses / Other	(2.7)	(2.9)
Operating result	**15.1**	**14.7**
Net interest expenses	(5.0)	(5.0)
Income before minority interests	**10.1**	**9.7**
Minority interests in the result	(5.0)	(5.3)
Adjusted consolidated net income (EPRA earnings/FFO)	**5.1**	**4.4**

The net rental income of €17.6 million was around €0.2 million (1%) lower than the forecast €17.8 million. The administration expenses and the adjusted balance from other income and expenses totalled €2.9 million and were therefore €0.2 million (7%) higher than the forecast. The adjusted operating result of €14.7 million fell short of the target figure €15.1 million by €0.4 million (3%).

The adjusted net interest expenses of €5.0 million were precisely on a par with the budget. The income attributable to minority shareholders of €5.3 million was €0.3 million (6%) higher than the anticipated figure of €5.0 million.

EPRA-Earnings (FFO) compared to the previous year Compared to the previous year, net rental income was down €5.5 million, mainly due to the sale of properties. This reduction was partially offset by a decline in net interest expenses as well as due to the lower income attributable to minority shareholders. Adjusted consolidated net income (EPRA-Earnings or FFO) of around €4.4 million or €0.47 per share in circulation was therefore some €2.0 million down on the previous year figure of €6.4 million.

Adjusted consolidated net income (EPRA-earnings) or FFO 2013

		Adjustment for one-off effects				
in € thousand	**According to Group income statement**	Profits/ losses on sale	Real estate valuation	Deconsolidation of equity-accounted participations	Valuation and termination costs interest rate swaps/ interest rate caps	**Adjusted Group income statement**
Net rental income	**23,093**	**–**	**–**	**–**	**–**	**23,093**
General administrative expenses	(3,287)	–	–	–	–	(3,287)
Other 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 interests 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

Overall, the past financial year proceeded largely in line with expectations. In this context, the planned dividend of €0.25 per share will be distributed. The proposed dividend corresponds with a distribution ratio of around 53% of FFO.

Income, financial and net asset position

Income position

in € million	2014	2013	Change [€ million]	Change [%]
Rental income	**23.9**	**29.6**	**(5.7)**	**(19)**
Service charge income	6.2	6.8	(0.6)	(9)
Property operating expenses	(12.5)	(13.3)	0.8	(6)
Net rental income	**17.6**	**23.1**	**(5.5)**	**(24)**
General administrative expenses	(2.9)	(3.3)	0.4	(12)
Balance of other income and expenses, sale and valuation result	(8.8)	(14.8)	6.0	(41)
Operating result	**5.9**	**5.0**	**0.9**	**18**
Result from at equity-accounted investments	–	1.5	(1.5)	(100)
Net interest expenses	(5.0)	(12.7)	7.7	(61)
Minority interests in result	(0.9)	1.0	(1.9)	(190)
Consolidated net loss	**(0.05)**	**(5.2)**	**5.2**	**(99)**
Consolidaetd net loss per share	(0.01)	(0.56)		

Rental income was around €5.7 million (–19%) down on the previous year figure mainly due to property sales. Service charge income fell by €0.6 million (–9%). Property operating expenses of €12.5 million were €0.8 million or 6% lower than the €13.3 million reported in the previous year. Net rental income therefore totalled €17.6 million, only slightly down on the forecast, but around €5.5 million (24%) lower than the previous year figure of €23.1 million.

General administration expenses in the Group fell mainly due to sales-related reductions in remuneration-relevant rental income by 12% from €3.3 million to €2.9 million.

As valuation losses fell from €14.0 million in the previous year to around €7.5 million, an operating result of €5.9 million was posted, 18% up on the previous year figure of €5.0 million.

Net interest expenses came in at €5.0 million, around €7.7 million (61%) lower than the previous year figure. It should however be noted that expenses from the valuation and partial cancellation of interest hedging transactions recognised in profit or loss in the previous year totalling €4.0 million were incurred.

After deducting minority interests in the subsidiaries, this resulted in a consolidated net loss of €47 thousand (previous year: consolidated net loss of €5.2 million). This represents earnings per share of €–0.01 compared with €–0.56 in the previous year.

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 plan. 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 total shareholders' equity totalled €78.3 million on the balance sheet date (previous year figure: €80.7 million). Taking into account the minority shares in subsidiaries reported in liabilities, the total equity came in at €138.3 million (previous year: €146.3 million). This represents 44% of the consolidated total assets of €311.9 million (previous year: 42% of €345.9 million).

The financial liabilities of the Group totalled €165.1 million as shown below (previous year: €191.2 million):

Group financial liabilities

Company	Lender	**Outstanding 12/2013** [T€]	**Outstanding 12/2014** [T€]	Interest conditions	Bankmargin	Term
FV AG	Capital Bank GRAWE Group, Graz	(7,000)	(7,000)	variabel	5.00%	06/30/2015E
FV AG	WIB Westdeutsche Immobilienbank AG[1]	(10,000)	(9,700)	2.55%	–	06/30/2019E
FV AG	WIB Westdeutsche Immobilienbank AG[1]	(14,640)	(12,004)	variabel	1.27%	06/30/2019E
IC 07	HSH Nordbank AG	(1,316)	(816)	variabel	3.50%	06/30/2015
IC 13	HSH Nordbank AG	(11,101)	(10,693)	variabel	3.20%	04/30/2015
IC 13	HSH Nordbank AG	(2,172)	(2,067)	3.10%	–	06/30/2015
IC 13	Corealcredit Bank AG	(3,023)	(2,741)	variabel	2.50%	02/28/2015
BBV 06	Unicredit Bank AG	(17,358)	(8,072)	variabel	2.2%	12/31/2015E
BBV 06	Unicredit Bank AG	(3,690)	–	–	–	–
BBV 06	Unicredit Bank AG	(4,237)	–	–	–	–
IC 12	WIB Westdeutsche Immobilienbank AG[2]	(2,061)	(1,979)	5.20%	–	08/31/2016
IC 15	HSH Nordbank AG	(6,989)	(6,349)	variabel	3.10%	02/27/2015
IC 15	Sparkasse Südholstein	(7,930)	(7,720)	2.71%	–	01/30/2018
IC 15	pbb Deutsche Pfandbriefbank	(2,986)	(2,904)	3.25%	–	03/31/2015
BBV 02	Bayer. Beamten Lebensvers. a.G.[3]	(139)	(139)	5.80%	–	12/31/2016E
BBV 02	Bayer. Beamten Lebensvers. a.G.[3]	(942)	(942)	6.15%	–	12/31/2016E
BBV 10	Bayer. Beamten Lebensvers. a.G.[3]	(23,206)	(22,193)	3.90%	–	12/31/2015
BBV 10	Unicredit Bank AG	(26,830)	(25,658)	variabel	1.97%	03/31/2016
BBV 10	Unicredit Bank AG	(10,361)	(9,947)	variabel	2.05%	03/31/2016
BBV 14	DG Hypothekenbank AG[4]	(35,100)	(34,150)	variabel	1.25%	03/31/2020E
	Non-consolidated financial statements	**(191,261)**	**(165,074)**			
	Resolution of market valuation differences and deferred processing fees	80	(8)			
Total	**Consolidated financial statements**	**(191,181)**	**(165,082)**			

[1] LTV 75 %, DSCR 120 %
[2] LTV 50 %, DSCR 120 %
[3] Interest rate and repayment free due to the pledge of the proportionate purchase price for the sold Erlangen property held in a notary account
[4] Fixed rate as of May 1, 2015 until March 31, 2020 at 1.38 % p.a., LTV 55 %, DSCR 110 %

The terms all relate to the agreed interest rate conditions as of December 31, 2014; 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.

The proportion of financial liabilities hedged using an interest rate swap came in at €5.0 million or 3.0% of the Group's financial liabilities as of the balance sheet date (previous year: €10.0 million or 5.2%). Moreover, an interest rate cap exists with a nominal volume of €34.1 million or 20.7% (previous year: two caps totalling €55.9 million or 29.2%).

Interest rate hedging transactions December 31, 2014

Company	Lender	**Amount** [€ thousand]	Cap/Swap	Interest rate	Term
FV AG	WIB Westdeutsche ImmobilienBank AG	5,000	Swap	4.94%	6/30/2018
BBV 14	DZ Bank AG	34,150	Cap	4.25%	3/31/2016
	Total	**39,150**			

Total fixed interest loans were reported at €47.6 million or 28.9% of the Group's financial liabilities (previous year: €57.7 million or 30.2%).

As the interest rate cap does not currently have any effect due to the agreed upper limit of the 3-month EURIBOR interest rate of 4.25% p.a., as of the balance sheet date €117.5 million or around 71.1% of financial liabilities were subject to variable interest rates without interest rate hedging (previous year: €125.7 million or 65.7%).

Assuming a constant 3-month EURIBOR interest rate of 0.1% p.a., the weighted interest rate of financial liabilities of the Group came in at 2.7% p.a. as of the balance sheet date. This represents a fall of 4% over the previous year figure of 2.8% p.a.

The weighted bank margin for the variable interest rate loans increased year-on-year from 188 bp to 209 bp. The weighted remaining term of the fixed-interest and bank margin agreements was 18 months as of the balance sheet date, following 19 months in the previous year. Taking into account the extension of the BBV 14 loan agreed after the balance sheet date, the weighted remaining term increases to around 29 months.

Investments In the past financial year, investments to be capitalised totalling €0.4 million were made in connection with the planned purchase of a property in Chemnitz. Moreover, €1.4 million was invested in the acquisition of participations at a total of seven subsidiaries. The purchase prices were €0.3 million or 20% below the proportionate net asset value of the purchased participations overall as of December 31, 2014.

Liquidity The cash and cash equivalents of the Group totalled €14.6 million on the balance sheet date. This item was therefore €2.8 million or 16% down on the previous year figure of €17.4 million. As part of this, the cash inflow from operating activities came in at €6.1 million in the financial year 2014, some €4.7 million or 347% up on the previous year level of €1.4 million. The low previous year figure was influenced by the pay-out of €3.5 million for the partial cancellation of an interest rate swap. The other adjustments in both years largely relate to the changes in assets and liabilities.

Cash flow from operating activities

in € thousand	2014	2013
Consolidated net loss	**(47)**	**(5,227)**
Valuation and sales result	7,538	14,443
Result from at equity-accounted participations	–	(1,134)
Withdrawals from at equity-accounted participations	–	511
Minority interests (profit/(loss), pay-outs)	(4,015)	(5,733)
Result from the valuation of derivative financial instruments	–	18
Other adjustments	2,584	(1,522)
Cash flow from operating activities	**6,060**	**1,356**

Cash flow from investment activities Investment activities resulted in a cash inflow totalling €22.4 million compared to €29.1 million in the previous year. The net cash inflow in 2014 resulted from payments stemming from the sale of six properties totalling €22.9 million (previous year: €29.9 million), which was partially offset by pay-outs for investments in the portfolio totalling €0.4 million (previous year: €0.8 million).

in € thousand	2014	2013
Cash inflow from investment activities	**22,442**	**29,131**
Cash outflow from financing activities	**(31,275)**	**(27,308)**
Change to cash and cash equivalents	(2,773)	3,179
Cash and cash equivalents at the start oft he period	17,361	14,182
Cash and cash equivalent at the end of the period	**14,588**	**17,361**

Cash flow from financing activities Cash outflow from financing activities totalling €31.3 million (previous year: €27.3 million) resulted 83% or €26.1 million from the repayment of financial liabilities (previous year: €27.6 million). A further €1.9 million (previous year: €0.8 million) or 6% stemmed from the pay-out to minority shareholders exiting on the back of the termination. The dividend for the financial year 2013 of €2.3 million represented 7% of the cash flow from financing activities.

Net asset position

Immovable assets of the Fair Value Group totalled €281.0 million on the balance sheet date. This represented a fall of €31.0 million or 10% over the €311.9 million reported in the previous year. The decrease was around 74% due to property sales and 26% due to valuation reductions in the portfolio. Equity pursuant to Section 15 of the REIT Act came in at around €138.3 million, which is equivalent to 49.2% of immovable assets (previous year: 46.9%).

The market value of the Group's properties, for which no notarial purchase agreement was available on the balance sheet date, is determined once a year on the respective balance sheet date by independent experts using the discounted cash flow method. Further information on the method of property valuation is available in sections 2 and 6 of the consolidated notes.

Assets	12/31/2014		12/31/2013		Change	
	[€ thousand]	[%]	[€ thousand]	[%]	[€ thousand]	[%]
Total non-current assets	277,909	89	292,510	85	(14,601)	(5)
Total current assets	20,745	7	33,771	10	(13,026)	(39)
Non-current assets available for sale	13,240	4	19,585	5	(6,345)	(32)
Total assets	**311,894**	100	**345,866**	100	(33,972)	(10)

Compared to the previous year, total assets were reduced by 10% from €345.9 million to €311.9 million mainly on the back of the disposal of six properties as well as the repayment of liabilities to banks.

Non-current assets amounted to €277.9 million and represented 89% of assets overall (previous year: €292.5 million or 85%). The investment properties accounted for approximatley 96% or €267.7 million (previous year: 100% or €292.3 million).

Current assets of €20.7 million (previous year: €33.8 million) contained €14.6 million or around 70% cash and cash equivalents. Receivables and other assets accounted for another €3.2 million (15%). In this category, the largest item was the short-term receivable for the settlement credit for the participation in BBV 09 cancelled in the previous year totalling €1.1 million as well as a total of €1.9 million in receivables for the pay-out of the proportionate sale price for the property in Erlangen (BBV 02, €1.4 million) already held in the notary account and for the reverse transaction of an interest-bearing purchase price advance payment of €0.5 million (IC 12).

Non-current assets held for sale include three properties in Cologne, Pinneberg and Ahaus. The two latter properties were transferred to the buyer on January 7, 2015 and January 27, 2015, following payment of the purchase price. The transfer of ownership, risks and benefits for the property in Cologne took place on February 27, 2015 in exchange for the purchase price payment.

Equity and liabilities	12/31/2014		12/31/2013		Change	
	[€ thousand]	[%]	[€ thousand]	[%]	[€ thousand]	[%]
Equity parent company	**78,273**	**25**	**80,673**	**23**	**(2,400)**	**(3)**
Minority interests	60,048	19	65,642	19	(5,594)	(9)
Financial liabilities, derivatives, other liabilities	112,532	36	128,672	37	(16,140)	(13)
Total non-current liabilities	**172,580**	**55**	**194,314**	**56**	**(21,734)**	**(11)**
Total current liabilities	61,041	20	70,879	21	9,838	(14)
Total liabilities	**233,621**	**75**	**265,193**	**77**	**(31,572)**	**(12)**
Of which are financial liabilities	165,082	71	191,181	72	(26,099)	(14)
Total equity and liabilities	**311,894**	100	**345,866**	**100**	**(33,972)**	**(10)**

As of balance sheet date, 25% (previous year: 23%) of assets were financed by equity attributable to shareholders of the parent company and 75% (previous year: 77%) by debt. It should be noted that minority interests in subsidiaries in the amount of €60.0 million (previous year: €65.6 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 €138.3 million or 44% of total assets (adjusted previous year figure: €146.3 million or 42%).

The financial liabilities of the Group totalled €165.1 million or 53% of total assets (previous year: €191.2 million or 55%). As of December 31, 2014, €54.2 million or 33% (previous year: €64.6 million or 34%) was due within one year. The decrease in financial liabilities by €26.1 million or 14% 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 to minority interests in subsidiaries is divided by immovable assets.

Immovable assets are composed of the market value of investment properties (this includes real estate held for sale) and the net asset value of participations in associated companies, if applicable.

Taking into account the disposal of six properties and the valuation result stemming from the market valuation of the real estate as of December 31, 2014, immovable assets fell year-on-year by €31.0 million or 10% to €281.0 million. At the same time, nominal REIT equity fell by €7.9 million to €138.3 million. This resulted in a REIT equity ratio of 49.2%. As a result, this figure exceeds the statutory minimum rate of 45.0% of immovable assets.

Determination of the equity ratio pursuant to section 15 of the REIT Act	12/31/2014		12/31/2013	
	[€ thousand]	[%]	[€ thousand]	[%]
Investment properties incl. assets under construction	267,718		292,389	
Non-current assets held for sale	13,240		19,585	
Immovable assets	**280,958**	**100.0**	**311,974**	**100.0**
Equity	78,273		80,673	
Minority interests	60,048		65,642	
Equity according to Section 15 of the REIT Act	**138,321**	**49.2**	**146,315**	**46.9**

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 €78.3 million (previous year: €80.6 million) as of December 31, 2014.

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 €8.39, compared to €8.65 in the previous year.

Balance sheet NAV

in € thousand	12/31/2014	12/31/2013
Market value of properties (incl. properties held for sale)	280,958	311,974
Other assets minus other equity and liabilities	27,135	29,224
Minority interests	(60,048)	(65,642)
Financial liabilities	(165,082)	(191,181)
Other liabilities	(4,690)	(3,702)
Net Asset Value	**78,273**	**80,673**
Net Asset Value per share	8.39	8.65

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	12/31/2014	12/31/2013
NAV pursuant to the consolidated balance sheet	78,273	80,673
Market value of derivative financial instruments	990	2,089
Of which due to minority interests	(76)	(161)
EPRA-NAV	**79,187**	**82,601**
EPRA-NAV per share	8.49	8.86

Supplementary report

Upon maturity of the contractual prerequisites, the transfer of ownership, benefits and obligations conducted following the contractually-agreed purchase price payments by the buyers for the property in Pinneberg (directly-held) on January 7, 2015, for the sold property in Ahaus (BBV 10) on January 27, 2015 and for the property in Cologne (BBV 6) on February 27, 2015.

The Management Board resolved on January 14, 2015, with the agreement of the Supervisory Board, to issue a convertible bond with an overall nominal value of €8.46 million, a term of five years and an interest rate of 4.5% p.a. Shareholders' subscription rights were excluded. The initial conversion price totals €9.00 per convertible share and therefore contains a premium totalling approx. 31% in relation to the XETRA closing price of the company's share on January 13, 2015 of €6.85. The bond was included in free market trading (Quotation Board) on the Frankfurt Stock Exchange on January 19, 2015.

As of January 30, 2015, the remaining underlying amount of the interest rate swap of €5.0 million was cancelled upon payment of the market value of around €0.9 million including accrued interest.

Effective as of January 31, 2015, Wolfgang Sauerborn stepped down from his position as a member of the Supervisory Board. Rolf Elgeti was appointed as his successor by Munich Local Court, and he took up his position as member of the Supervisory Board on February 1, 2015. At the constituent Supervisory Board meeting on February 2, 2015, Mr. Elgeti was elected as Chairman of the Supervisory Board.

On February 28, 2015, the purchase price for the property in Chemnitz, Hartmannstraße 1 totalling €1.1 million was paid in return for the transfer of ownership, benefits and obligations, taking into account the purchase price payment already made in the past financial year (€450 thousand).

In the period up to February 28, 2015, further interests were purchased from minority shareholders at a total of six subsidiaries. The acquisition costs of around €2.7 million relate to market values of the participations of around €3.8 million, determined by the financial statements 2014 (IFRS).

The application submitted by the company to Capital Bank, GRAWE Group AG, Graz to extend its loan by another 18 months up to December 31, 2016, without changing the terms of the loan, was accepted on March 16, 2015.

The subsidiary BBV 14 has agreed a premature refinancing of the existing loan with the existing bank. An interest rate of 1.38% p.a. was agreed for the loan of €33.7 million for the period from May 1, 2015 to March 31, 2020.

Forecast report

Economic situation and industry outlook

The German economy is anticipated to gain momentum once again in 2015. The office and retail markets are likely to record stable development, while the German investment market could also grow once again on the back of higher demand and unchanged upbeat financing conditions.

Macroeconomic situation

The forecast published by the Federal Government in its annual economic report 2015 anticipates growth of 1.5% for the German economy in 2015. Domestically, this development is primarily driven by the continuing increase in employment and strong rises in income. The fall in energy prices and reduced external value of the euro will also ensure growth momentum in foreign trade.

Rental markets

According to analyst estimates, the office rental market will record stable space turnover in 2015. As part of this, the anticipated new construction volume will remain unchanged at around 1 million m^2. Due to the continued demand for high-quality spaces in central locations, top rents will continue to moderately rise by around 1% in 2015.

The positive consumer sentiment will boost retailing sales in 2015, not least thanks to the falling energy prices combined with rising income. This will likely result in a rise in rents, at least in top city locations.

Investment market

The investment market for commercial real estate in Germany is likely to record at least stable transaction volumes overall in 2015. The interest of investors in German commercial real estate will therefore remain high. At the same time, interest rates will also continue to be low in 2015. 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 on the back of growing competition. This environment could result in even greater momentum in the German investment market in 2015.

Sources: Federal Ministry for Economy and Energy, Jones Lang LaSalle

Anticipated income position of the group

Earnings outlook for the group in 2015

The forecast for the financial year 2015 is based on the property-based forecast for income and expenses of directly and indirectly-held properties of the Group.

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 property operating expenses. The planned maintenance expenses are largely based on specifically planned measures or otherwise on flat-rate empirical figures. The property operating costs were carried forward on an indexed basis based on the previous year figures.

Possible one-off effects, e.g. from market valuations are not taken into account. With the exception of the disposal of the non-current assets held for sale as of December 31, 2014, an unchanged real estate portfolio is assumed.

The Management Board plans to invest the net proceeds from the convertible bond for the successive acquisition of minority shares in subsidiaries as well as in the direct acquisition of property, including investing in previously indirectly-held real estate. As these investments are not to be precisely distributed in a forecastable way to individual subsidiaries and/or directly-held properties, the Management Board is refraining from providing an itemised FFO forecast.

On Group level, the Management Board anticipates operating profits (FFO) in the current financial year 2015 of between €4.7 million and €5.1 million. In relation to the shares currently in circulation, this corresponds with a spread of between €0.50 and €0.55 per share.

The Management Board plans to distribute at least 50% of these profits as a dividend, resulting in a dividend of between €0.25 and €0.28 per share currently in circulation.

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 also likely to extend to properties at secondary locations in 2015. Even in this competitive environment, the Management Board is confident that it can successively implement the planned growth of Fair Value REIT-AG by supplementing the existing property and participation portfolio with high cash-flow additions.

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 section 289 (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 for the time being. 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 section 91 (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 de cisions 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 €0.5 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 4.0% fluctuation upwards in the market valuation proportionate to Fair Value as of December 31, 2014. 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 (BGBGesellschaft).

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. This is currently no litigation pending.

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 loose 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.

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 2015 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 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, 2014 within the Group and at the associated companies would result in around a €0.7 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 €5.0 million with a negative market value of around €0.8 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. Following the premature termination of the interest rate swap on January 30, 2015, possible future risks from this hedging instrument were ruled out.

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 due to the subsequent letting activities in the properties Eisenhüttenstadt and Langen a deduction of 5% or 10% of planned income applied to all properties of this subsidiary given the follow-up rental task.

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, 2014.

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 €16.8 million using this approach after deducting minority interests. Of this amount, €12.8 million or 76% are non-cash relevant valuation risks.

The weighted net risks totalled €6.0 million; 75% or €4.5 million of these are non-cash relevant valuation risks. The net risks affecting cash of the Fair Value Group are therefore estimated at a total of €1.5 million.

Overall, the Management Board therefore does not expect any risks to materialise in 2015 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 Management Board is confident that it can use the current market environment for a value-accretive increase in the Fair Value position of the existing portfolio and for a further and sustainable improvement in the net asset and earnings position of the Group.

The increased interest of investors in listed commercial property portfolio holders and particularly in Fair Value REIT-AG has allowed the price of the Fair Value share to substantially close in on the net asset value of the share. These are positive prerequisites for actively promoting the planned significant growth of the company.

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 aft er 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 section 314 (1) no. 6 HGB, is reflected in note 32.

Other information pursuant to section 315 (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 section 11 (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 29.98% of the voting rights were to be attributed to Mr. Rolf Elgeti, Potsdam and the Obotritia Capital KGaA, Potsdam. Under section 11 (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 At the Annual General Meeting on May 27, 2014, the Management Board was authorised, with the agreement of the Supervisory Board, to increase the share capital of the company by up to €9,406,882.00 by issuing, on one or several occasions, up to 4,703,441 new no-par value ordinary bearer shares against cash and/or non-cash contributions in the period up to May 26, 2019 (Authorised Capital 2014). The Management Board is authorised, with the agreement of the Supervisory, to exclude the shareholders' subscription rights completely or in part under certain conditions.

Conditional capital At the Annual General Meeting on May 27, 2014, the Management Board was authorised, with the agreement of the Supervisory Board, to issue convertible and/or warrant bonds or participation rights ("bonds" together) with or without restrictions on maturities with an overall nominal value of up to €50,000,000.00 on a single or multiple occasions in the period until May 26, 2019, and grant the holders or creditors of bonds conversion or option rights (also with conversion and/or purchase obligations) on the ordinary bearer shares of the company with a proportionate amount of the share capital of up to €9,406,882.00 according to the terms and conditions of the convertible and/or warrant bonds.

At the Annual General Meeting on May 27, 2014, the share capital of the company was conditionally increased by up to €9,406,882.00 by issuing up to 4,703,441 new ordinary bearer shares with dividend entitlement from the start of the financial year of their issuing (Conditional Capital 2014). The conditional capital increase serves to service bonds which were issued following the authorisation resolution of the Annual General Meeting on May 27, 2014.

Share buy-back programme

The Annual General Meeting on May 27, 2014 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 26, 2019. 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, 2015

Fair Value REIT-AG

Frank Schaich

Consolidated financial statements

Consolidated balance sheet

Consolidated balance sheet			
in € thousand	Note no.	12/31/2014	12/31/2013
Assets			
Non-current Assets			
Intangible assets	(5)	78	106
Property, plant and equipment	(5)	3	97
Investment property	(6)	267,718	292,297
Other receivables and assets	(7)	10,110	10
Total non-current assets		**277,909**	**292,510**
Current assets			
Trade receivables	(9)	2,981	2,491
Income Tax receivables	(10)	19	27
Other receivables and assets	(11)	3,157	13,892
Cash and cash equivalent	(12)	14,588	17,361
Total current assets		**20,745**	**33,771**
Non-current asset held for sale	(8)	13,240	19,585
Total assets		**311,894**	**345,866**
Equity and liabilities			
Equity	(13)		
Subscribed capital		18,814	47,034
Share premium		74,387	46,167
Reserve for changes in value		(18)	–
Balance sheet loss		(14,512)	(12,130)
Treasury shares		(398)	(398)
Total shareholder's equity		**78,273**	**80,673**
Non-current liabilities			
Minority interests	(14)	60,048	65,642
Financial liabilities	(15)	110,907	126,583
Derivative financial instruments	(16)	990	2,089
Other liabilities	(17)	635	–
Total non-current liabilities		**172,580**	**194,314**
Current liabilities			
Provisions	(18)	555	429
Financial liabilities	(15)	54,175	64,598
Trade payables		2,256	2,150
Other liabilities	(17)	4,055	3,702
Total current liabilities		**61,041**	**70,879**
Total shareholders' equity and liabilities		**311,894**	**345,866**

Consolidated income statement

Consolidated income statement

in € thousand	Note no.	2014	2013
Rental income		**23,914**	**29,637**
Service charge income		6,235	6,790
Leasehold payments		(4)	(7)
Service charge expenses	(22)	(8,613)	(10,068)
Other property operating expenses	(22)	(3,906)	(3,259)
Net rental income	(21)	**17,626**	**23,093**
General administrative expenses	(23)	**(2,920)**	**(3,287)**
Other operating income		791	470
Other operating expenses		(1,390)	(498)
Total other operating income and expenses	(24)	**(599)**	**(28)**
Income from the disposal of investment properties		22,906	29,932
Expenses in connection with the disposal of investment properties		(23,598)	(30,661)
Result from the disposal of investment properties and non-current assets held for sale	(25)	**(692)**	**(729)**
Valuation gains		1,638	847
Valuation losses		(9,176)	(14,884)
Valuation result	(26)	**(7,538)**	**(14,037)**
Operating result		**5,877**	**5,012**
Result from at equity-accounted investments		–	1,504
Interest income		79	96
Interest expenses	(27)	(5,125)	(12,786)
Minority interests	(14)	(878)	947
Financial result		**(5,924)**	**(11,743)**
Net loss		**(47)**	**(5,227)**
Earnings per share in € (basic/diluted)	(29)	(0.01)	(0.56)

Consolidated statement of comprehensive income and statement of changes in consolidated equity

Consolidated statement of comprehensive income

in € thousand	Note no.	2014	2013
Net loss		**(47)**	**(5,227)**
Other comprehensive income			
Change in cash flow hedges	(17)	–	7,041
Minus minority interests		–	(630)
Profits (+)/losses (–) due to acturial changes of assumption	(7)	(18)	–
Total other comprehensive income		**(18)**	**6,411**
Comprehensive income		**(65)**	**1,184**

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	Balance sheet loss	Treasury shares	Total
Balance at January 1, 2013	(14)	**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**
Reduction of subscribed capital		–	(28,220)	–	–	–	–	(28,220)
Addition to share premium		–	–	28,220	–	–	–	28,220
Distribution of dividends		–	–	–	–	(2,335)	–	(2,335)
Net loss		–	–	–	–	(47)	–	(47)
Other results		–	–	–	(18)	–	–	(18)
Balance at December 31, 2014		**9,325,572**	**18,814**	**74,387**	**(18)**	**(14,512)**	**(398)**	**78,273**

In the past financial year, a dividend of €0.25 per share was paid out for the previous financial year.
In the year before that, the dividend totalled €0.10 per share.

Consolidated cash flow statement

Consolidated cash flow statement

in € thousand	Note no.	2014	2013
Net loss		**(47)**	**(5,227)**
Adjustments to consolidated earnings for reconciliation to cash flow from operating activities			
Income tax expenses	(10)	–	56
Interest expenses		5,125	12,786
Interest income		(79)	(96)
Amortization of intangible assets and depreciation of property, plant and equipment	(5)	38	37
(Profits)/losses from the disposal of investment properties	(24)	692	729
Income from the disposal of participations		–	(360)
Valuation result	(25)	7,538	14,037
Income from at equity-accounted investments		–	(1,134)
Withdrawals from at equity-accounted investments		–	511
Other non-cash relevant expenses and income		828	–
Loss/(profit) from minority interests	(14)	878	(947)
Disbursement to minority interests	(14)	(4,015)	(4,786)
Result from the valuation of derivative financial instruments	(16)	–	18
Interest paid	(27)	(4,786)	(11,994)
Interest received		79	96
Changes in assets, equity and liabilities			
(Increase)/decrease in trade receivables	(9)	(659)	(596)
(Increase)/decrease in other liabilities	(11)	672	(536)
(Decrease)/increase in provisions	(18)	126	65
(Decrease(/increase in trade payables		106	449
(Decrease)/increase in other liabilities	(17)	(436)	(284)
Noncash relevant additions and disposals		–	(1,468)
Chash flow from operating acitivities		**6,060**	**1,356**
Investments in investment properties	(6)	–	(800)
Net income from the disposal of investment properties	(6)	22,900	29,932
Payments for purchase of non-current assets	(7)	(450)	(1)
Investments in intangible assets and property, plant and equipment		(8)	–
Cash flow from investment activities		**22,442**	**29,131**
Disbursement of exiting minority interests	(14)	(1,925)	(825)
Receipts from financial liabilities	(15)	–	2,004
Repayment of financial liabilities	(15)	(26,099)	(27,555)
Reduction of Swap		(919)	–
Distribution of dividends	(13)	(2,332)	(932)
Cash flow from financing activities		**(31,275)**	**(27,308)**
Change in cash and cash equivalents	(12)	**(2,773)**	**3,179**
Cash and cash equivalents – start of period	(12)	17,361	14,182
Cash and cash equivalents – end of period		**14,588**	**17,361**

Table of contents

Notes to the consolidated financial statements

(1) Corporate information

The consolidated financial statements of Fair Value REIT-AG for the financial year ending December 31, 2014 were approved for publication on March 24, 2015 following a resolution by company management. Fair Value REIT-AG is a public company ("Aktiengesellschaft") founded and based 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 2. Information on other relationships between the Group and related parties are presented in Note 32.

Accounting and valuation methods

(2) Significant 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 historical 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.

First-time application 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 2014:
- IAS 32 – Offsetting Financial Assets and Financial Liabilities
- IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 – Novation of OTC Derivatives and Continuation of Hedge Accounting
- IFRIC 21 – Interpretation for Accounting Obligations for Paying Public Levies

The application of the standards or interpretations of the stipulations of the European Union, which became mandatory for the first time in the financial year 2014, did not have any material impact on the net assets, financial position and results of operations of the Group.

IASB pronouncements to be applied in future:

New standards

- IFRS 9 – Financial instruments
- IFRS 15 – Revenue from Contracts with Customers

On July 24, 2014, the International Accounting Standards Board (IASB) published the final standard IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement. The new IFRS 9 standard harmonises the guidelines on the classification and measurement of financial assets. In addition, it contains a new risk provision model which also takes into account expected losses for calculating risk provisioning. In addition, the new regulations on hedge accounting already published in November 2013 were integrated into the final IFRS 9. The standard is to be applied for the first time retrospectively for financial years starting on or after January 1, 2018. Its adoption into European law is still pending, as the EU endorsement process has only just got underway in the EU Commission. Early application is permitted subject to EU endorsement. Possible impacts of this standard on the net assets, financial position and results of operations of the Group are still being analysed.

In addition, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) published the accounting standard IFRS 15 Revenue from Contracts with Customers on May 28, 2014. IFRS 15 provides for a standardised five-step model for recognising revenues in the amount of consideration which a company can anticipate in exchange for the transfer of goods or services to a customer. Moreover, IFRS 15 introduces extensive new disclosure requirements. The new standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts”, as well as all associated interpretations, and is to be applied to annual periods beginning on or after 1 January 2017. Early application is permitted subject to EU endorsement. The impacts on revenue recognition within the group are currently still being examined. The examination is expected to be completed this year.

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, 2014. 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.

The scope of consolidation as of December 31, 2014 constitutes the following:

Voting rights/fixed capital interest in %	12/31/2014	12/31/2013
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
Hartmannstraße 1 Chemnitz GmbH & Co.KG, Munich ("H1 CH")	100.00	–
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG, Munich ("BBV 03")	80.05	54.10
IC Fonds & Co. Büropark Teltow KG, Munich ("IC 07")	77.99	77.74
IC Fonds & Co. Forum Neuss KG, Munich i.L. ("IC 03")	71.58	71.58
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, Munich ("BBV 06")	60.89	59.72
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG, Munich ("IC 13")	51.21	50.54
IC Fonds & Co. SchmidtBank-Passage KG, Munich ("IC 12")	50.36	48.86
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich ("BBV 14")	45.56	45.22
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich ("BBV 10")	41.66	40.77
BBV Immobilien-Fonds Erlangen GbR, Munich ("BBV 02")	42.02	41.53
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Munich ("IC 15")	40.22	39.49

In the past financial year, interests were increasingly purchased from subscribers of the respective funds or via the secondary market. In addition, interests with a volume totalling €2,824 thousand were cancelled. As a result, the participation stakes in BBV 03, BBV 14 and IC 12 had changed partly significantly as of the reporting date.

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

The company Hartmannstraße 1 Chemnitz GmbH & Co. KG, Munich was founded in December 2014. The mandatory capital contribution totalled €500 thousand. Of this amount, €50 thousand was paid in as a cash contribution and €450 thousand as a contribution in kind. The contribution in kind relates to the contribution of the purchase price advance payment for the property in Chemnitz, Hartmannstraße 1 paid by Fair Value REIT-AG.

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 no. 4

The fair value is the price which would be paid in an orderly business transaction to sell an asset or to transfer a liability between market participants on the measurement date under current market conditions. 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:
- principal market for the asset or liability or
- the most advantageous market for the asset or liability, if no principal market is available.

The Group needs to have access to the principal 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 – Inputs other than quoted prices included within the Level 1 that are observable for the asset or liability, either directly or indirectly
– Level 3 – Inputs used for the valuation of an asset or a liability are unobservable.

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 13 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 income based approach (Ertragswertverfahren) according to the German Appraisal Directive (ImmoWertV – Immobilienwertermittlungsverordnung), 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, nonallocable 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 closely involved in the process of valuing investment properties which takes place at least once a financial year, and monitors this process accordingly. As part of this process, the results provided by the independent professional expert are checked for plausibility as part of an initial review and compared with the figures from previous years. In addition, the valuation results are also scrutinised, alongside the assumptions prepared internally, 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.

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 held 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. Receivables are written off providing that the group knows that said receivables are unrecoverable or a recovery of the receivable is not reasonable from a business point of view due to the insignificance of the amount, for instance.

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. As in the previous year, the Group did not use any hedge accounting in the past financial year.

Minority interests Minority shares are limited partner capital from mostly natural persons in real estate funds in the legal structure as GmbH & Co. KGs. 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 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.

(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. The voting rights in the companies BBV 02, BBV 10, BBV 14 und IC 15 are not the sole determinant of the question as to who controls the companies. Although its voting rights are below 50%, the Fair Value REIT-AG represents the largest single partner of the aforementioned companies. The examination of the control of the participations as a prerequisite for full consolidation shows that Fair Value REIT-AG was able to exercise substantial rights, also in the financial year ended, in respect of all fund companies by way of a single majority at the shareholders' meeting in terms of, for instance, 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 core operating activities. In addition, Fair Value REIT-AG receives annual distributions from its participations which depend on current earnings.

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, 2014. Since, owing to the nature of the investment properties – to the exception of the purchase prices of property sold in Cologne, Ahaus and Pinneberg – mean that no comparable market values are available, the valuation was performed using a valuation model based on 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.

(4) Measuring fair value

Fair values of assets and liabilities 2014

in € thousand	Measurement date	**Total**	Qoted price on active markets (level 1)	Substantial obserable input parameter (level 2)	Substantial not observable Input parameter (level 3)
Investment Property	12/31/2014	267,718	–	–	267,718
Total non-current assets held for sale					
Commercial properties in Germany	12/31/2014	13,240	–	–	13,240
Derivate financial assets					
Cap premium	12/31/2014	60	–	60	–
Derivate financial liabilities					
Swap	12/31/2014	850	–	850	–
Market valuation Cap	12/31/2014	140	–	140	–
Financial liabilities	12/31/2014	165,599	–	165,599	–

Fair values of assets and liabilities 2013

in € thousand	Measurement date	**Total**	Qoted price on active markets (level 1)	Substantial obserable input parameter (level 2)	Substantial not observable Input parameter (level 3)
Investment Property	12/31/2013	292,637	–	–	292,637
Total non-current assets held 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 consolidated balance sheet

(5) Intangible assets and property, plant and equipment

Development of intangible assets and property, plant and equipment

in € thousand	Intangible assets	Assets under construction	Property, plant and equipment (office and operating equipment)
Acquisition costs			
Balance as of January 1, 2013	**203**	**–**	**9**
Additions	–	92	3
Disposals	–	–	–
Balance as of December 31, 2013	**203**	**92**	**12**
Additions	8	–	–
Disposals	–	(92)	–
Balance as of December 31, 2014	**211**	**–**	**12**
Accumulated depreciation, amortization and impairment loss			
Balance as of January 1, 2013	**(60)**	**–**	**(5)**
Additions	(37)	–	(2)
Disposals	–	–	–
Balance as of December 31, 2013	**(97)**	**–**	**(7)**
Additions	(36)	–	(2)
Balance as of December 31, 2014	**(133)**	**–**	**(9)**
Carrying amounts			
Balance as of January 1, 2013	143	–	4
Balance as of December 31, 2013	106	92	5
Balance as of December 31, 2014	**78**	**–**	**3**

(6) Investment properties

Development of investment property

in € thousand	Direct investments	Subsidiaries	**Total**
Acquisition costs			
Balance as of January 1, 2013	**49,147**	**393,502**	**442,649**
Additions (subsequent acquisition costs)	517	191	708
Disposals – sale	(6,027)	(29,800)	(35,827)
Reclassification to non-current assets held for sale	(1,299)	(21,859)	(23,158)
Balance as of December 31, 2013	**42,338**	**342,034**	**384,372**
Disposals – sale	(490)	(15,745)	(16,235)
Reclassification to non-current assets held for sale	(3,786)	(611)	(4,397)
Balance as of December 31, 2014	**38,062**	**325,678**	**363,740**
Changes in value			
Balance January 1, 2013	**(5,435)**	**(81,342)**	**(86,777)**
Reversal of impairment loss	12	835	847
Impairment loss	(631)	(14,253)	(14,884)
Disposals – sale	796	4,370	5,166
Reclassification to non-current assets held for sale	199	3,374	3,573
Balance as of December 31, 2013	**(5,059)**	**(87,016)**	**(92,075)**
Reversal of impairment loss	–	1,638	1,638
Impairment loss	(755)	(8,421)	(9,176)
Disposals – sale	66	540	606
Reclassification to non-current assets held for sale	746	2,239	2,985
Balance as of December 31, 2014	**(5,002)**	**(91,020)**	**(96,022)**
Fair values			
Balance as of January 1, 2013	43,712	312,160	355,872
Balance as of December 31, 2013	37,279	255,018	292,297
Balance as of December 31, 2014	**33,060**	**234,658**	**267,718**

Investment properties as of December 31, 2014 related to 40 properties, with 35 freehold properties, four properties in co-ownership and one leasehold property. Compared to December 31, 2013, the number of properties in the portfolio has decreased by six. In the past financial year, two directly-held properties from Fair Value REIT-AG and one property from subsidiaries were sold from the investment property portfolio. Three properties, for which the transfer of ownership, benefits and obligations was not completed in 2014, were reclassified to real estate held for sale.

The real estate portfolio is largely encumbered with mortgages as collateral for liabilities to banks. The properties of BBV 03 worth €3,670 thousand (2013: €6,870 thousand) are unmortgaged. There are no material restrictions on the sale of properties or contractual agreements to improve properties. The order commitment for repair and maintenance commissioned totals €1,300 thousand (2013: €1,042 thousand).

There are obligations from a long-term leasehold agreement (residual period of 25 years) which lead to future annual leasehold payments of €4 thousand. The agreement includes index clauses.

Except for the properties sold in Cologne, Ahaus and Pinneberg, CBRE GmbH, Frankfurt/Main ascertained the properties' fair value using the DCF method on a property-by-property basis. The cash flows for a ten-year period are forecast in detail; sustained rental income is assumed for the period thereafter. The value of this capital is identified based on property-related capitalization rates 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 basis for the rental income planning is formed by the rental payments contractually agreed with tenants as well as location-specific market rents for the spaces which were vacant as of the valuation date. The contractually-agreed rent per sqm/month compared with the previous year on the valuation date was as follows (broken down by types of usage):

Rental contracts

in €		31.12.2014	31.12.2013
Office	Min	1.00	1.00
	Max	35.57	35.57
	Average	**6.75**	**6.79**
Retail	Min	2.39	1.98
	Max	117.50	117.50
	Average	**9.57**	**9.92**
Others	Min	0.69	0.69
	Max	8.40	7.02
	Average	**4.08**	**4.67**
Total	Min	**0.69**	**0.69**
	Max	**117.50**	**117.50**
	Average	**7.31**	**7.44**

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 rates

	Capitalisation rates in %		Discount rates in %	
Source: Property appraisal CBRE 2014, 2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Office	6.0–7.8	6.1–7.6	6.5–8.3	6.6–8.1
Weighted average	**6.70**	**6.70**	**7.22**	**7.21**
Retail	5.9–9.6	5.9–9.0	6.25–10.1	6.3–9.5
Weighted average	**7.02**	**7.04**	**7.45**	**7.50**
Other	7.5–8.1	6.6–8.3	8.0–8.6	7.1–8.8
Weighted average	**7.73**	**7.41**	**8.23**	**7.91**

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 11 properties with unchanged or increased valuations, two properties in Cologne (BBV 03) and Quickborn (IC15) have an unchanged value. Of the remaining nine properties no property is 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 2014 year-on-year by approximately 0.57% at the directly-held properties. The market values of all properties directly held were slightly lower due to the increase of land transfer taxes in the state of Schleswig-Holstein. 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	12/31/2014	12/31/2013
Within one year	20,844	24,551
Between one to five years	52,088	64,379
After more than five years	38,114	44,641
Total of future rental income	**111,046**	**133,571**

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

In the financial year 2014, contingent rental payments of €47 thousand (2013: €300 thousand) resulted exclusively from the rental of a hotel property in January 2014 at a subsidiary (BBV06). This relates to the revenuerelated portion of the rent, which exceeds the minimum rent. There were no major index-related rent adjustments.

(7) Other assets (non-current)

in € thousand	12/31/2014	12/31/2013
Financial assets		
Receivable settlement credit BBV09	9,652	–
Non-financial assets		
Advance payment property purchase Hartmannstraße 1 Chemnitz	450	–
Deposit ("Fair Value")	8	–
Over coverage pension plan	–	10
Sonstige Vermögenswerte, gesamt	**10,110**	**10**

The company has issued a declaration of subordination to the BBV 09 financing bank. BBV 09 has committed to forego distributions to partners of BBV 09 until the liabilities to exiting partners have been paid. The settlement balance will be paid out from due date in line with the BBV 09 business plan in three annual instalments of 10% in 2015, 10% in 2016 and 80% in 2017 plus interest of arrears of 4% p.a. The amount is due six months after determination. This results in a non-current proportion of the receivable of €9,652 thousand and a current proportion of €1,073 thousand (see Note 11).

The purchase price advance payment of €450 thousand is the contribution in kind in the newly founded company Hartmannstraße 1 Chemnitz GmbH & Co. KG, Munich.

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. Actuarial gains or losses which arise are recognised directly in equity with no effect on net income.

In the past financial year, the actuarial value of a pension commitment as well as reinsurance claims for one employee of Fair Value REIT-AG was transferred from IC Immobilien Holding AG to Fair Value REIT-AG.

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

in € thousand	2014	2013
Present value of the obligation		
Balance – start of the year	**93**	**89**
Past service cost	4	4
Interest expense	3	3
Acturial losses/(gains)	18	(3)
Transfer	6	–
Balance – end of the year	**124**	**93**
Fair value of plan assets		
Balance – start of the year	**103**	**95**
Payments by employer	5	5
Expected income from plan assets	3	3
Transfer	6	–
Balance – end of the year	**117**	**103**
Under (–)/Over (+) coverage pension plan	**(7)**	**10**

For 2015, 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	2014	2013
Past service cost		
Carried under administrative expenses	4	4
Acturial losses		
Carried under administrative expenses	–	(3)
Interest expenses	3	3
Anticipated expenses for plan assets	**4**	**3**
Carried under financial result	**7**	**6**
Total pension expenses	**11**	**7**

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

The following actuarial assumptions have been made:

in %	2014	2013
Discount rate	2.0	3.7
Anticipated income for plan assets	2.0	3.6

The Group paid contributions totalling €12,000 (2013: €12,000) to the statutory pension fund during the year under review. Further defined contribution payments in the Group totalled €17,000 (2013: €17,000).

(8) Non-current assets held for sale

in € thousand	12/31/2014	12/31/2013
Hotel property Hannover, Hinüberstr. 6 ("BBV 06")	–	17,000
Retail property Erlangen, Henkestr. 5 ("BBV 02")	–	1,485
Office building Henstedt-Ulzburg, Hamburger Str. 83 ("Fair Value")	–	1,100
Logistic- and Office property Köln, Köhlstr. 8 ("BBV 06")	8,350	–
Health centre Pinneberg, Damm 49 ("Fair Value")	3,250	–
Retail property Ahaus, Zum Rotering 5–7 ("BBV 10")	1,640	–
Total non-current assets available for sale	**13,240**	**19,585**

The logistics and office property in Cologne (BBV 06), the health centre in Pinneberg (Fair Value) and the retail property in Ahaus (BBV 10) were sold with a notarial purchase agreement dated December 16, 2014, December 1, 2014 and December 22, 2014 for €8,350 thousand, €3,250 thousand and €1,640 thousand respectively. The ownership together with all benefits and risks was transferred to the purchasers for two of these properties with the payment of the purchase prices on January 7, 2015 (Fair Value) and January 27, 2015 (BBV 10). The transfer of benefits and risks to the buyer for the property in Cologne (BBV06) was conducted on February 27, 2015.

(9) Trade receivables

in € thousand	31/12/2014	31/122013
Rent receivables including settlement of incidental costs		
Not due yet	660	715
Overdue and not value adjusted		
Due since up to 30 days	1,252	183
Due since up to 30 to 90 days	178	864
Due since up to 30 to 360 days	696	502
Due since more than 360 days	195	227
Value-adjusted receivables	548	513
Total rent receivables	**3,529**	**3,004**
Value allowances	(548)	(513)
Total trade receivables	**2,981**	**2,491**

The individual specific allowance exclusively relate to overdue items. These changed as follows:

in € thousand	2014	2013
Balance – start of the year	**513**	**217**
Additions through profit and loss	193	367
Utilised	(78)	(38)
Reversal	(80)	(33)
Balance – end of the year	**548**	**513**

(10) Income tax receivables

Income tax receivables relate to repayable withholding tax paid on interest income.

(11) Other receivables and assets

in € thousand	12/31/2014	12/31/2013
Financial assets		
Receivable purchase price commercial property Erlangen, Henkestr. 5 (BBV 02)	1,355	–
Receivable settlement credit BBV 09	1,073	11,628
Reversal of a deposit for property purchase Chemnitz, Hartmannstr. 1 (IC 12)	500	–
Settlement credit minority interests	84	3
Deposit	3	13
Receivable purchase price bankbuilding Kaltenkirchen, Holstenstr. 32 (Fair Value)	–	1,960
Other	25	122
Total financial assets	**3,040**	**13,726**
Non-financial assets		
VAT	45	56
Other	72	110
Total non-financial assets	**117**	**166**
Total other receivables and assets	**3,157**	**13,892**

The binding amount of the settlement credit for the cancelled interest in BBV 09 was yet to be determined as of the balance sheet date. An arbitration appraisal is being sought for as no agreement could be reached on determining the amount of the settlement credit. As a result of this, in the past financial year, a specific impairment allowance totalling €903 thousand was recorded. The impaired receivable reflects the average of two different market valuations of the properties in BBV 09. 10% or €1,073 thousand of the remaining receivable are current, while 90% are non-current (see Note 7).

(12) 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 was €1,223,000 (2013: €3,362,000) on the balance sheet date. All the fund's current liabilities are 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.

(13) 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, 2014, 9,325,572 (2012: 9,325,572 shares) of the issued shares were in circulation.

With the resolution on the reduction in share capital for the purpose of transferring the released amount to the capital reserve pursuant to Section 272 para. 2 no. 4 HGB in line with the guidelines on ordinary capital reduction pursuant to Section 222 ff. AktG, the Supervisory Board agreed on May 27, 2014 to the capital reduction of €28,221 thousand and a transfer of the released amount of €28,221 thousand to the capital reserve. The capital reduction was entered into the commercial register on July 8, 2014.

Pursuant to Section 5 para. 1 of the Articles of Association from May 27, 2014, the share capital of Fair Value totals €18,814 thousand. Following the previous share of subscribed capital of €5.00 per issued share, €2.00 per issued share is attributable after the capital reduction. Shareholders are entitled to any dividends resolved, and have one vote per share in the General Meeting.

Authorised capital The Annual General Meeting on May 27, 2014 agreed on the creation of authorised capital. Moreover, the Management Board was authorised to issue convertible and/or warrant bonds or participation rights with or without conversion rights or subscription rights.

Conditional capital The Annual General Meeting on May 27, 2014 authorised the Management Board to increase the share capital of the company by €9,406,882.00 by issuing up to 4,703,441 new ordinary bearer shares with dividend entitlement from the start of the financial year of their issuing in the period up to May 29, 2019.

Capital reserve The capital reserve includes premiums from the capital increases in 2007, less capital procurement costs. In addition, the shareholders' assets released in 2014 totalling €28,221 thousand were also transferred.

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

Treasury shares By resolution of the Annual General Meeting dated May 27, 2014, the Management Board is entitled to purchase own shares to the amount of up to 10% of the share capital until May 26, 2019. Treasury shares are intended to enable the management, among other things, to act in a rapid, flexible and good-value way when it comes to acquiring companies or interests, particularly interests in real estate funds, and when purchasing properties. The treasury shares totalling €406,550.00 remained unchanged from the previous year.

(14) Minority interests

Development of minority interests

in € thousand	IC 01	IC 03	IC 07	IC 13
Balance as of January 1, 2013	**91**	**813**	**1,620**	**1,221**
Profit from cash flow hedges	–	–	–	–
Proportionate earnings – expense/(income)	–	(106)	(53)	173
Disbursements	(91)	–	–	–
Reclassification (compensation)	–	–	–	(22)
Balance as of December 31, 2013	**–**	**707**	**1,567**	**1,372**
Proportionate earnings – expense/(income)	–	–	219	345
Disbursements	–	(671)	–	–
Reclassification (compensation)	–	–	(20)	(25)
Balance as of December 31, 2014	**–**	**36**	**1,766**	**1,692**

The compensation for minority partners in subsidiaries is calculated as the minority share in the equity of the Group as of December 31, 2014 and represents either a profit (–) or a loss (+) for the minority shareholders.

BBV 03	BBV 06	IC 12	IC 15	BBV 02	BBV 10	BBV 14	**Total**
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**
73	53	69	257	(17)	(1,975)	1,854	878
(1,309)	(776)	–	(330)	–	–	(929)	(4,015)
(1,208)	(267)	(103)	(165)	–	(530)	(139)	(2,457)
929	**5,487**	**3,159**	**10,423**	**175**	**14,971**	**21,410**	**60,048**

(15) Financial liabilities

Structure of the financial liabilities

in € thousand	12/31/2014	12/31/2013
Non-current liabilities		
Variable-interest bank borrowing	89,408	123,453
Fixed-interest bank borrowing	21,499	3,130
Total non-current liabilities	**110,907**	**126,583**
Current liabilities		
Variable-interest bank borrowing	27,988	34,294
Fixed-interest bank borrowing	26,187	30,304
Total current liabilities	**54,175**	**64,598**
Total financial liabilities	**165,082**	**191,181**

The bank loans bearing variable interest are based on EURIBOR plus a margin. These are hedged in the amount of €5,000,000 (2013: €10,000,000) 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 2.23% on average as of December 31, 2014, while these averaged 2.40% 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 3.74% as of December 31, 2014, while this figure came in at 4.01% p.a. in the previous year including the effective hedged variable loans.

Apart from an amount of €7,000 thousand (2013: €7,000 thousand), the loans of €165,082 thousand (2013: €191,181 thousand) are secured by mortgages in full. In addition, the rental receivables are assigned at all companies.

The interests held by Fair Value in the IC/BBV real estate funds are pledged as security for the Fair Value loan at Capital Bank – GRAWE Group, AG, Graz (Austria) totalling €7,000 thousand (2013: €7,000 thousand). The loan matures on June 30, 2015 and can be paid back prematurely at any time.

Registration of mortgages

in € thousand		12/31/2014	12/31/2013
IC 07	Mortgage	21,731	21,731
IC 12	Mortgage	2,500	2,500
IC 13	Mortgage	33,719	33,719
IC 15	Mortgage	37,754	37,754
BBV 02	Mortgage	6,243	6,243
BBV 06	Mortgage	36,773	62,877
BBV 10	Mortgage	132,324	132,324
BBV 14	Mortgage	38,649	38,649
Fair Value	Mortgage	35,540	35,540

Moreover, in the case of all property funds, the rental and leasing income is pledged to the lending banks.

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

Remaining terms of non-current liabilities

in € thousand	12/31/2014	12/31/2013
Between 1 and 2 years	39,144	46,955
Between 2 and 5 years	59,916	21,609
More than 5 years	11,847	58,019
Total non-current liabilities	**110,907**	**126,583**

Unscheduled repayments totalling €19,236 thousand were made on liabilities to banks in the financial year 2014 (2013:. €16,248 thousand). Of this amount, €16,999 thousand was attributable to BBV06 and €2,237 thousand to Fair Value.

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 75% of the market value of the property. Furthermore, the future net rental income must cover the debt service requirements by at least 120% (“debt service coverage ratio” – DSCR). If these levels are not met, a fixed deposit account must be pledged to cover the differences or a suitably large repayment must be made. The covenants for the loan were met on December 31, 2014.

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

(16) 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		
	Direct-investments	Subsidaries	Direct-investments	Subsidaries	**Total**
Balance as of January 1, 2013	**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**
Additions affecting income	–	–	(928)	(171)	(1,099)
Transfer at the expense of other result	–	–	–	–	–
Balance as of December 31, 2014	**–**	**–**	**850**	**140**	**990**

As part of the Group's interest rate management, the notional amount of the interest rate swap carried forward totalling €10,000 thousand was reduced by €5,000 thousand following a partial cancellation. As of December 31, 2014, the notional amount stood at €5,000 thousand (2013: €10,000 thousand). The negative market value posted €850 thousand on the balance sheet date (2013: €1,778 thousand). The valuation is made based on the present values of the future interest payment flows (discounted cash flow model).

The swap totalling €5,000 thousand was completely cancelled effective as of January 30, 2015. The cancellation amount including accrued interest is €863 thousand.

At subsidiary BBV 14, an interest hedging transaction exists without a balance sheet hedge relationship. The negative market values totalled €140,000 (2013: €251,000). This is a cap agreement, the term of which ends March 31, 2016. It covers the risk of a EURIBOR-related three-month variable interest rate loan if the EURIBOR rate exceeds 4.25%.

(17) Other liabilities

in € thousand	12/31/2014	12/31/2013
Non-current		
Financial liabilities		
Exited minority partners in subsidiaries	628	–
Underfunding pension plan	7	–
Total non-current liabilities	**635**	–
Current		
Exited minority interests	1,054	–
Liabilities against sellers of minority interests	830	1,980
Interest payable	483	331
Deposits received	433	350
Liabilities from utility statements	410	88
Tax liabilities (value added tax)	288	212
Credit balance	208	326
Liabilities against companies of IC Group	194	261
Deferred income	62	69
Supervisory Board Remuneration	61	52
Other	32	33
Total current liabilities	**4,055**	**3,702**
Total other liabilities	**4,690**	**3,702**

The liabilities to exiting minority partners in subsidiaries are mostly compensation commitments as a result of the participating interest having being cancelled. In some cases, the respective company is entitled to disburse the settlement credit in three annual instalments, with interest of 4% p.a. charged on the respective residual amount. A proportional payment of the settlement credit at BBV 10 is also assumed for the past financial year. The non-current liabilities due to minority partners exiting therefore amounted to €628 thousand in the financial year 2014 (2013: €0).

(18) Provisions

Development of provisions

in € thousand	Personnel	Audit/ consulting costs	Total
Balance as of January 1, 2014	**167**	**262**	**429**
Additions	228	192	420
Utilised	76	195	271
Reversal	17	6	23
Balance as of December 31, 2014	**302**	**253**	**555**

(19) Contingent liabilities and pending litigation

In the case of 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 an amount of €1,679 thousand and €1,687 thousand respectively (2013:€1,625 thousand and €1,660 thousand respectively).

(20) 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 €9,000 (2013: €12,000) was incurred for the car. The minimum leasing payments payable until the time of the earliest possible termination are:

Minimum leasing payments

in € thousand	12/31/2014	12/31/2013
Within 1 year	18	17
Between 1 to 5 years	11	15
Total minimun leasing payments	**29**	**32**

Notes to the consolidated income statement

(21) Net rental income

Classification of net rental result in € thousand	2014 Investment properties	2014 Non-current assets available for sale	2014 Total	2013 Investment properties	2013 Non-current assets avaiable for sale	2013 Total
Rental income	22,860	1,054	23,914	27,414	2,223	29,637
Income from operating and incidental costs	5,881	354	6,235	6,679	111	6,790
Leasehold payments	(4)	–	(4)	(7)	–	(7)
Real estate-related operating expenses						
Real estate that generated income	(11,431)	(1,088)	(12,519)	(12,936)	(391)	(13,327)
Total net rental income	**17,306**	**320**	**17,626**	**21,150**	**1,943**	**23,093**

(22) Real estate-related operating expenses

in € thousand	2014	2013
Energy costs and water consumption	3,231	3,750
Property tax	806	1,009
Property management fees	779	821
Servicing and operating technical systems	566	589
Garden maintenance/Cleaning	493	593
Non-deductible VAT	379	396
Surveillance	348	381
Caretaker costs	339	318
Building cleaning	303	380
Management contract costs	303	483
Street cleaning/garbage removal	183	206
Maintenance cost payments for partially-owned properties	156	178
Insurances	149	169
Other property costs	148	160
Other operating costs	110	138
Expenses from the settlement of incidental costs	87	57
Advertising and promotional costs	39	241
Other	194	199
Operating and incidental costs	**8,613**	10,068
Technical building maintenance	456	372
Repairs and maintenance costs	2,880	2,759
Letting costs	570	128
Other real estate-related expenses	**3,906**	3,259
Total real estate-related operating expenses	**12,519**	**13,327**

(23) General administrative expenses

in € thousand	2014	2013
Personnel expenses	643	594
Fund management fees	613	734
Trustee fees	256	255
Stock market listing, general meeting and events	252	319
Audit expenses	205	205
Non-deductible VAT	205	267
Legal and consulting costs	181	299
Accounting	143	154
Appraisals	113	55
Supervisory and Advisory Boards, General Partner remuneration	92	124
Office costs	55	46
Amortization	36	39
Travel and vehicle expenses	32	30
Others	94	166
Total general administrative expenses	**2,920**	**3,287**

(24) Other operating income and expenses, overall

in € thousand	2014	2013
Income		
Reversal of accruals for maintenance, outstanding charges	166	222
Refund of expenses	293	157
Valuation gains from the purchase of interests of subsidiaries	273	–
Other	59	91
Total income	**791**	**470**
Expenses		
Additions of specific impairment allowances for receivables	(193)	(367)
Additions of specific impairment allowances for other receivables	(903)	–
Repayment claims for ancillary income 2009 to 2012	(300)	–
Release/Utilization of receivable impairment allowance	80	71
Other derecognition of receivables	(58)	(205)
Reimbursable costs	–	(7)
Other	(16)	10
Total expenses	**(1.390)**	**(498)**
Total other operating income and expenses	**(599)**	**(28)**

(25) Earnings from the sale of investment properties and non-current assets held for sale

in € thousand	2014	2013
Net income from the sale of investment properties and non-current assets held for sale (puchase prices)	**22,906**	**31,152**
Expenses in connection with the sale of investment properties and non-current assets held for sale	(611)	(1,220)
Carrying amounts	(22,987)	(30,661)
Total expenses in connection with the sale of investment properties and non-current assets held for sale	**(23,598)**	**(31,881)**
Total Earnings from the sale of investment properties and non-current assets held for sale	**(692)**	**(729)**

This relates to three directly held properties and three properties at subsidiaries sold during the financial year with ownership, benefits and obligations transferred in 2014.

(26) Valuation result

in € thousand	2014	2013
Valuation gains	1,638	847
Valuation losses	(9,176)	(14,884)
Total valuation result	**(7,538)**	**(14,037)**

The valuation losses in the financial year resulted from the market valuation on the balance sheet date. This impacts 15 directly-held properties and 17 properties at participations. There were no valuation gains at directly-held properties and valuation gains at eight properties at participations.

(27) Interest expenses

in € thousand	2014	2013
Interest for loans and swaps	4,919	8,740
Compensation payment swap	919	3,495
Changes in value for derivative financial instruments / consumption of provisions	(1,099)	407
Other	386	144
Total interest expenses	**5,125**	**12,786**

(28) Additional information regarding the consolidated income statement

Personnel expenses

in € thousand	2014	2013
Salaries	594	507
Gratuities	–	30
Social security contribution	49	57
Total personnel expenses	**643**	**594**
thereof expenses for pension scheme	17	25

On average during the year, there were three employees including the Management Board (2013: three). As of December 31, 2014, the Company had a total of three employees including the Management Board.

Auditors' fees and services In 2014, fees were recorded as expenses for the following services rendered by the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich:

in € thousand	2014	2013
Audits of financial statements	199	198
Other services	6	7
Total auditor's fees and services	**205**	**205**

(29) Earnings per share

Basic earnings per share are calculated as follow:

		2014	2013
Consolidated earnings	in € thousand	(47)	(5,227)
Divided by: Weighted average ordinary shares	in pieces	9,325,572	9,325,572
Earnings per share (basic/diluted)	in €	**(0.01)**	**0.56**

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 to the consolidated financial statements

(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	12/31/2014		12/31/2013	
in € thousand	Carrying amounts	Fair values	Carrying amounts	Fair values
Assets				
Trade receivables	2,981	2,981	2,491	2,491
Other receivables	12,817	12,817	13,892	13,892
Cash and cash equivalent	14,588	14,588	17,361	17,361
Total assets	**30,386**	**30,386**	**33,744**	**33,744**
Equity and liabilities				
Liabilities measured at amortized cost				
Minority interests	60,048	60,048	65,642	65,642
Financial liabilities	165,082	165,599	191,181	191,181
Trade payables	2,256	2,256	2,150	2,150
Other liabilities	4,055	4,055	3,702	3,702
Liabilities recognized at fair value through profit and loss				
Derivatives without hedge accounting	990	990	2,089	2,089
Total equity and liabilities	**232,431**	**232,948**	**264,764**	**264,764**

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	2014	2013
Loans and receivables		
Other operating income	80	33
Other operating expenses	(173)	(534)
Total loans and receivables	**(93)**	**(501)**
Liabilities recognized at fair value through profit and loss		
Derivatives without hedge accounting	(1,099)	(611)
Net gains/losses (–)	**(1,192)**	**(1,112)**

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 disclosed in note no. 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. As in the previous year, the Group did not apply any hedge accounting in the past financial year.

   If the interest rates had been one percentage point higher or lower over the reporting period, the consolidated net income and equity would have been around €936 thousand (2013: T€788) lower or higher respectively. 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 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 2014, rental defaults amounted to 0.10% (2013: 1.69%) of rental income on the back of an increased need for individual value adjustments in the amount of €174,000. Reversals of individual value adjustments increased by €47,000 in the past financial year and derecognitions decreased by €147,000 (see note 24).

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:

				12/31/2014				12/31/2013
in € thousand	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	–	–	–	60,048	–	–	–	65,642
Liabilities to banks (interest-bearing)	68,449	61,015	54,404	16,160	69,390	50,516	29,278	58,711
Derivative financial instruments	961	29	–	–	567	506	1,016	–
Provisions	555	–	–	–	429	–	–	–
Trade payables	2,256	–	–	–	2,150	–	–	–
Other liabilities	4,055	169	459	7	3,702	–	–	–
Total maturities	**76,276**	**61,213**	**54,863**	**76,215**	**76,238**	**51,022**	**30,294**	**124,353**

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

		12/31/2014	12/31/2013
Equity	in € thousand	78,273	80,673
Total assets	in € thousand	311,894	345,866
Equity ratio	in %	25.1	23.3

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. Pursuant to Section 15 REIT Act, equity must amount to at least 45% of immovable assets within the meaning of this act.

in € thousand	12/31/2014	12/31/2013
Equity (consolidated balance sheet)	78,273	80,673
Minority interests	60,048	65,642
Equity within the meaning of Section 15 of the REIT Act	**138,321**	**146,315**
Immovable assets		
Investment property	267,718	292,297
Non-current assets available for sale	13,240	19,585
Total immovable assets	**280,958**	**311,882**
Equity ratio within the meaning of Section 15 of the REIT Act	49.2 %	46.9 %

(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 five "Geschäftsführungs-GmbH & Co. KGs" and one "Komplementär-GmbH", which cannot be assigned to one of these two segments. The Group operates exclusively in the geographic region of "Germany". 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 follow:

	2014		2013	
in € thousand	Segment revenues	Segment results	Segment revenues	Segment results
Direct investments	3,075	497	3,665	1,987
Subsidiaries	27,074	6,577	32,762	4,509
Total segment revenues and results	**30,149**	**7,074**	**36,427**	**6,496**
Earnings from at equity-accounted participations		–		1,134
Other income from participations		–		370
Central administrative expenses and other		(1,197)		(1,463)
Net interest expenses		(5,046)		(12,690)
Minority interests in the result		(878)		947
Income tax		–		(21)
Net loss		**(47)**		**(5,227)**

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	2014	2013
Main tenant 1 (Direct investments segment)	2,478	2,811
Main tenant 2 (Subsidiaries segment)	–	1,919
Other between 5 % and 10 %	5,072	5,294
Other under 5 % each	22,599	26,403
Total rental revenue	**30,149**	**36,427**

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

	2014		2013	
in € thousand	Direct investments	Subsidiaries	Direct investments	Subsidiaries
Office	3,075	7,632	3,665	9,044
Retail	–	15,450	–	15,913
Other	–	3,992	–	7,805
Total revenues	**3,075**	**27,074**	**3,665**	**32,762**

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:

	2014		2013	
in € thousand	Direct investments	Subsidiaries	Direct investments	Subsidiaries
Valuation gains	–	1,638	12	835
Valuation losses	(755)	(8,421)	(631)	(14,253)
	(755)	**(6,783)**	**(619)**	**(13,418)**
Capital gains (-losses)	1	(693)	166	(895)
	(754)	**(7,476)**	**(453)**	**(14,313)**

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 2014	**Direct investments**			
in € thousand	FV AG	IC 03	IC 07	IC 12
Rental income	2,606	–	632	517
Service charge income	469	1	286	328
Segment revenue	**3,075**	**1**	**918**	**845**
Leasehold payments	–	–	–	–
Service charge expenses	(801)	–	(419)	(405)
Other property operating expenses	(42)	–	(218)	(227)
Administrative expenses related to the segment	(154)	–	(62)	(72)
Other opeating expenses and income (balance)	(827)	–	33	(19)
Result from sale of investment properties	1	–	–	–
Valuation gains	–	–	770	90
Valuation losses	(755)	–	–	–
Segment profit	**497**	**1**	**1,022**	**212**
General administrative costs	(1,434)	–	–	–
Other expenses	–	–	–	–
Other income from participations	(94)	–	–	–
Net interest expenses	(1,099)	–	(37)	(77)
Minority interests	–	–	–	–
Income tax	–	–	–	–
Annual result 2014	**(2,130)**	**1**	**985**	**135**

							Subsidiaries		
IC 13	IC 15	BBV 02	BBV 03	BBV 06	BBV 10	BBV 14	**Total**	Reconciliation	**Group**
1,917	2,906	2	454	2,240	7,387	5,253	21,308	–	23,914
559	288	6	52	383	2,404	1,459	5,766	–	6,235
2,476	**3,194**	**8**	**506**	**2,623**	**9,791**	**6,712**	**27,074**	**–**	**30,149**
–	–	–	–	(4)	–	–	(4)	–	(4)
(695)	(444)	(30)	(117)	(746)	(3,219)	(1,737)	(7,812)	–	(8,613)
(369)	(291)	–	(59)	(479)	(1,656)	(565)	(3,864)	–	(3,906)
(112)	(141)	(27)	(94)	(187)	(359)	(316)	(1,370)	(21)	(1,545)
45	(133)	44	7	31	91	(143)	(44)	94	(777)
–	–	(22)	(86)	(437)	(148)	–	(693)	–	(692)
60	–	–	–	18	200	500	1,638	–	1,638
(190)	(1,193)	–	–	(286)	(6,192)	(560)	(8,421)	–	(9,176)
1,215	**992**	**(27)**	**157**	**533**	**(1,492)**	**3,891**	**6,504**	**73**	**7,074**
–	–	–	–	–	–	–	–	59	(1,375)
–	–	–	–	–	–	–	–	178	178
–	–	–	–	–	–	–	–	94	–
(517)	(568)	–	1	(401)	(1,843)	(507)	(3,949)	2	(5,046)
–	–	–	–	–	–	–	–	(878)	(878)
–	–	–	–	–	–	–	–	–	–
698	**424**	**(27)**	**158**	**132**	**(3,335)**	**3,384**	**2,555**	**(472)**	**(47)**

Income statement by segments 2013

in € thousand	Direct investments FV AG	IC 03	IC 07	IC 12
Rental income	2,975	798	575	465
Service charge income	690	212	285	257
Segment revenue	**3,665**	**1,010**	**860**	**722**
Leasehold payments	–	–	–	–
Service charge expenses	(97)	(102)	(506)	(230)
Other property operating expenses	(947)	(277)	(403)	(395)
Administrative expenses related to segment	(183)	(66)	(42)	(43)
Other operating expenses and income (balance)	2	(100)	(14)	47
Result from sale of investment properties	166	(774)	–	–
Valuation gains	12	–	–	210
Valuation losses	(631)	–	(63)	–
Segment profit	**1,987**	**(309)**	**(168)**	**311**
Central administrative costs	(1,463)	–	–	–
Income from at equity-accounted participations	511	–	–	–
Other income from participations	2,348	–	–	–
Net interest expenses	(6,707)	(63)	(72)	(83)
Minority interests	–	–	–	–
Income tax	(21)	–	–	–
Annual resutl 2013	**(3,345)**	**(372)**	**(240)**	**228**

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

	12/31/2014		12/31/2013	
in € thousand	Assets	Liabilities	Assets	Liabilities
Direct investments	49,713	1,981	53,266	841
Subsidiaries	261,912	5,489	292,366	5,403
Total segment assets / segment liabilities	**311,625**	**7,470**	**345,632**	**6,244**
Non-allocated assets/liabilities consolidation	269	226,151	234	258,949
Total Group assets/group liabilities	**311,894**	**233,621**	**345,866**	**265,193**

The segments' assets primarily comprise investment properties, receivables and cash and cash equivalents. The current assets of the "Subsidiaries" segment also comprise non-current assets available for sale (note no. 8). 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. Segment liabilities comprise operating liabilities. Financial liabilities, derivative financial instruments and minority interests are reported under non-allocated liabilities.

							Subsidiaries		
IC 13	IC 15	BBV 02	BBV 03	BBV 06	BBV 10	BBV 14	**Total**	Reconciliation	**Group**
1,836	2,916	217	605	4,021	9,076	6,153	26,662	–	29,637
573	318	16	105	622	2,110	1,602	6,100	–	6,790
2,409	**3,234**	**233**	**710**	**4,643**	**11,186**	**7,755**	**32,762**	**–**	**36,427**
–	–	–	–	(7)	–	–	(7)	–	(7)
(221)	(216)	(3)	(338)	(592)	(488)	(416)	(3,112)	–	(3,209)
(683)	(432)	(74)	(203)	(983)	(3,398)	(2,323)	(9,171)	–	(10,118)
(112)	(158)	(57)	(118)	(236)	(413)	(394)	(1,639)	(2)	(1,824)
26	(47)	30	–	67	(40)	(15)	(46)	37	(7)
–	–	(30)	–	(99)	105	(97)	(895)	–	(729)
–	–	15	10	210	390	–	835	–	847
(590)	(1,582)	–	(110)	(3,214)	(8,478)	(216)	(14,253)	–	(14,884)
829	**799**	**114**	**(49)**	**(211)**	**(1,136)**	**4,294**	**4,474**	**35**	**6,496**
–	–	–	–	–	–	–	–	–	(1,463)
–	–	–	–	–	–	–	–	623	1,134
–	–	–	–	–	–	–	–	(1,978)	370
(478)	(591)	(59)	–	(797)	(3,068)	(772)	(5,983)	–	(12,690)
–	–	–	–	–	–	–	–	947	947
–	–	–	–	–	–	–	–	–	(21)
351	**208**	**55**	**(49)**	**(1,008)**	**(4,204)**	**3,522**	**(1,509)**	**(373)**	**(5,227)**

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 2014	Direct investments				
in € thousand	FV AG	IC 03	IC 07	IC 12	H1 CH
Intangible assets and property, plant and equipment	11	–	–	–	–
Investment property	33,060	–	8,630	7,570	–
Non-current assets held for sale	3,250	–	–	–	–
Trade receivables	290	20	271	73	–
Income tax receivables	19	–	–	–	–
Other receivables and assets	10,805	8	–	505	450
Cash and cash equivalent	2,278	343	51	352	50
Subtotal segment assets	**49,713**	**371**	**8,952**	**8,500**	**500**
Participation in subsidiaries	60,308	–	–	–	–
Total assets	**110,021**	**371**	**8,952**	**8,500**	**500**
Provisions	(383)	(16)	(11)	(10)	–
Trade payables	(107)	(216)	(52)	(100)	–
Other liabilities	(1,491)	(12)	(50)	(42)	–
Subtotal segment liabilities	**(1,981)**	**(244)**	**(113)**	**(152)**	**–**
Minority interests	–	–	–	–	–
Financial liabilities	(28,691)	–	-(816)	(1,984)	–
Derivative financial instruments	(850)	–	–	–	–
Total liabilities	**(31,522)**	**(244)**	**(929)**	**(2,136)**	**–**
Net assets as of December 31, 2014	**78,499**	**127**	**8,023**	**6,364**	**500**
Overview of maturities of financial liabilities					
Long term	(18,782)	–	–	(1,880)	–
Short term	(9,909)	–	(816)	(104)	–
Financial liabilities	**(28,691)**	**–**	**(816)**	**(1,984)**	**–**

IC 13	IC 15	BBV 02	BBV 03	BBV 06	BBV 10	BBV 14	Subsidiaries Total	Reconciliation	Group
–	–	–	–	–	–	–	–	70	81
18,450	32,830	–	3,670	13,038	80,650	69,820	234,658	–	267,718
–	–	–	–	8,350	1,640	–	9,990	–	13,240
127	149	2	18	200	1,145	671	2,676	15	2,981
–	–	–	–	–	–	–	–	–	19
–	2	1,390	–	96	9	–	2,460	2	13,267
792	1,769	51	1,028	1,232	2,433	4,027	12,128	182	14,588
19,369	**34,750**	**1,443**	**4,716**	**22,916**	**85,877**	**74,518**	**261,912**	**269**	**311,894**
–	–	–	–	–	–	–	–	(60,308)	–
19,369	**34,750**	**1,443**	**4,716**	**22,916**	**85,877**	**74,518**	**261,912**	**(60,039)**	**311,894**
(13)	(15)	(9)	(8)	(22)	(22)	(41)	(167)	(5)	(555)
(112)	(104)	(17)	(7)	(405)	(879)	(257)	(2,149)	–	(2,256)
(275)	(237)	(4)	(46)	(388)	(1,517)	(602)	(3,173)	(26)	(4,690)
(400)	**(356)**	**(30)**	**(61)**	**(815)**	**(2,418)**	**(900)**	**(5,489)**	**(31)**	**(7,501)**
–	–	–	–	–	–	–	–	(60,048)	(60,048)
(15,501)	(16,958)	(1,112)	–	(8,072)	(57,798)	(34,150)	(136,391)	–	(165,082)
–	–	–	–	–	–	(140)	(140)	–	(990)
(15,901)	**(17,314)**	**(1,142)**	**(61)**	**(8,887)**	**(60,216)**	**(35,190)**	**(142,020)**	**(60,079)**	**(233,621)**
3,468	**17,436**	**301**	**4,655**	**14,029**	**25,661**	**39,328**	**119,392**	**(120,118)**	**78,273**
(14,736)	(7,494)	(1,033)	–	–	(34,020)	(32,962)	(92,125)	–	(110,907)
(765)	(9,464)	(79)	–	(8,072)	(23,778)	(1,188)	(44,266)	–	(54,175)
(15,501)	**(16,958)**	**(1,112)**	**–**	**(8,072)**	**(57,798)**	**(34,150)**	**(136,391)**	**–**	**(165,082)**

Assets and liabilities by segments 2013

in € thousand	Direct investments FV AG	IC 03	IC 07	IC 13
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 equivalent	717	2,662	461	775
Subtotal segment assets	**53,266**	**2,805**	**8,521**	**19,441**
Participations 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)**

BBV 03	BBV 06	IC 12	IC 15	BBV 02	BBV 10	BBV 14	**Total**	Reconciliation	**Group**
–	–	–	–	–	–	–	–	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)**

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

in € thousand	2014 Capital expenditure	2014 Depreciation	2013 Capital expenditure	2013 Depreciation
Direct investments				
Investment property	–	–	517	–
Intangible assets and property, plant and equipment	8	(38)	–	(39)
Total direct investments	**8**	**(38)**	**517**	**(39)**
Subsidiaries				
Investment property	–	–	15	–
Total subsidiaries	**–**	**–**	**15**	**–**
Total group investments and amortisation/depreciation	**8**	**(38)**	**532**	**(39)**

(32) Related parties

Related companies Related parties to the Group are:

Rolf Elgeti, Potsdam, who informed us on February 20, 2015 that his share of the voting rights had exceeded the 3%, 5%, 10%, 15%, 20% and 25% reporting thresholds and that he held 29.98% of the voting rights on December 16, 2014. His attributed voting rights are held by the following companies which he controls and which hold a share of the voting rights of 3% or more:
- Obotritia Capital KGaA, Potsdam
- Obotritia Beteiligungs GmbH, Potsdam
- Jägersteig Beteiligungs GmbH, Potsdam
- Försterweg Beteiligungs GmbH, Potsdam

UniCredit S.p.A., Rome, informed us on December 16, 2014 that its share of the voting rights had undercut the 30%, 25%, 20%, 15%, 10%, 5% and 3% reporting thresholds and that it held 2.91% of the voting rights (273,498 voting rights).

IC Immobilien Holding AG, Unterschleißheim, has informed us on February 3, 2015 that it will not disclose any voting rights in Fair Value REIT-AG in it's consolidated income statement as per December 31, 2014.

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. 16). Interest expenses totalled €1,127,000 (2013: €1,746,000). As of December 31, 2014 there were liabilities from loans amounting to €43,678,000 (2013: €62,656,000) and liabilities from the variable interest rate cap agreement amounting to €0 (2013: €60,000). As of December 31, 2014, there were bank balances with UniCredit Bank AG totalling €2,646,000 (2013: €4,437,000); there was interest income from fixed term deposits and other balances totalling €2,000 (2013: €4,000).

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, 2015. 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, 2015. 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

in € thousand	2014 Direct investments	2014 Subsidiaries	2013 Direct investments	2013 Subsidiaries
Service fees				
External management service (including fund administration)	–	956	–	1,136
Accounting	143	–	154	–
Property management fees	73	839	89	110
Trustee fees	–	213	–	254
Letting commissions	–	462	–	221
Sales commissions	–	435	–	–
Construction support	–	355	64	214
Other	–	–	–	6
Total services	**216**	**3,260**	**307**	**1,941**
Other income	–	–	–	(93)
Total expenses and income	**216**	**3,260**	**307**	**1,848**

in € thousand	2014 Direct investments	2014 Subsidiaries	2013 Direct investments	2013 Subsidiaries
Receivables	–	–	–	93
Liabilities from services	(62)	(9)	(69)	(272)
Other liabilities	–	(121)	(14)	(55)
Total receivables and liabilities	**(62)**	**(130)**	**(83)**	**(234)**

Remuneration of the Management Board

in €	2014	2013
Performance-unrelated remuneration		
Fixed salary	220,000	220,000
Benefits in kind and other	12,329	12,307
Performance-related remuneration	140,000	108,141
Benefits according to Section 285 No. 9 HGB	**372,329**	**340,448**
Expenses for pension plan	12,680	8,558
Total	**385,009**	**349,006**

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

in € thousand	2014	2013
Payments due at short term	306	285
Services rendered after termination of employment contract	45	18
Share-based appreciation rights	34	46
Total remuneration Management Board	**385**	**349**

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 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.

	2014		2013	
Development of dividend-based remuneration	shares in pieces	average price €	shares in pieces	average price €
Start of reporting period receivable	14,412	5.05	5,399	4.55
During the reporting period granted	4,923	6.77	9,013	5.05
During the reporting period exerted	–	–	–	–
During the reporting period expired	–	–	–	–
End of reporting period receivable	**19,335**	**5.91**	**14,412**	**4.80**

The virtual shares calculated in the past financial year were valued with the price on the balance sheet date of €6.77 (2013: €5.05) per share. The weighted average remaining contractual period for outstanding dividend-based compensation as of December 31, 2014 totalled 1.2 years (2013: 2.0 years).

The virtual shares do not entitle holders to purchase shares but represent a mathematical variable which is used to determine the pay-out amount of this variable share in the profit on the due date.

The provision of virtual shares is declared within the provision of the bonus and is composed of as follows:

Virtual shares

in €	historical provision	accrued valuations	valued provisons
Balance as of January 1, 2013	**24,334.10**	**231.89**	**24,565.99**
Additions	45,515.14	2,699.56	48,214.70
Balance as of December 31, 2013	**49,849.24**	**2,931.45**	**72,780.69**
Additions	33,331.40	24,788.68	58,120.08
Balance as of December 31, 2014	**103,180.64**	**27,720.13**	**130,900.77**

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 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 (2013: €33,000) in the financial year 2014. 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

Upon maturity of the contractual prerequisites, the transfer of ownership, benefits and obligations was made following the contractually-agreed purchase price payments by the buyers for the property in Pinneberg (directly-held) on January 7, 2015, for the sold property in Ahaus (BBV 10) on January 27, 2015 and for the property in Cologne (BBV 6) on February 27, 2015.

The Management Board resolved on January 14, 2015, with the agreement of the Supervisory Board, to issue a convertible bond with an overall nominal value of €8.46 million, a term of five years and an interest rate of 4.5% p.a. Shareholders' subscription rights were excluded. The initial conversion price totalled €9.00 per convertible share and therefore contained a premium totalling approx. 31% in relation to the XETRA closing price of the company's share of €6.85 on January 13, 2015. The bond was included in free market trading (Quotation Board) on the Frankfurt Stock Exchange on January 19, 2015.

As of January 30, 2015, the remaining underlying amount of the interest rate swap of €5.0 million was terminated upon the payment of the market value of around €0.9 million including accrued interest.

Effective as of January 31, 2015, Wolfgang Sauerborn stepped down from his position as a member of the Supervisory Board. Rolf Elgeti was appointed as his successor by Munich Local Court, and he took up his position as member of the Supervisory Board on February 1, 2015. At the constituent Supervisory Board meeting on February 2, 2015, Mr. Elgeti was elected as Chairman of the Supervisory Board.

On January 28, 2015, the purchase price for the property in Chemnitz, Hartmannstrasse 1 totalling €1.1 million was paid in return for the transfer of ownership, benefits and obligations. The purchase price payment of €450 thousand already made in the past financial year and subject to interest to the advantage of the company was credited against this.

In the period up to February 28, 2015, further interests were purchased from minority shareholders at a total of six subsidiaries. The acquisition costs of around €2.7 million relate to the proportionate net asset values of the minority shareholders of around €3.8 million, determined using the values from the IFRS annual financial statements as of December 31, 2014.

The application submitted by the company to Capital Bank, GRAWE Group AG, Graz to extend its loan by another 18 months up to December 31, 2016, without changing the terms of the loan, was accepted on March 16, 2015.

The subsidiary BBV 14 has agreed a premature refinancing of the existing loan with the existing bank. An interest rate of 1.38% p.a. was agreed for the loan of €33.7 million for the period from May 1, 2015 to March 31, 2020.

(34) Declaration regarding german corporate governance code pursuant to section 161 of the AktG (German Public Limited Companies Act)

On January 26, 2015, the Management and Supervisory Boards issued the latest declaration of conformity within the meaning of Section 161 AktG. This declaration was made permanently accessible to shareholders on the company's website (http://www.fvreit.de/investor-relations/corporate-governance/declaration-of-conformity.html).

Munich, March 24, 2015

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

Frank Schaich

Audit 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, 2014 to December 31, 2014. The preparation of the consolidated financial statements and the consolidated management report in accordance with IFRSs, as they are to be applied in the EU, and the supplementary provisions of Section 315 a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) are the responsibility of the company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the annual consolidated financial statements and on the consolidated management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservation.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of german commercial law pursuant to section 315 a (1) of the HGB, and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. 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 24, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Horbach	Sporbeck
Auditor	Auditor

Compliance

Supervisory Board and Management Board

Supervisory Board

Rolf Elgeti (Chairman of the Supervisory Board since 02/2015)
Member of the Supervisory Board since 02/2015
Term of appointment until the General Meeting in 2015

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

Until 10/2014	Chairman of the Management Board of TAG Immobilien AG, Hamburg
Since 11/2014	Chairman of the Supervisory Board of TAG Immobilien AG, Hamburg
Since 11/2014	Founder and General Partner of Obotritia Capital KGaA, Potsdam

Rolf Elgeti, CFA (born 1976) worked as an analyst and equity strategy specialist in London from 1999 to 2007 for companies such as UBS Warburg, ABN Amro and Commerzbank Securities, following on from his MBA in Mannheim and Paris. He has also been independently managing real estate funds in Germany for over ten years. From July 2009 to October 2014, he held the role of Chief Executive Officer at TAG Immobilien AG, an MDAX listed real estate group, where he is now Chairman of the Supervisory Board. Rolf Elgeti is the father of four children as well as the founder and general partner of Potsdam-based Obotritia Capital KGaA.

Prof. Dr. Heinz Rehkugler (Chairman of the Supervisory Board until 02/2015, Member of the Supervisory Board since 02/2015)
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:

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 Officer 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 until May 27, 2014)
Wolfgang Sauerborn (Member of the Supervisory Board as from May 27, 2014 until January 31, 2015)

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 of IC Immobilien Holding AG in 2002. In total, he has more than 30 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,

In the past financial year, Fair Value REIT-AG once again recorded highly positive operating developments. This enables us to propose a dividend payment of €0.25 per share to the upcoming Annual General Meeting. Through its selective sales, the company has further simplified its Group structure and at the same time demonstrated that the balance sheet carrying amounts of our properties can also actually be realised on the market. The funds gained from the issue of a convertible bond in January 2015 will largely be used by the Management Board to acquire further interests in subsidiaries and in doing so reduce the minority shareholders in the Group, which in turn is intended to further strengthen our equity and profitability. The Supervisory Board expressly supports the Management Board in this strategy.

Monitoring of management activities and cooperation with the Management Board

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

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

Nine meetings of the Supervisory Board were held in the 2014 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 June 2014 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 January 26, 2015 and has been published on the company's website.

The company management's declaration pursuant to § 289 a of the German Commercial Code (HGB) was submitted by the Management Board on January 26, 2015 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 29, 2014. 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 2014 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 24, 2015. 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 on March 24, 2015 adopted the Annual Accounts of Fair Value REIT-AG per December 31, 2014 and approved the Consolidated Financial Statements of Fair Value REIT-AG per December 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.

Change in the Supervisory Board

After seven years on the Supervisory Board, Christian Hopfer stepped down from his position as member of the Supervisory Board of the company for personal reasons effective as of the end of the Annual General Meeting on May 27, 2014.

Wolfgang Sauerborn was elected as his successor by the Annual General Meeting on May 27, 2014. At the constituent Supervisory Board meeting on May 27, 2014, Prof. Dr. Rehkugler was once again elected Chairman of the Supervisory Board and Dr. Kienzle was voted Deputy Chairman. Mr Sauerborn stepped down from his position as a member of the Supervisory Board for personal reasons effective as of January 31, 2015.

Effective as of February 1, 2015, Munich Local Court appointed Rolf Elgeti as a member of the Supervisory Board. Mr Elgeti is the founder and general partner of Obotritia KGaA, Potsdam, which at the time of reporting holds around 25.1 % of the voting rights in Fair Value REIT-AG. His initial appointment expires as of the end of the Annual General Meeting on May 19, 2015. A proposal will be made to the Annual General Meeting on May 19, 2015 for Mr Elgeti to be elected as a member of the Supervisory Board until the expiry of the current full term of appointment (Annual General Meeting in 2017).

At the constituent Supervisory Board meeting on February 2, 2015, Mr. Elgeti was elected as Chairman of the Supervisory Board. Dr. Kienzle was once again elected as the Deputy Chairman of the Supervisory Board.

The Supervisory Board would like to thank the exiting colleagues for their dependable and effective work.

The Supervisory Board would also like to extend its thanks to the Management Board and the staff for their

hard work and valuable contribution to the annual results.

Munich, March 24, 2015

On behalf of the Supervisory Board

Prof. Dr. Heinz Rehkugler
(Chairman of the Supervisory Board
until February 2, 2015)

Rolf Elgeti
(Chairman of the Supervisory Board
as of February 2, 2015)

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 2014 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 on June 24, 2014.

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.

Directors' dealings

During the 2014 fiscal year, Fair Value REIT-AG received reports regarding securities transactions on the part of members of the Management and the Supervisory Board or persons with a close relationship to these members as defined in § 15 WpHG (German Securities Trading Act).

Securities transactions of Management Board members

Person oblig. to report	Date of transfer	Transfer Type	Number	Price per share in €
Frank Schaich, CEO	12/19/2014	Share purchase	1,500	6.00

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)	4,528	
Supervisory Board (Dr. Oscar Kienzle)	225,716	
Total	**230,244**	**2.45**

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 June 24, 2014) within the meaning of section 161 of the AktG on January 26, 2015:

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 June 24, 2014 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).

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 315 a HGB as of December 31, 2014, 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 19 a REITG as of December 31, 2014:

Section 11 – Shares in free float (min. 15 %)
As of December 31, 2014, to our knowledge 62.35% 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 12, 2015. 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, 2014, immovable assets were calculated at €280,958 thousand in line with Section 12 para. 1 and 2 REITG. This represents 90.1% of assets totalling €311,894 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 27, 2014, a dividend of €0.25 per share in circulation was distributed in 2014, which corresponds to €2,331,393.00 or 92.57% of 2013 net income according to German commercial law modified in line with Section 13 no. 1 REITG. For the financial year 2014, the Management Board is proposing a dividend of €0.25 per share in circulation, which corresponds to 100% of net profit 2014.

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 (2010 to 2014) totalled €69.8 million and therefore accounted for 30.9% of the average portfolio of immovable assets of €225,792 thousand during this period. The Group did not qualify as a real estate trader during the financial year 2014.

Section 15 – Equity (min. 45 % of immovable assets)
Equity pursuant to Section 15 REITG totalled €138,321 thousand as of December 31, 2014. This represents 49.2% of Group immovable assets totalling €280,958 thousand calculated pursuant to section 12 (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, 2015

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, 2014, 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 19 a of the REIT Act as of December 31, 2014 (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, 2014, 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 19 a 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, 2014 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, 2014, 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 19 a 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 24, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Horbach	Sporbeck
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.

The valuation has been prepared in accordance with the International Financial Reporting Standards ("IFRS") , the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation-Standards") and the RICS Valuation – Professional Standards (January 2014) (Red Book) of the Royal Institution of Chartered Surveyors.

The properties have been valued to Fair Value according to IAS 40 combined with IFRS 13.9 which has been published and defined by the International Accounting Standards Board (IASB) as follows:

"Fair Value is the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction in the principal (or most advantageous) market at the measurement date."

For the purpose of financial reporting under International Financial Reporting Standards, Fair Value is effectively the same as Market Value, which is defined as:

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

The Fair Value was identified in each case by subtracting 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 Fair Values of the individual properties were 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 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 Real Estate Appraisal Directive), the cash flows are explicity 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 after 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, which can be broken down into two groups, using its best judgement.

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, non reimbursable incidental costs and capital expenditure expected by the owner, fitting and rental costs of initial and renewals as well as property and lease specific returns 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 explicity in its valuation reports as of February 24, 2015, that against the background of the currently rapidly changing environment on global financial and national real estate markets the Fair 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 Fair 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, 2014

Address	Fund	Primary use	Year of construc-tion	Last renovation/ modernization	Plot size [m²]	Market value 12/31/2013 [€ thousand]	Market value 12/31/2014 [€ thousand]	Change [€ thousand]	Change [%]
Direct investments									
Appen Hauptstraße 56e/56d	n/a	Office	1975	1995	4,320	202	180	(22)	(10.9)
Bad Bramstedt Bleeck 1	n/a	Office	1973	2006	3,873	1,150	1,130	(20)	(1.7)
Bad Segeberg Oldesloer Straße 24	n/a	Office	1982	2007	5,152	8,990	8,760	(230)	(2.6)
Barmstedt Königstr. 19–21	n/a	Office	1911	regular	2,842	1,400	1,370	(30)	(2.1)
Bornhöved Am alten Markt 9a	n/a	Office	1991	2005	873	624	560	(64)	(10.3)
Ellerbek Pinneberger Straße 155	n/a	Office	1985	2001	1,708	339	320	(19)	(5.6)
Geschendorf Dorfstraße 29	n/a	Office	1985	2006	1,154	224	210	(14)	(6.3)
Leezen Hamburger Straße 40	n/a	Office	1989	2005	886	184	170	(14)	(7.6)
Neumünster Kuhberg 11–13	n/a	Office	1989	2005	5,286	15,100	15,000	(100)	(0.7)
Neumünster Röntgenstraße 118, 120	n/a	Office	1972	1998	2,481	197	180	(17)	(8.6)
Norderstedt Ulzburger Str. 363 d/e	n/a	Office	1994	2004	2,762	1,560	1,540	(20)	(1.3)
Pinneberg Damm 49	n/a	Office	1996	2007	1,383	3,040	3,250	210	6.9
Quickborn Kieler Straße 100	n/a	Office	1980	2002	1,625	1,570	1,540	(30)	(1.9)
Tornesch Willy-Meyer-Straße 3–5	n/a	Office	1977	2003	970	636	590	(46)	(7.2)
Trappenkamp Am Markt 1	n/a	Office	1985	2005	1,190	666	610	(56)	(8.4)
Wahlstedt Markt 1	n/a	Office	1975	2005	1,848	973	900	(73)	(7.5)
Subtotal direct investments					**38,353**	**36,855**	**36,310**	**(545)**	**(1.5)**

Discount rate 12/31/2014 [%]	Capitalization rate 12/31/2014 [%]	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 [%]
6.70	6.20	212	–	3.0	100.0	21	21	11.7	11.7	100.00
6.90	6.40	997	40	10.8	95.4	80	84	7.1	7.4	100.00
7.00	6.50	9,184	358	8.8	95.9	632	659	7.2	7.5	100.00
7.00	6.50	1,257	–	9.6	99.4	100	101	7.3	7.3	100.00
6.80	6.30	664	73	3.0	90.5	50	55	8.9	9.9	100.00
6.50	6.00	356	–	3.0	100.0	27	27	8.5	8.5	100.00
6.90	6.40	316	–	2.4	100.0	21	21	10.2	10.2	100.00
7.10	6.60	174	–	3.0	100.0	17	17	10.1	10.1	100.00
7.10	6.60	11,808	–	10.6	100.0	1,034	1,034	6.9	6.9	100.00
7.50	7.00	534	52	3.0	86.6	26	30	14.6	16.9	100.00
6.80	6.40	1,340	43	9.1	98.5	113	114	7.3	7.4	100.00
–	–	1,879	–	8.8	100.0	208	208	6.4	6.4	100.00
6.60	6.10	1,309	–	11.0	100.0	108	108	7.0	7.0	100.00
6.80	6.30	657	–	3.4	100.0	59	59	10.0	10.0	100.00
6.60	6.10	787	78	2.7	92.2	53	57	8.6	9.3	100.00
6.70	6.20	1,346	–	2.6	100.0	89	89	9.9	9.9	100.00
		32,819	**644**	**8.9**	**98.3**	**2,639**	**2,686**	**7.3**	**7.4**	

Portfolio as of December 31, 2014

Address	Fund	Primary use	Year of construc-tion	Last renovation/ modernization	Plot size [m²]	Market value 12/31/2013 [€ thousand]	Market value 12/31/2014 [€ thousand]	Change [€ thousand]	Change [%]
Subsidiaries									
Teltow Rheinstr. 8	IC07	Office	1995	–	5,324	7,860	8,630	770	9.8
Ahaus-Wüllen Andreasstr. 1	BBV06	Retail	1990	–	5,513	980	958	(22)	(2.2)
Ahaus-Wüllen Andreasstr. 3–7	BBV06	Retail	1973	–	13,036	3,530	3,560	30	0.8
Köln Köhlstr. 8	BBV06	Other	1982	–	40,591	8,490	8,350	(140)	(1.6)
Krefeld Gutenbergstr. 152/ St. Töniser Str. 12	BBV06	Retail	1990	–	8,417	3,860	3,730	(130)	(3.4)
Lippetal-Herzfeld Lippestr. 2	BBV06	Retail	1990	–	3,155	1,780	1,790	10	0.6
Meschede Zeughausstr. 13	BBV06	Retail	1989	–	1,673	436	430	(6)	(1.4)
Waltrop Bahnhofstraße 20 a–e	BBV06	Retail	1989	–	1,742	2,720	2,570	(150)	(5.5)
Köln Marconistr. 4–8	BBV03	Other	1990	–	13,924	3,670	3,670	–	–
Langenfeld Max-Planck-Ring 26/28	IC13	Other	1996	–	14,727	7,460	7,520	60	0.8
Neubrandenburg Friedrich-Engels-Ring 52	IC13	Office	1996	–	4,705	7,490	7,370	(120)	(1.6)
Potsdam Großbeerenstr. 231	IC13	Office	1995	–	2,925	3,630	3,560	(70)	(1.9)
Chemnitz Hartmannstr. 3 a–7	IC12	Office	1997	–	4,226	7,480	7,570	90	1.2
Dresden Nossener Brücke 8–12	BBV14	Office	1997	–	4,134	7,480	6,920	(560)	(7.5)
Rostock Kröpeliner Str. 26–28	BBV14	Retail	1995	–	7,479	62,400	62,900	500	0.8
Ahaus Zum Rotering 5–7	BBV10	Retail	1989	–	3,884	1,720	1,640	(80)	(4.7)
Celle Vor den Fuhren 2	BBV10	Retail	1992	–	21,076	8,850	6,900	(1,950)	(22.0)
Eisenhüttenstadt Nordpassage 1	BBV10	Retail	1993	–	96,822	31,100	28,500	(2,600)	(8.4)
Genthin Altmärker Str. 5	BBV10	Retail	1998	–	3,153	702	630	(72)	(10.3)
Langen Robert-Bosch-Str. 11	BBV10	Office	1994	–	6,003	14,200	13,000	(1,200)	(8.5)
Münster Hammer Str. 455–459	BBV10	Retail	1991	–	15,854	7,550	7,400	(150)	(2.0)
Osnabrück Hannoversche Str. 39	BBV10	Retail	1989	–	7,502	3,340	3,120	(220)	(6.6)
Lutherstadt Wittenberg Lerchenberg-str.112/113, Annendorfer Str. 15/16	BBV10	Retail	1994	–	20,482	20,900	21,100	200	1.0
Chemnitz Heinrich-Lorenz-Str. 35	IC15	Office	1998	–	4,718	3,830	3,820	(10)	(0.3)
Chemnitz Am alten Bad 1–7, Theaterstr. 34 a	IC15	Office	1997	–	3,246	5,800	5,720	(80)	(1.4)
Dresden Königsbrücker Str. 121 a	IC15	Other	1997	–	8,574	11,100	9,990	(1,110)	(10.0)
Quickborn Pascalkehre 15/15 a	IC15	Office	1997	–	33,255	13,300	13,300	–	–
Subtotal subsidiaries					**356,140**	**251,658**	**244,648**	**(7,010)**	**(2.8)**
Total Group					**394,493**	**288,513**	**280,958**	**(7,555)**	**(2.6)**

Discount rate 12/31/2014 [%]	Capitalization rate 12/31/2014 [%]	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	9,731	1,562	1.2	82.6	610	739	7.1	8.6	77.99
8.60	8.10	1,496	–	2.0	100.0	116	116	12.1	12.1	60.89
8.00	7.50	3,915	–	1.0	100.0	329	329	9.2	9.2	60.89
–	–	23,626	4,160	3.1	83.7	766	915	9.2	11.0	60.89
7.80	7.30	4,575	458	7.2	94.8	316	334	8.5	9.0	60.89
7.30	6.80	1,452	–	9.9	100.0	150	150	8.4	8.4	60.89
7.50	7.00	1,095	–	1.5	100.0	42	42	9.8	9.8	60.89
7.50	7.00	2,124	250	2.9	92.0	224	244	8.7	9.5	60.89
8.10	7.60	9,640	–	8.1	100.0	334	334	9.1	9.1	80.05
8.60	8.10	10,940	–	5.1	100.0	767	767	10.2	10.2	51.21
7.80	7.30	7,228	371	2.1	97.1	906	883	12.3	12.7	51.21
7.35	6.85	3,824	40	1.8	95.9	307	320	8.6	9.0	51.21
6.90	6.30	8,380	536	2.9	93.5	565	604	7.5	8.0	50.36
8.30	7.80	8,791	32	1.4	96.7	729	753	10.5	10.9	45.56
6.25	5.90	19,307	833	6.1	95.9	4,358	4,542	6.9	7.2	45.56
–	–	2,054	47	9.1	100.0	142	142	8.7	8.7	41.66
7.75	7.25	10,611	–	6.9	100.0	594	594	8.6	8.6	41.66
10.10	9.60	30,543	6,163	2.4	81.1	3,403	4,198	11.9	14.7	41.66
8.10	7.60	1,275	320	3.8	80.0	62	77	9.8	12.2	41.66
7.80	7.20	13,647	6,483	2.2	54.4	755	1,387	5.8	10.7	41.66
7.80	7.30	7,353	–	4.1	100.0	716	716	9.7	9.7	41.66
8.40	7.90	4,207	–	2.9	100.0	302	302	9.7	9.7	41.66
6.90	6.40	14,710	1,178	7.7	96.8	1,637	1,691	7.8	8.0	41.66
7.75	7.25	5,845	81	1.0	98.5	455	462	11.9	12.1	40.22
6.70	6.20	5,110	458	1.0	90.2	400	444	7.0	7.8	40.22
8.00	7.50	11,554	–	14.5	100.0	901	901	9.0	9.0	40.22
6.75	6.25	10,570	–	2.5	99.8	1,145	1,147	8.6	8.6	40.22
		233,604	**22,971**	**4.5**	**90.7**	**21,031**	**23,184**	**8.6**	**9.5**	
		266,423	**23,615**	**5.0**	**91.5**	**23,670**	**25,870**	**8.4**	**9.2**	

Financial calendar

Financial calendar

Fair Value REIT-AG

May 13, 2015	Interim Report 1st Quarter 2015
May 19, 2015	Annual General Meeting, Munich/Germany
August 6, 2015	Semi-Annual Report 2015
November 5, 2015	Interim Report 1st to 3rd Quarter 2015

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: March 26, 2015

Managing Board
Frank Schaich

Supervisory Board
Rolf Elgeti, Chairman
Dr. Oscar Kienzle, Vice Chairman
Prof. Dr. Heinz Rehkugler

Pictures
Fair Value REIT-AG

Concept, Design and Realization
KMS TEAM GmbH
www.kms-team.com

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