

Semi-Annual Report 2015

fair value
REIT

Key figures Fair Value Group			
		1/1 – 30/6/2015	1/1 – 30/6/2014
Revenues and earnings			
Rental income	in € thousand	11,055	12,076
Net rental income	in € thousand	8,313	9,351
Operating result (EBIT)	in € thousand	10,491	7,646
Group net profit	in € thousand	6,271	2,111
Earnings per share (basic/diluted)	in €	0.59/0.56	0.23/0.23
Adjusted consolidated net income (EPRA-Earnings)/FFO	in € thousand	2,106	2,453
EPRA-Earnings/FFO per share (basic/diluted)	in €	0.20/0.20	0.26/0.26
Assets and capital		30/6/2015	31/12/2014
Non-current assets	in € thousand	315,312	277,909
Current assets	in € thousand	33,903	20,745
Non-current assets held for sale	in € thousand	–	13,240
Total assets	in € thousand	349,215	311,894
Equity/Net asset value (NAV)	in € thousand	116,998	78,273
Equity ratio	in %	33.5	25.1
Immovable assets	in € thousand	305,563	280,958
Equity within the meaning of Section 15 of the REIT act	in € thousand	181,277	138,321
Equity ratio within the meaning of Section 15 of the REIT act (minimum 45 %)	in %	59.4	49.2
Real estate investments		30/6/2015	31/12/2014
Number of properties	amount	44	43
Market value of properties ¹⁾	in € million	305.6	281.0
Contractual rent p.a.	in € million	25.4	23.7
Potential rent p.a.	in € million	27.6	25.9
Occupancy	in %	91.8	91.5
Remaining term of rental agreements	years	4.7	5.0
Contractual rental yield before costs	in %	8.3	8.4

¹⁾ According to market valuations as of 31/12/2014.

Further key figures			
		30/6/2015	31/12/2014
Number of outstanding shares	in pieces	14,029,013	9,325,572
Net asset value (NAV) per share	in €	8.34	8.39
EPRA-NAV per share	in €	8.34	8.49
Number of employees (including Management Board)		4	3

Letter to Shareholders

Dear shareholders and business partners,
ladies and gentlemen,

In the first half of 2015, we created important prerequisites for rapidly proceeding with our growth strategy. We raised funds for further value-adding investments thanks to net cash inflows totalling roughly €43.0 million from the convertible bond issued in January and the capital increase placed in May.

In the first half of the year, we already generated a contribution to income totalling €4.1 million. This stemmed from the acquisition of further interests in six existing subsidiaries, the new acquisition of a majority interest in an additional closed-end real estate fund and the direct acquisition of property previously held by subsidiaries.

In the first half of 2015, with operating business performing as planned, we thus generated an IFRS group net profit of €6.3 million. This figure is up by €4.2 million on the previous-year figure of €2.1 million. As a result, we have already been more than compensated for the costs of raising capital and the dilutive effects of the capital increase. The net asset value per share after pay out of the €0.25 dividend for 2015 stood at €8.34 as of 30 June 2015, compared to €8.39 as of 31 December 2014. The REIT equity ratio rose to 59.4 % of immovable assets as of 30 June 2015, following 49.2 % as of 31 December 2014.

Funds from operations (FFO) adjusted for measurement effects and special effects amounted to €2.1 million in the first half of the year, compared to €2.5 million a year earlier. The decrease was primarily due to the sale of non-strategic properties in the meantime. Nevertheless, the Group's FFO will be significantly higher in the second half of 2015 than in the first half of the year, as the previously mentioned investments will not fully contribute to earnings until the second half of the year.

For the year 2015 as a whole, we expect FFO before non-controlling interests of between €9.8 million and €10.2 million. After non-controlling interests, this yields FFO of between €6.9 million and €7.2 million for the shareholders of Fair Value. In terms of the average weighted number of shares outstanding in 2015 (12.38 million shares), this corresponds to basic earnings of between €0.56 and €0.58 per share. For the fiscal year 2015, the Management Board aims to distribute a dividend of €0.25 per participating share (14.03 million shares). The equivalent distribution amount of approximately €3.5 million corresponds to the strategic target of 50 % of FFO.

FFO in fiscal year 2016 will depend on how rapidly and comprehensively the net cash inflows from the capital increase can be invested in the planned direct acquisition of property held by subsidiaries.

For the fiscal year 2016, we anticipate FFO before non-controlling interests of between €11.0 million and €11.5 million. After non-controlling interests, this results in funds from operations (FFO) of between €10.0 million and €11.5 million for the shareholders of Fair Value. In terms of the weighted average number of shares outstanding (14.03 million shares), this is equivalent to basic earnings per share of between €0.71 and €0.82. In line with our strategy of distributing at least 50 % of FFO after non-controlling interests, this would result in a dividend between €0.36 and €0.41 per share for the fiscal year 2016.

On 31 July 2015, DEMIRE Deutsche Mittelstand Real Estate AG ("DEMIRE") announced its intention to make a voluntary public takeover offer to the shareholders of Fair Value. We will welcome this bid if the exchange ratio proves appropriate following the review of the offering document.

We are very open to the opportunity to enter the next growth stage through the merger with DEMIRE. This would significantly extend our market position and create the leading German commercial property specialist with a focus on German secondary locations.

We would like to take this opportunity to thank you, our shareholders and business partners, for the trust placed in us. I will be happy if you continue to be part of Fair Value's future.

Munich, 13 August 2015
The Management Board



Frank Schaich

The Share

Fair Value REIT-AG on the capital market

The upward trend on the German stock markets slowed in the second quarter of 2015, mainly due to concerns surrounding the consequences of Greece potentially exiting the euro zone, or “Grexit” as it has become known. After the DAX, which comprises the 30 largest German blue-chips, hit a new record high of 12,374 points in April 2015, by the end of June 2015 the leading share index had fallen by more than 1,400 points. Nevertheless, the DAX closed the first half of 2015 at around +12 %.

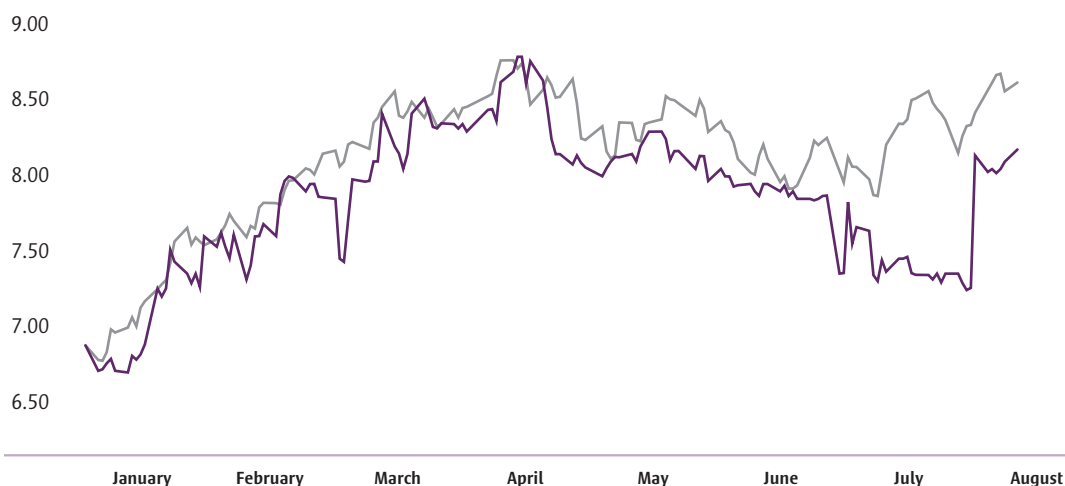
According to information provided by Deutsche Börse, on 14 and 15 April 2015 the Fair Value share not only reached its highest XETRA closing price of €8.85 in the first half of 2015, but this also marked the highest level since November 2007. The price was buoyed by the Company’s positive business development with a significant improvement in earnings and the further implementation of the growth strategy with a focus on retail and office properties at secondary locations in Germany. Although the Fair Value share saw its exchange rate gains fall again to some extent over the course of the first half of 2015 in a difficult market environment, by the end of June 2015 at €7.40 it was up a good 9 % on the level reached at the end of 2014 and up almost 10 % on the low for the half year of €6.74 recorded on 12 January 2015.

Development of Fair Value’s share

2 January to 10 August, 2015

in €

■ Fair Value REIT-AG (XETRA)
■ DAX Subsector Real Estate
(chain-linked at 1/1/2015)



24,486 Fair Value shares were traded on average per day on all German stock exchanges in the first half of 2015. This was significantly more than in the prior-year period (13,777 shares). Of this volume, XETRA trading accounted for 86 %.

The market capitalisation of Fair Value REIT-AG surpassed the €100 million mark for the first time in the first half of 2015, standing at €104.47 million at the end of June 2015. Contributing factors were the increase in the share price and the increase in the number of shares. In the course of a cash contribution with shareholder subscription rights, a total of 4,703,441 new bearer shares were issued in May 2015. As a result, the number of Fair Value shares increased to 14,110,323, with large demand coming from existing shareholders (subscription rate: 42 %). New shareholders were also won from Germany and from the rest of Europe. At a subscription price of €7.90, the Company received a gross amount of around €37 million, which will be used for the strategic expansion of the real estate portfolio. The full placement of this capital increase raised the share capital of Fair Value REIT-AG by approximately €9.41 million to approximately €28.22 million.

Key data Fair Value REIT-AG's share

as of 30 June 2015

Sector	Real Estate (REIT)
WKN (German Securities Code)/ISIN	A0MW97 / DE000A0MW975
Stock symbol	FVI
Share capital	€28,220,646.00
Number of shares (non-par value shares)	14,110,323 pcs.
Proportion per share in the share capital	€2.00
Initial listing	16 November 2007
High/low 1st half of 2015 (XETRA)	€8.85/€6.74
Market capitalization on 30 June 2015 (XETRA)	€104.47 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

In January 2015, Fair Value REIT-AG issued a convertible bond with the exclusion of the subscription right for shareholders. This has been listed on the Quotation Board of the Frankfurt Stock Exchange (ISIN DE000A13SAB8) since 19 January 2015. The total nominal amount comes to €8.46 million. The convertible bond has a term of five years and bears interest of 4.5 % p.a. The conversion price currently stands at €8.4925 per share.

Figures of the convertible bond

as of 30 June 2015

WKN/ISIN	A13SAB/DE000A13SAB8
Nominal amount	€1,000 each
Number	8,460 bearer bonds
Maturity/date of repayment	19 January 2020
Interest rate	4.50 % on the nominal amount
Interest payment	half-yearly, subsequently, on 19 January and 19 July, for the first time on 19 July 2015
Conversion price per share	(initially €9.00) currently €8.4925
Stock market listing	Since 19 January 2015
Market segment	Quotation Board of the Frankfurt Stock Exchange

More information on the Company, the share and the shareholder structure as well as on the convertible bond can be found on the Fair Value REIT-AG website at www.fvreit.de. The Company also publishes annual and interim reports as well as ad hoc announcements and press releases.

Financial calendar

Fair Value REIT-AG

5 November 2015	Interim Report 1st to 3rd Quarter 2015
23 November 2015	Frankfurt Equity Forum
31 March 2016	Annual Report 2015
10 May 2016	Interim Report 1st Quarter 2016
13 May 2016	Annual General Meeting in Munich
4 August 2016	Semi-Annual Report 2016

Group Interim Management Report

Basic Group Information

Group structure and business model

Fair Value REIT-AG (hereinafter also referred to as Fair Value) is headquartered in Munich and does not have any branch offices. As a listed property investor, the Company satisfies the provisions of the REITG [“Gesetz über deutsche Immobilienaktiengesellschaften mit börsennotierten Anteilen”: German REIT Act] and is exempt from corporation and trade tax.

Business model

The Fair Value Group concentrates on the acquisition and management of commercial real estate in Germany. Its investing activities focus on retail and office property in secondary locations. Fair Value invests directly in real estate as well as indirectly via investments in real estate partnerships and actively manages its portfolio.

Non-strategic operating functions such as accounting as well as commercial and technical property management are outsourced to external service providers, which receive partly fixed and partly performance-based variable remuneration for their services.

Taking into account the trade limitations of the REITG and with a view to optimising the portfolio, the Company’s strategy also encompasses the targeted sales of individual portfolio properties, with particular focus on smaller properties and non-strategic real estate. The successive liquidation of subsidiaries is intended to save on investment-related administrative expenses and further expand the share of directly owned properties in the overall portfolio.

Portfolio

As of 30 June 2015, the directly and indirectly owned portfolio comprises 44 properties (31 December 2014: 43 properties) with market values (equivalent to the fair values pursuant to IFRS 13), totalling around €306 million (31 December 2014: €281 million). The increase is due to the net balance of disposals and new investments.

At 91.8 %, the occupancy rate of the portfolio as of 30 June 2015 was slightly up on the rate as of 31 December 2014 (91.5 %). As of 30 June 2015, the weighted average remaining term of the lease agreements stood at 4.7 years compared to 5.0 years as of 31 December 2014.

The table below provides an overview of the real estate assets allocated to the Group as of 30 June 2015. The market values of the properties are based on an item-by-item valuation performed as of 31 December 2014 by CBRE GmbH, an independent valuer, and also of the independent valuation of the properties of BBV 08, a subsidiary acquired effective 30 June 2015. The property in Radevormwald (BBV 08) was valued at the lowest offer received from a potential buyer.

Real estate assets of Fair Value Group
as of 30 June 2015

	Property area [m ²]	Total lettable area [m ²]	Annualized contractual rent [€ thousand]	Market value 31 Dec 2014 ¹⁾ [€ thousand]	Occupancy rate ^{2), 3)} [%]	Ø secured remaining term of lease agree- ments ^{2), 3)} [Years]	Contractual rent returns before costs [%]	Investment [%]
Direct investments segment	62,988	52,434	3,564	48,410	98.6	9.4	7.4	100
Subsidiaries segment	378,801	222,553	21,791	257,153	90.8	3.9	8.5	51
Total portfolio	441,789	274,987	25,355	305,563	91.8	4.7	8.3	59

Notes

¹⁾ Pursuant to market valuations as of 31 December 2014 and, in one case, a purchase offer (Radevormwald)

²⁾ (Sub)totals for occupancy rate and average remaining term

³⁾ Profit weighted

Economic Report

Macroeconomic and sector-specific environment

Macroeconomic environment The German economy is seeing a strong upswing. According to the forecast released by the ifo economic research institute, GDP growth is expected to come to 1.9 % in the fiscal year 2015 and 1.8 % in the coming year.¹⁾ The labour market continued to develop positively. The employment trend continues to be clearly upward. As of the end of June 2015, 2.71 million people were registered as unemployed. This was 122,000 less than the corresponding figure for the previous year. The unemployment rate amounted to 6.2 %.²⁾ The inflation rate remains extremely low. As of the end of June 2015, consumer prices were up by 0.3 % on the same month of the previous year.³⁾ For the full year, the IfW ("Institut für Weltwirtschaft": Institute for the World Economy) in Kiel is forecasting an inflation rate of 0.6 % for 2015 as a whole and 1.7 % for the coming year.

Real Estate Market in Germany **The Rental Market Office Space** The pleasing employment trend generated a further revival in the seven German office centres.⁴⁾ Space turnover reached an accumulated volume of 1.6 million m² in the first half of 2015, up by 11 % on the corresponding period of the previous year, the best six-monthly performance in the last four years. The space turned over increased dramatically in Stuttgart (+29 %), Berlin (+22 %), Düsseldorf (+17 %) and Hamburg (+15 %), while it rose by 5 % in Frankfurt. Space turned over in Munich remained more or less constant, contributing, like the space rented in Berlin, roughly 20 % of total revenue. The only fall in demand was recorded in Cologne, which declined by 5 %. In this buoyant market, vacancies decreased across the board. At 6.4 million m², total vacancies at the top 7 locations reached a new low as of the end of the first half of 2015. This corresponds to an aggregate vacancy rate of 7.2 %.⁵⁾

Retail Space Consumer confidence and income expectations have both brightened. However, the forecasts of a slowdown in the economy have somewhat dampened the willingness to invest, albeit at a very high level. The retail rental market totalled 252,000 m² in first half of 2015, 21 % down on the turnover of in the corresponding period of the previous year. International concepts dominate the market, accounting for 57 % of the rental market, with spaces of 1,000 m² or more being mainly in demand. In terms of the space turned over by industry, the textile sector again continued to occupy the leading position with 44 %. This was followed by the food and restaurant sector, which remained unchanged at 18 %. The home/house/living sector accounted for 8 %, overtaking the health/beauty (6 %).⁶⁾

The Investment Market Uncertainties in the markets generated by a possible Grexit and the expected reversal in interest rates have not yet had any noticeable impact on demand for real estate. The transaction volume for commercial properties of €24 billion in the first six months of the current fiscal year 2015 surpassed the previous year's figure by 42 %. The top 7 locations accounted for around 54 % of the transaction volume. With a share of 39 %, investors primarily focused on retail use, followed by office properties with a share of 38 %.⁷⁾

¹⁾ Ifo economic forecast issued on 17 June 2015.

²⁾ German Federal Employment Agency: The labour market in June 2015.

³⁾ Destatis: Consumer prices in June 2015.

⁴⁾ Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich, Stuttgart.

⁵⁾ JLL: Office market overview Q2 2015.

⁶⁾ JLL: Retail market overview Q2 2015.

⁷⁾ JLL: The German investment market Q2 2015.

Overall statement from the company management on business development

In the first half of 2015, the Fair Value Group generated a result from its rental operations that is in line with its budget. The net rental income of the Fair Value Group came to €8.3 million, 11 % down on the figure of €9.4 million for the corresponding period of the previous year, mainly due to sales of non-strategic properties.

Value-adding investments in directly held properties (Cologne, Chemnitz, Dresden) and investments in existing and newly acquired subsidiaries over the course of the first half of the year led to an aggregate non-cash contribution to income of €4.1 million.

The operating result adjusted for these special effects came to €6.4 million, 21 % down on the corresponding period of the previous year (€8.1 million). This decrease was partly compensated for by savings in net interest expenses due to loan repayments and interest rates, which came to €2.3 million after eliminating measurement effects, 15 % down on the €2.7 million recorded in the corresponding period of the previous year. This figure includes interest expenses of €0.2 million on the convertible bond.

At €2.1 million, the operating business result of the Fair Value Group adjusted for measurement effects (EPRA result/FFO) was down by €0.4 million in the first six months of the current fiscal year compared to the figure of €2.5 million for the relevant period of the previous year. The decrease on the previous year is a result of the reduction in net rental income on account of sales and also a rise in personnel expenses and consulting fees.

For the second half of 2015, the Management Board is expecting to see a significant rise in FFO as the investments listed below have only partly contributed to the operating result in the first six months, or not at all:

A total of 329 individual investments were acquired in six subsidiaries from co-partners over the course of the first half of the year. The total purchase price paid of roughly €3.1 million, including transaction costs, compares to a net asset value of €4.8 million as of 30 June 2015. The difference of €1.7 million or 55 % of the acquisition cost was recognised through profit or loss.

Effective 30 June 2015, Fair Value REIT-AG acquired 54.1 % of the voting rights in BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG (BBV08) in the course of two separate transactions. The consolidated group of the Fair Value Group correspondingly expanded by the addition of one further subsidiary. As of the end of the reporting period, the total assets of the subsidiary came to €40.1 million and its net assets to €19.9 million. The share held by Fair Value REIT-AG of €10.8 million, compares to acquisition costs totalling €8.6 million. The difference of €2.2 million or 26 % of the acquisition costs was recognised through profit or loss.

Effective 30 June 2015, Fair Value REIT-AG acquired a hotel in Dresden from its subsidiary, IC 15 for a price of €9.0 million. The property is still recognised at its fair value of €9.9 million.

The price paid for the hotel in Dresden was used by IC15 to fully redeem financial liabilities (which had interest rates of 3.0 % and 3.1 %). Moreover, Fair Value REIT-AG repaid a loan from Capital Bank AG of €7.0 million on which the bank charged a margin of 5.0 % p.a.

€27.7 million or around 64 % of the net cash inflows from the convertible bond and the capital increase totalling of roughly €43.4 million was therefore already used by to fund investments of as of 30 June 2015.

As a result of the capital increase placed in May 2015 and in view of the fact that investments were initially financed solely by equity, the net debt of the Fair Value Group fell to €133.3 million as of 30 June 2015, which is approximately 44 % of the carrying amount of investment property (31 December 2014: €150.5 million or 54 %).

**Adjusted profit/loss of the Group
(EPRA earnings) or FFO**

	1/1 – 30/6/2015				1/1 – 30/6/2014			
	Consolidated statement of income	Adjustment for one-off effects Acquisition, selling and revaluation gains/losses	Measurement Interest rate swaps/ interest caps	Adjusted consolidated statement of income	Consolidated statement of income	Adjustment for one-off effects Acquisition, selling and revaluation gains/losses	Revaluation Interest rate swaps/ interest caps	Adjusted consolidated statement of income
in € thousand								
Net rental income	8,313	–	–	8,313	9,351	–	–	9,351
General administrative expenses	(1,828)	–	–	(1,828)	(1,419)	–	–	(1,419)
Other operating income and expenses	3,434	(3,543)	–	(109)	150	–	–	150
Profit/loss from disposal of investment properties	(18)	18	–	–	(352)	352	–	–
Revaluation result	590	(590)	–	–	(84)	84	–	–
Operating result	10,491	(4,115)	–	6,376	7,646	436	–	8,082
Net interest expenses	(2,362)		39	(2,323)	(2,738)		37	(2,701)
Profit/loss before non-controlling interests	8,129	(4,115)	39	4,053	4,893	436	37	5,381
Share of profit/loss attributable to non-controlling interests	(1,858)	(83)	(6)	(1,947)	(2,797)	(149)	18	(2,928)
Group net profit	6,271	(4,198)	33	2,106	2,111	287	55	2,453
Earnings per share, basic/diluted (EUR)	0.59/0.56¹⁾	–	–	0.20/0.20¹⁾	0.23/0.23²⁾	–	–	0.26/0.26²⁾

¹⁾ Weighted average number of shares outstanding:: 10,703,823 basic/11,575,308 diluted

²⁾ Weighted average number of shares outstanding: basic/diluted: 9,325,572

Results of operations, financial position and net assets

Financial performance

in € thousand	1/1–30/6/2015	1/1–30/6/2014	Change	
			in € thousand	in %
Rental income	11,055	12,076	(1,021)	(8)
Service charge income	2,555	2,659	(104)	(4)
Service charge expenses	(4,030)	(4,268)	(238)	(6)
Other property-related expenses	(1,267)	(1,116)	151	14
Net rental income	8,313	9,351	(1,038)	(11)
General administrative expenses	(1,828)	(1,419)	409	29
Other operating income and expenses, disposal and revaluation gains/losses	4,006	(286)	4,292	n/a
Operating result	10,491	7,646	2,845	37
Net interest expenses	(2,362)	(2,738)	(318)	(14)
Share of profit/loss attributable to non-controlling interests	(1,858)	(2,797)	(939)	(34)
Group net profit	6,271	2,111	4,160	197
Earnings per share (basic/diluted) ¹⁾ (EUR)	0.59/0.56	0.23/0.23	–	–

¹⁾ Weighted average number of shares outstanding: 10,703,823 basic/11,575,308 diluted, in 2014: 9,325,572

Rental income of €11.1 million was down by €1.0 million, or 8 %, on the corresponding period of the previous year. The decrease is primarily due to sales of properties in the meantime. On account of the increase in other property-related expenses, net rental income of €8.3 million was down by €1.0 million, or 11 %, on the previous year's figure of €9.4 million.

General administrative expenses increased to €1.8 million (previous year: €1.4 million) on account of higher personnel expenses and consulting fees. The acquisition of further investments in subsidiaries resulted in a gain of roughly €1.3 million. The acquisition of the majority of the voting rights in the newly consolidated subsidiary BBV08 led to a non-recurring gain of €2.1 million posted through profit or loss. The purchase of an inner-city property in Chemnitz resulted in a revaluation gain of €0.6 million. The above factors led to an operating result of €10.5 million, which was up by €2.8 million, or 37 %, on the figure for the corresponding period of the previous year (€7.6 million).

Due to savings related to repayments and lower interest rates, net interest expenses within the Group of €2.4 million were down by €0.3 million, or 14 %, on the previous year's figure of €2.7 million. Net interest expenses include interest of €0.2 million paid on the convertible bond issued in January 2015.

After deducting the share of profit/loss attributable to non-controlling interests of €1.9 million (previous year: €2.8 million), the Fair Value Group closed the first six months of the current fiscal year 2015 with a group net profit of €6.3 million and €0.59 per share (previous year: €2.1 million and €0.23 per share).

Financial position

Cash flow from operating activities The net cash flow from operating activities generated in the reporting period came to €3.1 million, which is €0.1 million above the previous year's figure of €3.0 million.

Cash and cash equivalents		
in € thousand	1/1 – 30/6/2015	1/1 – 30/6/2014
Net cash flow from operating activities	3,112	2,998
Net cash flow from investing activities	(8,614)	22,271
Net cash flow from financing activities	7,180	(28,075)
Change in the basis of consolidation	12,301	–
Change in cash and cash equivalents	1,678	(2,806)
Cash and cash equivalents at the beginning of the period	14,588	17,361
Cash and cash equivalents at the end of the period	28,567	14,555

Cash flow from investing activities Investing activities resulted in a net cash outflow of €8.6 million (previous year: cash inflow of €22.3 million). The proceeds totalling €13.2 million from the sale of three properties sold in the current year (Cologne, Ahaus and Pinneberg) are included as a cash inflow. Cash outflows resulted from the cash paid to acquire participations in subsidiaries totalling €11.7 million and a total of €10.1 million for the acquisition of an inner city property in Chemnitz and a hotel building in Dresden.

Cash flow from financing activities The cash flow from financing activities amounts to a net cash inflow of €7.2 million (previous year: outflow of €28.1 million). The cash inflows from the convertible bond and the capital increase amounted to a total of €43.1 million. Net cash outflows arise from the repayment of financial liabilities totalling €30.9 million and payment of a dividend of €2.3 million. Moreover, this includes a payment of €0.8 million to non-controlling interests in the subsidiary BBV 03 subsequent to the acquisition of the property in Cologne by Fair Value REIT-AG, and the costs of €0.9 million to dissolve an interest hedge. In addition, the reversal of the provision for this interest derivative of around €0.8 million, which is included in the Group net profit, is taken into account as a cash outflow.

Liquidity Cash and cash equivalents at the Group increased by €14.0 million in the first six months of the current fiscal year to €28.6 million (corresponding period of the previous year: decrease of €2.8 million to €14.6 million). The increase is due to changes in the basis of consolidation (€12.3 million) and changes of €1.7 million that affected cash.

Financial position

Assets Total assets amounted to €349.2 million as of 30 June 2015, up by 12 % on the level as of 31 December 2014 (€311.9 million). The rise in total assets is due to the expansion of the basis of consolidation as of 30 June 2015 to include the subsidiary BBV08, in which Fair Value REIT-AG now holds 54.1 % of the voting rights.

Non-current assets of around €315.3 million accounted for 90 % of total assets (31 December 2014: €277.9 million, or 89 %). Cash and cash equivalents of €28.7 million accounted for 84 % of current assets of €33.9 million and 10 % of total assets (31 December 2014: €20.7 million). At €5.3 million, receivables and other assets accounted for 16 % of current assets.

Equity and liabilities On 30 June 2015, assets of €117.0 million (34 %) were financed by equity attributable to the shareholders of Fair Value REIT-AG and €232.2 million (66 %) by liabilities.

Here it must be taken into account that the non-controlling interests in subsidiaries of €64.3 million are recognised under liabilities pursuant to IFRSs. For the calculation of the minimum equity ratio for the purpose of the REITG, participations in subsidiaries not belonging to the parent company and recognised as debt capital are treated as equity. Group equity adjusted accordingly came to a total of €181.3 million, or 52 % of total equity and liabilities (31 December 2014: €138.3 million, or 44 %).

With immovable assets totalling €305.6 million as of 30 June 2015, the REIT equity ratio amounted to 59.4 % (31 December 2014: 49.2 %).

Financial liabilities The financial liabilities of the Group amounted to €161.8 million on the reporting date, or 46 % of the total equity and liabilities (31 December 2014: €165.1 million or 53 %). Of this amount, €26.6 million, or 16 %, was current (31 December 2014: €54.2 million, or 33 %).

Financial liabilities of the Group

Short name Debtor	Lender	Amount 31/12/2014 € thousand	Amount 30/6/2015 € thousand	Interest rate	Bankmargin	Term
FVAG	Convertible bond (ISIN DE000A13SAB8)	–	(8,283)	4.50 %	–	19/01/2020E
FV AG	Capital Bank GRAWE Group, Graz	(7,000)	–	–	–	–
FV AG	WIB Westdeutsche Immobilienbank AG ¹⁾	(9,700)	(9,400)	2.55 %	–	30/06/2019E
FV AG	WIB Westdeutsche Immobilienbank AG ¹⁾	(12,004)	(9,725)	variable	1.27 %	30/06/2019E
IC07	HSH Nordbank AG	(816)	–	–	–	–
IC13	HSH Nordbank AG	(10,693)	(10,539)	variable	3.20 %	30/10/2015
IC13	HSH Nordbank AG	(2,067)	(1,962)	3.10 %	–	30/06/2015
IC13	Sparkasse Langenfeld	(2,741)	(2,663)	1.55 %	–	30/03/2020
BBV06	Unicredit Bank AG	(8,072)	–	–	–	–
IC12	WIB Westdeutsche Immobilienbank AG ²⁾	(1,979)	(1,946)	5.20 %	–	31/08/2016
IC15	HSH Nordbank AG	(6,349)	–	–	–	–
IC15	Sparkasse Südholstein	(7,720)	(7,598)	2.71 %	–	30/01/2018
IC15	pbb Deutsche Pfandbriefbank	(2,904)	–	–	–	–
BBV02	Bayer. Beamten Lebensvers. a.G. ³⁾	(139)	(145)	5.80 %	–	31/12/2016E
BBV02	Bayer. Beamten Lebensvers. a.G. ³⁾	(942)	(967)	6.15 %	–	31/12/2016E
BBV08	Unicredit Bank AG	–	19,318	variable	2.90 %	31/12/2015
BBV10	Bayer. Beamten Lebensvers. a.G.	(22,193)	(21,602)	3.90 %	–	31/12/2015
BBV10	Unicredit Bank AG	(25,658)	(25,072)	variable	1.97 %	31/03/2016
BBV10	Unicredit Bank AG	(9,947)	(9,241)	variable	2.05 %	31/03/2016
BBV14	DG Hypothekenbank AG ⁴⁾	(34,150)	(33,475)	1.38 %	–	31/03/2020E
Total	Separate financial statements	(165,074)	(161,936)			
Total	Reversal of marked-to-market differences and deferred processing fees	(8)	157			
Total	Consolidated financial statements	(165,082)	(161,779)			

¹⁾ LTV 75 % // DSCR 120 %²⁾ LTV 50 % // DSCR 120 %³⁾ interest-free and redemption-free on account of assigning the purchase price share deposited to an escrow account for the sold Erlangen property⁴⁾ LTV 55 % // DSCR 110 %

Other than those loans marked with an "E" indicating the date of final maturity, the terms relate to the terms of the agreed interest periods as of 30 June 2015. After the terms have expired, the lenders have to offer new conditions.

On the reporting date of 30 June 2015, the Company did not carry any interest hedges for financial liabilities.

Fixed-interest loans amount to €88.0 million, or 62 % of the Group's financial liabilities (31 December 2014: €47.6 million or 29 %). As a result, 38 % of the financial liabilities not covered by interest hedges are subject to variable interest rates (31 December 2014: approximately €118.0 million or 71 %).

Assuming a 3-month EURIBOR interest rate for financial liabilities with a variable interest rate of 0.1 % p.a. and taking into account the bank margins the weighted interest rate for all financial liabilities at the Group as of the reporting date amounted to around 2.6 % p.a.

The weighted remaining term of the fixed-interest and bank margin agreements amounted to 2.2 years following 1.5 years as of 31 December 2014.

Equity/net asset value (NAV) Net asset value (NAV) added up to €117.0 million as of 30 June 2015, compared to €78.3 million as of 31 December 2014.

The shares outstanding as of the respective reporting dates produce a NAV of €8.34 per share following €8.39 as of 31 December 2014.

NAV in the consolidated statement of financial position		
in € thousand	30/6/2015	31/12/2014
Market value of properties (including held for sale)	305,563	280,958
Other assets less other liabilities	41,555	27,135
Non-controlling interests	(64,279)	(60,048)
Financial liabilities	(161,778)	(165,082)
Other liabilities	(4,063)	(4,690)
Net asset value	116,998	78,273
Net asset value per share ¹⁾	8.34	8.39

¹⁾ Number of shares outstanding 30 June 2015: 14,029,013; 31 December 2014: 9,325,572

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 calculation of the net asset value. The EPRA-NAV indicator shown below is based on these recommendations, eliminates the market values of derivative financial instruments and therefore corresponds to the property-related net asset value. As deferred taxes are not relevant to Fair Value REIT-AG due to its REIT status, the EPRA-NAV figure presented below also corresponds with the NNAV indicator used by some experts.

EPRA-NAV		
in € thousand	30/6/2015	31/12/2014
NAV pursuant to consolidated statement of financial position	116,998	78,273
Market value of derivative financial instruments	—	990
Thereof attributable to non-controlling interests	—	(76)
EPRA-NAV	116,998	79,187
EPRA-NAV per share ¹⁾	8.34	8.49

¹⁾ Number of shares outstanding 30 June 2015: 14,029,013; 31 December 2014: 9,325,572

Subsequent Events

Fair Value REIT-AG acquired three further properties effective 1 August 2015 and added them to its portfolio of directly held properties. The vendor of the properties is the subsidiary IC13, in which Fair Value REIT-AG holds 57.06 % of the voting rights. The properties comprise a factory and office building in Langenfeld, an office and business center in Neubrandenburg and an office building in Potsdam.

The contractual rents on the properties total around €1.6 million p.a. and are fixed for 4.0 years (weighted). The purchase prices totalling €17.5 million correspond to roughly 10.8 annual rents and are approximately 5 % below the market values as of 31 December 2014. The properties continue to be recognised at their fair value of €18.5 million.

Around 76 % of the transaction was financed by the use of the funds obtained from the capital increase placed in May 2015 and the rest – subject to approval from the creditor – by transferring the existing bank liabilities of IC13 due to Sparkasse Langenfeld (16 %) and using the distribution allocable to Fair Value from the net liquidity of IC13 (8 %). At the level of IC13, bank liabilities of €12.4 million, on which the bank last charged a margin of 3.1 % p.a., were repaid to HSH Nordbank AG. IC13 will be dissolved after the transaction is concluded.

On 31 July 2015, DEMIRE Deutsche Mittelstand Real Estate AG ("DEMIRE") announced its intention to make a voluntary public takeover offer to the shareholders of Fair Value REIT-AG ("Fair Value"). In order to safeguard the interests of both parties, Fair Value and DEMIRE have concluded an agreement on the combination of the two companies (business combination agreement). The merger of the two companies is aimed at creating Germany's leading commercial real estate specialist, with a focus on secondary German locations. Subject to review of the offering document and the appropriateness of the bid, the Management Board and the Supervisory Board of Fair Value intend to support DEMIRE's planned takeover bid on the basis of the business combination agreement. In this context, the Management Board expects hitherto unplanned consulting fees, which are expected to amount to up to €1.2 million.

Risk Report

The Fair Value Group is exposed to a variety of risks on account of its business activities. In addition to economic risks, these primarily relate to rental risks, rental loss risks as well as interest and liquidity risks. The risk management system as well as the Company's general risks are described on pages 38 to 44 of Fair Value REIT-AG's 2014 annual report.

The Management Board does not expect any risks to occur in the coming 12 months that could jeopardise the ability of Fair Value REIT-AG to continue as a going concern.

Opportunities and Forecast Report

Favourable economic conditions give reason to anticipate positive effects on demand for space and therefore on the upcoming follow-up and new rentals in the Fair Value Group's portfolio.

The Management Board plans to use this market and competitive environment to make additions and structural enhancements to its existing portfolio that generate substantial cash flows. The convertible bond of €8.5 million issued in January 2015 and the successful placement in May 2015 of the capital increase with net proceeds of around €34.5 million have laid the necessary financial foundations.

The resulting cash inflow will therefore be used successively to finance direct and indirect investment. The direct investments relate to acquiring direct ownership of real estate from subsidiaries, as was already begun at the end of the first quarter and during the second quarter of the current fiscal year. The indirect investments focus not only on acquiring controlling interests (see BBV08) but also on further increasing existing investments in subsidiaries.

In line with the requirements of REITG, the existing financial liabilities at the level of the subsidiaries will be replaced by financial liabilities at the level of Fair Value REIT-AG in the course of the direct acquisition, with plans for the assumption of debt arising from selected individual loans.

Expected financial performance of the Group for 2015

The Group's funds from operations (FFO) adjusted for measurement effects and special effects in the second half of the fiscal year are expected to significantly exceed FFO of the first half of 2015, as the investments made during the first half of the year will not fully contribute to earnings until the second half of the year. The special effect from the anticipated additional consulting fees as a result of the takeover bid by DEMIRE, which are expected to come to €1.2 million will be part of the adjustments.

With planned rental income within the Group of around €24.0 million, the Management Board currently expects FFO before non-controlling interests of between €9.8 million and €10.2 million for the fiscal year 2015 as a whole. After non-controlling interests, this budget yields FFO of between €6.9 million and €7.2 million for the shareholders of Fair Value.

In terms of the weighted average number of shares outstanding in 2015 (12.38 million shares), this is equivalent to basic earnings of between €0.56 and €0.58 per share. For the fiscal year 2015, the Management Board aims to distribute a dividend of €0.25 per participating share (14.03 million shares).

The planned distribution amount of approximately €3.5 million corresponds to a strategic target of 50 % of the FFO.

Expected financial performance of the Group for 2016

For 2016, the Management Board expects non-controlling interests, administrative costs and net interest expenses to continue to decrease compared to 2015, with these depending on the scale and timing of the planned acquisition of direct ownership of the subsidiaries' real estate and other factors.

In light of this, the Management Board currently expects rental income within the Group to remain unchanged at around €24.0 million in the fiscal year 2016. Funds from operations (FFO) after non-controlling interests are expected to be between €10.0 million and €11.5 million. This is equivalent to – basic – FFO of between €0.71 and €0.82 per share currently outstanding (14.03 million shares).

For the fiscal year 2016, the Management Board plans to propose a dividend of 50 % of FFO after non-controlling interests. This is equivalent to a planned distribution of between €5.0 million and €5.8 million. In relation to the current outstanding shares, this corresponds to between €0.36 and €0.41 per share.

These extrapolated improvements in earnings for the fiscal year 2016 result from the investment of the net cash inflows from the convertible bond 2015/2019 and from the capital increase. They testify to the value-adding and FFO-increasing quality of Fair Value REIT-AG's business model.

For 2016, the Management Board plans to continue the strategy of increasing operating results and the share value through investments in closed-end real estate funds that create value, direct investments and active management.

In this context, the Management Board welcomes the opportunity offered by DEMIRE's takeover bid to merge two successful real estate purchasing networks with a proven track record.

Munich, 11 August 2015

Fair Value REIT-AG



Frank Schaich, Management Board

Consolidated Interim Financial Statements

Consolidated Balance Sheet

Consolidated balance sheet			
in € thousand	Note no.	30/6/2015	31/12/2014
Assets			
Non-current assets			
Intangible assets	3	58	78
Property, plant and equipment		31	3
Investment property	4	305,563	267,718
Other receivables and assets	5	9,660	10,110
Total non-current assets		315,312	277,909
Current assets			
Trade receivables		2,720	2,981
Income tax receivables		5	19
Other receivables and assets	5	2,611	3,157
Cash and cash equivalents		28,567	14,588
Total current assets		33,903	20,745
Non-current assets held for sale	6	–	13,240
Total assets		349,215	311,894
Equity and liabilities			
Equity			
Issued capital		28,221	18,814
Capital reserves		99,764	74,387
Revaluation reserve		(18)	(18)
Loss carryforward		(10,571)	(14,512)
Treasury shares		(398)	(398)
Total equity	7	116,998	78,273
Non-current liabilities			
Non-controlling interests	8	64,279	60,048
Financial liabilities		135,154	110,907
Derivative financial instruments		–	990
Other liabilities		632	635
Total non-current assets		200,065	172,580
Current liabilities			
Provisions		669	555
Financial liabilities	8	26,624	54,175
Trade payables		1,428	2,256
Other liabilities		3,431	4,055
Total current assets		32,152	61,041
Total equity and liabilities		349,215	311,894

Consolidated Statement of Income

Consolidated statement of income			
in € thousand	Note no.	1/1 – 30/6/ 2015	1/1 – 30/6/ 2014
Rental income		11,055	12,076
Service charge income		2,555	2,659
Service charge expenses		(4,030)	(4,268)
Other property-related expenses	9	(1,267)	(1,116)
Net rental income		8,313	9,351
General administrative expenses	10	(1,828)	(1,419)
Other operating income		3,840	150
Other operating expenses		(406)	–
Total other operating income and expenses		3,434	150
Income from the disposal of investment properties and non-current assets held for sale		25,540	22,626
Expenses in connection with the disposal of investment properties and non-current assets held for sale		(25,558)	(22,978)
Profit/loss from the disposal of investment properties and non-current assets held for sale		(18)	(352)
Revaluation gains		590	–
Revaluation losses		–	(84)
Revaluation result	4	590	(84)
Operating result		10,491	7,646
Interest income		–	42
Interest expenses	11	(2,362)	(2,780)
Profit/loss before taxes		8,129	4,908
Share of profit/loss attributable to non-controlling interests		(1,858)	(2,797)
Group net profit		6,271	2,111
Earnings per share in € (basic/diluted)		0.59/0.56	0.23/0.23

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income		
in € thousand	1/1 – 30/6/2015	1/1 – 30/6/2014
Group net profit	6,271	2,111
Other comprehensive income		
Gains (+) / losses (-) from cash flow hedges	–	–
minus non-controlling interests – gains (-) / losses (+)	–	–
Other comprehensive income, total	–	–
Total comprehensive income	6,271	2,111

Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity							
in € thousand except for outstanding shares	Number of outstanding shares (in pieces)	Issued capital	Capital reserves	Treasury shares	Revaluation reserve	Retained earnings	Total
As of 1 January 2014	9,325,572	47,034	46,167	(398)	–	(12,130)	80,673
Dividends	–	–	–	–	–	(2,332)	(2,332)
Group net profit	–	–	–	–	–	2,111	2,111
As of 30 June 2014	9,325,572	47,034	46,167	(398)	–	(12,351)	80,452
As of 1 January 2015	9,325,572	18,814	74,387	(398)	(18)	(14,512)	78,273
Dividends	–	–	–	–	–	(2,331)	(2,331)
Group net profit	–	–	–	–	–	6,271	6,271
Capital increase	4,703,441	9,407	25,287	–	–	–	34,694
Conversion right	–	–	90	–	–	–	90
As of 30 June 2015	14,029,013	28,221	99,764	(398)	(18)	(10,571)	116,998

Consolidated Cash Flow Statement

Consolidated statement of cash flows		
in € thousand	1/1 – 30/6/2015	1/1 – 30/6/2014
Group net profit	6,271	2,111
Adjustments to consolidated earnings for reconciliation to cash flow from operating activities		
Interest expenses	2,370	2,780
Interest income	(8)	(42)
Depreciation of property, plant and equipment and amortisation of intangible assets	20	19
Gains (–) / losses (+) on disposal of investment properties	18	352
Revaluation result	(590)	84
Gain on the addition of shares in subsidiaries	(3,543)	–
Other non-cash income (–) and expenses (+)	218	9
Shares of losses (–) / gains (+) attributable to non-controlling interests	1,858	2,797
Distributions to non-controlling interests	(1,472)	(1,259)
Result from the measurement of derivative financial instruments	–	(54)
Interest paid	(2,556)	(3,369)
Interest received	8	42
Changes in assets and equity and liabilities		
Increase (–) / decrease (+) in trade receivables	261	483
Increase (–) / decrease (+) in other receivables	546	(115)
Decrease (–) / increase (+) in provisions	114	(80)
Decrease (–) / increase (+) in trade payables	(605)	(982)
Decrease (–) / increase (+) in other liabilities	202	222
Net cash flow from operating activities	3,112	2,998
Purchase of investment properties / assets under construction	(10,100)	1
Purchase of property, plant and equipment and intangible assets	(28)	–
Expense/cash paid for interests in subsidiaries	(11,708)	–
Proceeds from disposal of investment properties / assets under construction	13,222	22,270
Net cash flow from investing activities	(8,614)	22,271
Convertible bond	8,283	–
Repayment of borrowings	(30,905)	(22,783)
Interest rate hedge	(1,853)	(919)
Dividends paid to non-controlling interests	(799)	(2,041)
Dividend distribution	(2,331)	(2,332)
Capital increase	34,785	–
Net cash flow from financing activities	7,180	(28,075)
Change of scope of consolidation	12,301	–
Change in cash and cash equivalents	1,678	(2,806)
Cash and cash equivalents at the beginning of the period	14,588	17,361
Cash and cash equivalents at the end of the period	28,567	14,555

Notes

(1) General corporate information

Fair Value REIT-AG is a stock corporation founded and based in Germany. The Company does not have any branch offices. Following its registration as a stock corporation on 12 July 2007, Fair Value REIT-AG (the "Company") has been listed on the stock exchange since 16 November 2007. It qualified as a real estate investment trust (REIT) on 6 December 2007. The shares of Fair Value REIT-AG are publicly traded. The registered offices of the Company are located at Leopoldstr. 244 in 80807 Munich.

As a real estate investment firm, the Company concentrates on the acquisition and management of commercial real estate in Germany. Its investing activities focus on retail and office property in secondary locations. Fair Value REIT-AG invests directly in real estate as well as indirectly via the acquisition of investments in real estate partnerships. Information on the group structure is presented in note 2.

Due to its investment in a total of 10 (31 December 2014: 10) closed-end real estate funds as well as seven additional entities, the Company is required to prepare consolidated financial statements.

(2) Significant accounting, measurement and consolidation methods

Basis of presentation of the financial statements The interim consolidated financial statements of Fair Value REIT-AG were prepared in accordance with the International Financial Reporting Standards ("IFRSs") of the International Accounting Standards Board (IASB), taking into account IAS 34 "Interim Financial Reporting".

The interim consolidated financial statements are generally prepared in accordance with the historical cost convention, except for investment property which was measured at fair value.

The interim consolidated financial statements are presented in euros. Unless otherwise specified, all amounts are stated in thousands of euro (€ thousand).

Comparative figures Comparative figures are used in the statement of financial position and the consolidated statement of changes in equity as of the reporting date 31 December 2014. The comparative figures in the statement of income, the statement of comprehensive income and the statement of cash flows as well as the other overviews relate to the period from 1 January to 30 June 2014.

Consolidation principles and basis of consolidation All subsidiaries are included in the consolidated financial statements. BBV Immobilienfonds Nr. 8 GmbH & Co. KG, Munich, was added to the basis of consolidation while IC Fonds & Co. Forum Neuss KG, Munich, and Hartmannstrasse 1 Chemnitz GmbH & Co. KG, Munich, were deconsolidated.

As of 30 June 2015, the basis of consolidation was as follows:

Share of voting rights in %	Share as of 30/6/2015	Share as of 31/12/2014
GP Value Management GmbH, Munich ("GPVM")	100.00	100.00
BBV 3 Geschäftsführungs-GmbH & Co. KG, Munich ("FV03")	100.00	100.00
BBV 6 Geschäftsführungs-GmbH & Co. KG, Munich ("FV06")	100.00	100.00
BBV 9 Geschäftsführungs-GmbH & Co. KG, Munich ("FV09")	100.00	100.00
BBV 10 Geschäftsführungs-GmbH & Co. KG, Munich ("FV10")	100.00	100.00
BBV 14 Geschäftsführungs-GmbH & Co. KG, Munich ("FV14")	100.00	100.00
Hartmannstraße 1 Chemnitz GmbH & Co. KG, Chemnitz ("H1CH")	–	100.00
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG, Munich ("BBV03")	80.05	80.05
IC Fonds & Co. Büropark Teltow KG, Munich ("IC07")	77.99	77.99
IC Fonds & Co. Forum Neuss KG, Munich ("IC03")	–	71.58
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, Munich ("BBV06")	61.75	60.89
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG, Munich ("IC13")	57.06	51.21
BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG, Munich („BBV08")	54.06	–
IC Fonds & Co. SchmidtBank-Passage KG, Munich ("IC12")	53.76	50.36
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich ("BBV14")	49.95	45.56
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Munich ("IC15")	48.14	40.22
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich ("BBV10")	44.48	41.66
BBV Immobilien-Fonds Erlangen GbR, Munich ("BBV02")	42.02	42.02

In the past reporting quarter, non-controlling interests in subsidiaries were increasingly acquired. This caused the ownership interests in the entities BBV 06, BBV 10, BBV 14, IC 12, IC13 and IC 15 to change in comparison to 31 December 2014, in some cases significantly.

54.06 % of the shares in BBV08 were acquired effective 30 June 2015. BBV08 has three properties with a total fair value of €36,155 thousand. Net equity amounts to €19,895 thousand as of 30 June 2015. The credit difference from the acquisition was recognised as income in the statement of income.

Accounting policies The accounting policies used in the quarterly financial statements are the same as those used in the consolidated financial statements as of 31 December 2014.

Fair value measurement The Group measures financial instruments and real estate on each reporting date at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the business transaction in the course of which the asset is sold or the liability is transferred takes place either on the:

- principal market for the asset or the liability or
- most advantageous market for the asset or liability if there is no principal market.

The Group must have access to the principal market or the most advantageous market.

(3) Intangible assets

Intangible assets contain a contractual right that was individually measured during the business combination. This right is amortised over a useful life of five years. In the half year under review, €18 thousand of the €70 thousand was amortised.

(4) Investment property

Development of investment property			
in € thousand	Direct investments	Subsidiaries	Total
Acquisition cost			
As of 1 January 2015	38,062	325,678	363,740
Additions	15,350	36,155	51,505
Disposals	–	(13,696)	(13,696)
As of 30 June 2015	53,412	348,137	401,549
Changes in value			
As of 1 January 2015	(5,002)	(91,020)	(96,022)
Disposals	–	36	36
As of 30 June 2015	(5,002)	(90,984)	(95,986)
Fair values			
As of 1 January 2015	33,060	234,658	267,718
As of 30 June 2015	48,410	257,153	305,563

The values determined by CBRE GmbH, Frankfurt, and real estate expert Peter Jagel as of 31 December 2014 were used to determine the fair value of the investment property. Fair Value REIT-AG acquired the only remaining property in Cologne, Marconistrasse, from the subsidiary BBV03 for €3,300 thousand. From the Group's perspective, the directly owned property continues to be accounted for at the market value of €3,670 thousand determined by CBRE. In the second quarter, a property in Dresden was acquired from IC15 for €9,000 thousand. From the Group's perspective, this property also continues to be accounted for at the market value of €9,990 thousand determined by CBRE. As a result of the exit of the general partner, the assets and liabilities of Fair Value's subsidiary Hartmannstrasse 1 Chemnitz GmbH & Co. KG, Chemnitz, increased. This caused the property in Chemnitz, Hartmannstrasse 1, of €1,690 thousand to be transferred to Fair Value REIT-AG.

As of 30 June 2015, there were a total of 44 properties, of which 39 properties are freehold, four properties partially owned and one leasehold property. Compared to 31 December 2014, the number of properties increased by four.

The addition at the subsidiaries of €36,155 thousand represents the fair value of the three properties of BBV08. BBV08 has a retirement home in Radevormwald with secured annual rental income of €780 thousand, a retail park in Querfurt with secured annual rental income of €975 thousand as well as a retail park in Zittau with secured annual rental income of €1,370 thousand. The fair values were determined by real estate expert Peter Jagel at €10,580 thousand for the property in Querfurt and €15,700 thousand for the property in Zittau as of 31 December 2014. There is a purchase offer of €9,875 thousand for the property in Radevormwald.

(5) Other receivables and assets (non-current and current)

Other assets (non-current)		
in € thousand	30/6/2015	31/12/2014
Non-financial assets		
Receivable settlement balance BBV09	9,652	9,652
Down payment on purchase price for property Hartmannstr. 1, Chemnitz	–	450
Security deposit ("Fair Value")	8	8
	9,660	10,110

Other assets (non-current) decreased by €450 thousand due to the reclassification of the down payment on the purchase price of the property Hartmannstrasse 1, Chemnitz, as an investment property (note 4).

Other assets (current)		
in € thousand	30/6/2015	31/12/2014
Financial assets		
Purchase price receivable for commercial property Erlangen, Henkestr. 5 (BBV02)	1,355	1,355
Receivable settlement balance BBV09	1,073	1,073
Reversal of down payment on purchase price for property Chemnitz, Hartmannstr. 1 (IC12)	–	500
Insurance	77	7
Property management fees	37	–
Other	35	102
Collateral provided	4	3
Various entities of the IC group	2	–
Total financial assets	2,583	3,040
Non-financial assets		
Consulting fees for capital increase	–	–
VAT	–	45
Other	28	72
Total non-financial assets	28	117
Total assets	2,611	3,157

With regard to other assets (current), financial assets fell by €457 thousand compared to 31 December 2014. Non-financial assets decreased by €89 thousand.

(6) Non-current assets held for sale

in € thousand	30/6/2015	31/12/2014
Logistics and office property Cologne, 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
	–	13,240

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 under notarised agreements dated 16 December 2014, 1 December 2014 and 22 December 2014 at purchase prices of €8,350 thousand, €3,250 thousand and €1,640 thousand, respectively. Following payment of the purchase prices as of 7 January 2015 (Fair Value) and 27 January 2015 (BBV 10), ownership with all risks and rewards for the two properties was transferred to the acquirers. The risks and rewards were transferred to the acquirer of the property in Cologne (BBV06) on 27 February 2015.

(7) Equity

By entry in the commercial register dated 8 May 2015, Fair Value REIT-AG increased its issued capital by €9,407 thousand by issuing 4,703,441 shares with a nominal value of €2.00. The premium of €5.90 per share was recognised in favour of the capital reserves. The costs arising in connection with the capital increase was accounted for as a reduction of the capital reserves pursuant to IAS 32.37.

The conversion right for the convertible bond of Fair Value issued in January 2015 is treated as an equity instrument and accounted for directly in group equity without effecting profit or loss. The amount of the equity instrument recognised is determined by discounting the convertible bond at the higher market rate that would be paid for a bond with a conversion right. Discounting at a higher market rate produces a lower present value. The difference between the repayment amount of the bond and this present value of €90 thousand represents the value of the equity instrument. It is reversed through profit or loss over the term of the convertible bond.

(8) Financial liabilities

Non-current and current liabilities totalling €161,778 thousand decreased by €3,304 thousand compared to 31 December 2014. In detail, the following changes were made:

Non-current financial liabilities

in € thousand

As of 31 December 2014	110,907
Special repayment sale of property Ahaus (BBV 10)	(500)
Special repayment sale of property Pinneberg (Fair Value)	(1,930)
Increase in financial liabilities BBV 08	18,394
Convertible bond	8,283
As of 30 June 2015	135,154

Current financial liabilities

in € thousand

As of 31 December 2014	54,175
Unscheduled repayment Fair Value	(7,000)
Special repayment sale of property Cologne (BBV 06)	(7,500)
Special repayment sale of property Dresden (IC 15)	(8,883)
Repayment of loan IC 07	(745)
Scheduled repayment Fair Value	(636)
Scheduled repayment subsidiaries	(3,710)
Increase in financial liabilities BBV 08	923
As of 30 June 2015	26,624

The fair value of the convertible bond of Fair Value-REIT AG developed as follows as of 30 June 2015:

Fair value of convertible bond

in € thousand

Convertible bond (nominal)	8,460
Transaction costs	(103)
Embedded derivative	(90)
Measurement	16
As of 30 June 2015	8,283

(9) Property-related expenses

in € thousand	1/1 – 30/6/2015	1/1 – 30/6/2014
Energy costs and water consumption	1,445	1,587
Property tax	387	402
Property management fees	308	368
Garden maintenance/cleaning	263	248
Servicing and operating technical systems	263	267
Insurance	164	150
Security	179	161
Caretaker costs	170	162
Non-deductible input tax	134	184
Other	136	83
Building cleaning	148	170
Management contract costs	131	167
Other operating expenses	51	43
Street cleaning/garbage removal	91	95
Maintenance cost payments for partially-owned properties	65	97
Other property costs	51	62
Advertising and promotional expenses	44	18
Expenses from the settlement of service charges	–	4
Service charge expenses	4,030	4,268
Repairs and maintenance costs	843	922
Technical building maintenance	271	153
Letting costs	153	41
Other property-related expenses	1,267	1,116
Total property-related operating expenses	5,297	5,384

(10) General administrative expenses

in € thousand	1/1 – 30/6/2015	1/1 – 30/6/2014
Personnel expenses	495	251
Office expenses	38	27
Travel and vehicle expenses	23	16
Accounting	69	64
Stock market listing, Annual General Meeting and events	132	151
Appraisals	84	46
Legal and consulting fees	187	72
Audit fees	65	91
Remuneration (Supervisory Board, Advisory Board and general partner remuneration)	49	49
Fund management	290	308
Trustee fees	128	129
Amortisation, depreciation and impairment	18	19
Other	103	104
Non-deductible VAT	147	92
Total general administrative expenses	1,828	1,419

Of the general administrative expenses, €1,191 thousand (65 %) was attributable to Fair Value, compared to €738 thousand (52 %) in the prior year. An amount of €637 thousand (35 %) was attributable to the subsidiaries, compared to €681 thousand (48 %) in the prior year.

(11) Interest expenses

in € thousand	1/1 – 30/6/2015	1/1 – 30/6/2014
Measurement of derivative financial instruments	841	54
Other interest expenses	(3.203)	(2.792)
Total interest expenses	(2.362)	(2.738)

Interest expenses contain a gain from the change in the fair value of derivative financial instruments (interest rate hedges) of €841 thousand. Of the other interest expenses, €2,194 thousand was used for loans. A further €863 thousand was used as an offsetting payment for the reversal of the interest rate swap at Fair Value REIT-AG. The remaining €146 thousand relates to standby fees, the reversal of accruals for processing fees as well as the payment of a cap premium.

(12) Segment revenue and profit/loss

in € thousand	1/1 – 30/6/2015		1/1 – 30/6/2014	
	Segment revenue	Segment profit/loss	Segment revenue	Segment profit/loss
Direct investments	1,581	1,187	1,599	999
Subsidiaries	12,029	7,126	13,136	7,281
Total segment revenue and profit/loss	13,610	8,313	14,735	8,280
Central administrative expenses and other	–	2,178	–	(634)
Net interest expenses	–	(2,362)	–	(2,738)
Share of profit/loss attributable to non-controlling interests	–	(1,858)	–	(2,797)
Profit/loss of the Group	–	6,271	–	2,111

The table below shows the profit and loss statements of the segments; the "Subsidiaries" segment has been broken down by fund company.

Profit and loss statement by segment as of 30 June 2015

	Direct investments				
in € thousand	FV AG	IC07	IC12	IC13	IC15
Rental income	1,314	359	292	817	1,355
Service charge income	267	154	184	250	132
Segment revenue	1,581	513	476	1,067	1,487
Service charge expenses	(337)	(169)	(215)	(325)	(204)
Other property-related expenses	(57)	(79)	(17)	(128)	(49)
Segment-related administrative expenses	(79)	(23)	(22)	(47)	(63)
Other operating expenses and income (net)	(129)	18	6	27	46
Gain from disposal of investment property	–	–	–	–	–
Revaluation gains	590	–	–	–	–
Revaluation losses	–	–	–	–	(990)
Segment profit/loss	1,569	260	228	594	227
Central administrative expenses	(1,112)	–	–	–	–
Other expenses	–	–	–	–	–
Other income from investments	485	–	–	–	–
Net interest expenses	(669)	(13)	(45)	(253)	(279)
Share of profit/loss attributable to non-controlling interests	–	–	–	–	–
Income taxes	–	–	–	–	–
Net income	273	247	183	341	(52)

Subsidiaries								
	BBV 02	BBV 03	BBV 06	BBV 10	BBV 14	Total	Reconciliation	Group
	(1)	94	732	3,516	2,577	9,741	–	11,055
	–	11	107	833	617	2,288	–	2,555
	(1)	105	839	4,349	3,194	12,029	–	13,610
	12	(72)	(351)	(1,552)	(817)	(3,693)	–	(4,030)
	–	(59)	(69)	(449)	(360)	(1,210)	–	(1,267)
	(7)	(57)	(103)	(153)	(154)	(629)	–	(708)
	–	(66)	32	(29)	(113)	(79)	3,642	3,434
	(7)	(370)	(5)	(6)	–	(388)	1,360	972
	–	–	–	–	–	–	–	590
	–	–	–	–	–	(990)	–	(990)
	(3)	(519)	343	2,160	1,750	5,040	5,002	11,611
	–	–	–	–	–	–	(8)	(1,120)
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	(485)	–
	–	–	(38)	(829)	(236)	(1,693)	–	(2,362)
	–	–	–	–	–	–	(1,858)	(1,858)
	–	–	–	–	–	–	–	–
	(3)	(519)	305	1,331	1,514	3,347	2,651	6,271

Profit and loss statement by segment as of 30 June 2014

	Direct investments				
in € thousand	FV AG	IC03	IC07	IC12	IC13
Rental income	1,331	–	307	249	939
Service charge income	268	–	165	164	266
Segment revenue	1,599	–	472	413	1,205
Service charge expenses	(350)	(10)	(235)	(290)	(391)
Other property-related expenses	(54)	–	(13)	(15)	(26)
Segment-related administrative expenses	(80)	(4)	(26)	(20)	(99)
Other operating expenses and income (net)	–	–	(3)	–	2
Gain from disposal of investment property	(32)	–	–	–	–
Revaluation losses	(84)	–	–	–	–
Segment profit/loss	999	(14)	195	88	691
Central administrative expenses	(658)	–	–	–	–
Other income from investments	4,216	–	–	–	–
Net interest expenses	(636)	–	(18)	(37)	(239)
Share of profit/loss attributable to non-controlling interests	–	–	–	–	–
Net income	3,921	(14)	177	51	452

Subsidiaries									
	IC 15	BBV 02	BBV 03	BBV 06	BBV 10	BBV 14	Total	Reconciliation	Group
	1,454	2	273	1,139	3,711	2,671	10,745	–	12,076
	138	–	43	172	832	611	2,391	–	2,659
	1,592	2	316	1,311	4,543	3,282	13,136	–	14,735
	(261)	(34)	(117)	(563)	(1,785)	(946)	(4,632)	–	(4,982)
	(43)	(6)	(13)	(60)	(112)	(60)	(348)	–	(402)
	(61)	(12)	(43)	(93)	(177)	(150)	(685)	4	(761)
	(25)	44	–	12	91	9	130	20	150
	–	(12)	(96)	(128)	–	(84)	(320)	–	(352)
	–	–	–	–	–	–	–	–	(84)
	1,202	(18)	47	479	2,560	2,051	7,281	24	8,304
	–	–	–	–	–	–	–	–	(658)
	–	–	–	–	–	–	–	(4,216)	–
	(285)	(28)	–	(276)	(940)	(280)	(2,103)	1	(2,738)
	–	–	–	–	–	–	–	(2,797)	(2,797)
	917	(46)	47	203	1,620	1,771	5,178	(6,988)	2,111

The following table shows all assets and liabilities allocated and not allocated to the segments; the “Subsidiaries” segment has been broken down by fund company.

Assets and liabilities by segment 30 June 2015

		Direct investments				
in € thousand	FV AG	IC07	IC12	IC13	IC15	BBV 02
Property, plant and equipment and intangible assets	10	–	24	3	–	–
Investment property	47,050	8,630	7,570	18,450	22,840	–
Non-current assets held for sale	–	–	–	–	–	–
Trade receivables	320	285	99	72	152	–
Income tax receivables	19	–	–	–	–	–
Other receivables and assets	11,505	9	4	6	39	1,356
Cash and cash equivalents	14,386	173	686	753	1,627	70
Segment assets subtotal	73,290	9,097	8,383	19,284	24,658	1,426
Participation in subsidiaries	66,998	–	–	–	–	–
Total assets	140,288	9,097	8,383	19,284	24,658	1,426
Provisions	(526)	(4)	(5)	(11)	(12)	(9)
Trade payables	(501)	(33)	(41)	(55)	(39)	(7)
Other liabilities	(628)	(40)	(46)	(246)	(168)	–
Segment liabilities subtotal	(1,655)	(77)	(92)	(312)	(219)	(16)
Non-controlling interests	–	–	–	–	–	–
Financial liabilities	(27,408)	(750)	(1,946)	(15,163)	(7,599)	(1,112)
Derivative financial instruments	–	–	–	–	–	–
Total liabilities	(29,063)	(827)	(2,038)	(15,475)	(7,818)	(1,128)
Net assets as of 30 June 2015	111,225	8,270	6,345	3,809	16,840	298

Overview of maturities of financial liabilities

Non-current	(26,784)	–	(1,842)	(14,645)	(7,381)	(1,112)
Current	(624)	(750)	(104)	(518)	(218)	–
Financial liabilities	(27,408)	(750)	(1,946)	(15,163)	(7,599)	(1,112)

Subsidiaries								
	BBV 03	BBV 06	BBV 08	BBV 10	BBV 14	Total	Reconciliation	Group
	–	–	–	–	–	27	52	89
	–	13,038	36,155	80,650	69,820	257,153	1,360	305,563
	–	–	–	–	–	–	–	–
	23	101	241	930	467	2,370	30	2,720
	–	–	–	–	–	–	(14)	5
	–	32	–	41	27	1,514	(748)	12,271
	231	915	3,687	3,221	2,577	13,940	241	28,567
	254	14,086	40,083	84,842	72,891	275,004	921	349,215
	–	–	–	–	–	–	(66,998)	–
	254	14,086	40,083	84,842	72,891	275,004	(66,077)	349,215
	(8)	(26)	(15)	(21)	(27)	(138)	(5)	(669)
	(3)	(42)	(59)	(410)	(227)	(916)	(11)	(1,428)
	(114)	(323)	(796)	(1,504)	(174)	(3,411)	(24)	(4,063)
	(125)	(391)	(870)	(1,935)	(428)	(4,465)	(40)	(6,160)
	–	–	–	–	–	–	(64,279)	(64,279)
	–	–	(19,318)	(55,915)	(33,317)	(135,120)	750	(161,778)
	–	–	–	–	–	–	–	–
	(125)	(391)	(20,188)	(57,850)	(33,745)	(139,585)	(63,569)	(232,217)
	129	13,695	19,895	26,992	39,146	135,419	(129,646)	116,998
	–	–	(18,431)	(32,727)	(32,232)	(108,370)	–	(135,154)
	–	–	(887)	(23,188)	(1,085)	(26,750)	750	(26,624)
	–	–	(19,318)	(55,915)	(33,317)	(135,120)	750	(161,778)

Assets and liabilities by segment 31 December 2014

		Direct investments				
in € thousand	FV AG	IC03	IC07	IC12	H1CH	IC13
Property, plant and equipment and intangible assets	11	–	–	–	–	–
Investment property	33,060	–	8,630	7,570	–	18,450
Non-current assets held for sale	3,250	–	–	–	–	–
Trade receivables	290	20	271	73	–	127
Income tax receivables	19	–	–	–	–	–
Other receivables and assets	10,805	8	–	505	450	–
Cash and cash equivalents	2,278	343	51	352	50	792
Segment assets subtotal	49,713	371	8,952	8,500	500	19,369
Participation in subsidiaries	60,308	–	–	–	–	–
Investments accounted for using the equity method	–	–	–	–	–	–
Total assets	110,021	371	8,952	8,500	500	19,369
Provisions	(383)	(16)	(11)	(10)	–	(13)
Trade payables	(107)	(216)	(52)	(100)	–	(112)
Other liabilities	(1,491)	(12)	(50)	(42)	–	(275)
Segment liabilities subtotal	(1,981)	(244)	(113)	(152)	–	(400)
Non-controlling interests	–	–	–	–	–	–
Financial liabilities	(28,691)	–	(816)	(1,984)	–	(15,501)
Derivative financial instruments	(850)	–	–	–	–	–
Total liabilities	(31,522)	(244)	(929)	(2,136)	–	(15,901)
Net assets as of 31 December 2014	78,499	127	8,023	6,364	500	3,468
Overview of maturities of financial liabilities						
Non-current	(18,782)	–	–	(1,880)	–	(14,736)
Current	(9,909)	–	(816)	(104)	–	(765)
Financial liabilities	(28,691)	–	(816)	(1,984)	–	(15,501)

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

Waiver of review

This report was not subject to an audit pursuant to Sec. 317 HGB [“Handelsgesetzbuch”: German Commercial Code] or a review by the auditor and therefore does not contain an audit opinion.

Declaration of compliance with the German Corporate Governance Code

The current declarations pursuant to Sec. 161 AktG [“Aktiengesetz”: German Stock Corporation Act] on the German Corporate Governance Code of the Management Board and Supervisory Board of Fair Value REIT-AG have been made permanently available on the Company website.

Munich, 10 August 2015

Fair Value REIT-AG



Frank Schaich

Responsibility statement

To the best of my knowledge, and in accordance with the applicable reporting principles, the unaudited interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Munich, 10 August 2015

Fair Value REIT-AG



Frank Schaich

Imprint

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Frank Schaich

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Rolf Elgeti, Chairman
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Prof. Dr. Heinz Rehkugler

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