

Fair Value REIT-AG
Munich

Financial Statement, Management Report
and Auditor's Opinion
as of December 31, 2013

Fair Value REIT-AG, Munich

Financial Statement for the Financial Year January 1 to December 31, 2013

Balance Sheet

	Note	12/31/2013 €	previous year €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	(3)	377,98	1.002,03
Property, plant and equipment	(4)	38.255.396,60	43.431.152,20
Financial assets	(5)	<u>34.656.854,39</u>	<u>41.144.619,83</u>
		<u>72.912.628,97</u>	<u>84.576.774,06</u>
CURRENT ASSETS			
Receivables and other assets			
Accounts receivable	(6)	363.913,29	397.141,37
Receivables from affiliated companies	(7)	548,30	60.000,00
Receivables against companies in which the company holds a participating interest		0,00	54,15
Other assets	(8)	<u>13.629.884,18</u>	<u>631.828,58</u>
		<u>13.994.345,77</u>	<u>1.089.024,10</u>
Bank balances	(9)	<u>703.319,10</u>	<u>997.839,78</u>
		<u>14.697.664,87</u>	<u>2.086.863,88</u>
Deferred charges	(10)	113.456,70	175.011,02
Surplus from offsetting	(11)	<u>20.488,99</u>	<u>17.576,79</u>
Total Assets		<u><u>87.744.239,53</u></u>	<u><u>86.856.225,75</u></u>
Trust relationships			
Bank deposits of tenants		13.814,35	13.004,35
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital		47.034.410,00	47.034.410,00
less the accounting par value of treasury shares		<u>-406.550,00</u>	<u>-406.550,00</u>
Issued capital		46.627.860,00	46.627.860,00
Capital reserve		3.712.465,49	3.712.465,49
Treasury shares below par		22.952,05	22.952,05
Retained income			
Reserve pursuant to Section 13 REITG		344.065,46	119.065,46
Retained earnings	(12)	<u>2.581.886,00</u>	<u>995.922,04</u>
		<u>53.289.229,00</u>	<u>51.478.265,04</u>
PROVISIONS			
Other provisions	(13)	<u>2.244.021,35</u>	<u>857.912,99</u>
LIABILITIES			
Liabilities to banks	(14)	31.728.117,05	34.165.115,72
Accounts payable	(15)	187.450,75	106.038,18
Liabilities towards affiliated companies	(16)	208.500,00	182.854,48
Liabilities towards companies in which the company holds a participating interest	(17)	68.625,27	22.664,40
Other liabilities	(18)	<u>14.052,41</u>	<u>43.374,94</u>
		<u>32.206.745,48</u>	<u>34.520.047,72</u>
PASSIVE ACCRUALS		<u>4.243,70</u>	<u>0,00</u>
Total equity and liabilities		<u><u>85.500.218,18</u></u>	<u><u>85.998.312,76</u></u>
Trust relationships			
Bank deposits of tenants		13.814,35	13.004,35

Fair Value REIT-AG, Munich

Income Statement January 1 to December 31, 2013

	Note	2013 €	Previous year €
Revenues	(21)	3.664.605,62	3.826.741,33
Real estate-related operating expenses	(22)	-1.863.162,38	-1.701.664,51
Net rental result		1.801.443,24	2.125.076,82
General administrative expenses	(23)	-1.643.247,60	-1.658.230,82
Other operating income	(24)	840.004,79	431.835,69
Other operating expenses	(25)	-410.385,67	-407.040,40
Operating result		587.814,76	491.641,29
Income from participations and write-ups on financial assets	(26)	9.096.911,21	3.566.951,52
Amortisation on financial assets	(27)	-140.000,00	-319.000,00
Other interests and related income	(28)	4.966,77	7.857,15
Interests and similar expenses	(28)/(29)	-6.806.368,50	-2.662.973,04
Result of ordinary business activities		2.743.324,24	1.084.476,92
Tax from income and revenue	(30)	196,92	0,00
Net income		2.743.521,16	1.084.476,92
Accumulated income from previous year	(12)	63.364,84	30.510,58
Charge to the reserve pursuant to Section 13 REITG		-225.000,00	-119.065,46
Retained earnings		2.581.886,00	995.922,04

Fair Value REIT-AG, Munich
Financial statements for the financial year
from January 1 to December 31, 2013

Notes

(1) General information

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. Due to its REIT status, the company is exempt from corporation and trade tax.

(2) Key accounting and valuation methods

Applicable accounting standards The financial statements were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB), the German Stock Corporate Act (Aktiengesetz – AktG), the REIT Act and the Articles of Association. The figures provided in the Notes in euros (€) are partially in thousands of euros (€ thousand) and partially in millions of euros (€ million).

The accounting and valuation methods generally correspond with the methods applied in the previous year.

The income statement is structured by classifying expenses by function, with other taxes (property tax) reported within operating expenses for investment properties and referenced in the Notes.

Intangible assets Intangible assets are recognised at cost and amortised on a scheduled basis over five years.

Property, plant and equipment Property, plant and equipment is recognised at cost less scheduled straight-line depreciation. The depreciation period is 50 years for buildings, and between 3 and 15 years for office and operating equipment. Low-value assets with acquisition costs between € 150.00 and € 410.00 are depreciated in the year of their acquisition and recorded in disposals; assets up to € 150.00 are

recognised as expense. Write-downs are made in the case of an anticipated permanent reduction in value.

Financial assets Interests in affiliated companies and participations are measured at amortised cost. These are interests in partnerships and incorporated companies. Withdrawals lower the carrying amount of the participation in the case of partnerships, insofar as this does not relate to the appropriation of earnings. Wherever required or indicated, write-downs are made to the lower fair value. If the reason for the lower valuation is no longer applicable, a corresponding write-up is made up to amortised cost.

Treasury shares The accounting par value of acquired treasury shares is deducted from the item "Subscribed capital". The difference between the accounting par value and the lower acquisition cost is reported as restricted reserves for capital protection reasons.

Receivables and other assets Receivables and other assets are recognised at cost. Recognisable risks are accounted for using value adjustments. Irrecoverable receivables are written off in full.

Provisions for pensions and similar obligations Provisions for pensions and similar obligations are measured according to the "projected unit credit method" by applying a flat-rate average market interest rate based on an assumed remaining life of 15 years. Assets that other creditors do not have access to and which exclusively serve to fulfil pension-related liabilities are offset against these liabilities; the related expenses and income from the discounting and assets to be offset are handled accordingly. If the fair value of the assets exceeds the value of the liabilities, the excess amount is reported separately on the assets side of the balance sheet as "Surplus from offsetting". Insofar as the fair value of said assets exceeds the acquisition costs, a pay-out block exists pursuant to Section 268 Para. 8 Sentence 3 HGB.

Other provisions and liabilities Other provisions are measured at the settlement amount determined according to sound business judgement. Liabilities are recognised at their settlement amount.

Due to the restructuring of the bank loan, on the balance sheet date no valuation unit existed within the meaning of Section 254 HGB. As a result, as of December 31,

2013, a provision for anticipated losses was formed in the full amount for the market value of the interest rate swap.

(3) Intangible assets

Intangible assets developed as follows:

	Acquisition costs	Accumulated depreciation, amortization and write-downs	Carrying amount
As of 1/1/2013	6,380.01	5,377.98	1,002.03
Additions	0.00	624.05	-624.05
Disposals	<u>2,582.54</u>	<u>2,582.54</u>	<u>0.00</u>
As of 12/31/2013	<u><u>3,797.47</u></u>	<u><u>3,419.49</u></u>	<u><u>377.98</u></u>

This relates exclusively to acquired IT software.

(4) Property, plant and equipment

Property, plant and equipment developed as follows:

	Land and buildings	Office and operating equipment	Assets under construction	Total
Acquistion costs				
As of 1.1.2013	48,885,615.79	9,392.70	259,278.99	49,154,287.48
Additions	537,553.69	3,437.60	91,809.16	632,800.45
Reclassifications	238,938.95	0.00	-238,938.95	0.00
Disposals	<u>-6,028,077.35</u>	<u>0.00</u>	<u>-20,340.04</u>	<u>-6,048,417.39</u>
As of 12/31/2013	<u>43,634,031.08</u>	<u>12,830.30</u>	<u>91,809.16</u>	<u>43,738,670.54</u>
Accumulate depreciations				
As of 1.1.2013	5,718,189.59	4,945.69	0.00	5,723,135.28
Depreciation	819,405.92	3,127.80	0.00	822,533.72
Write-ups	-550,112.08	0.00	0.00	-550,112.08
Disposals	-897,426.30	0.00	0.00	-897,426.30
Write-downs	<u>385,143.32</u>	<u>0.00</u>	<u>0.00</u>	<u>385,143.32</u>
As of 12/31/2013	<u>5,475,200.45</u>	<u>8,073.49</u>	<u>0.00</u>	<u>5,483,273.94</u>
Carrying amounts				
As of 1/1/2013	<u>43,167,426.20</u>	<u>4,447.01</u>	<u>259,278.99</u>	<u>43,431,152.20</u>
As of 12/31/2013	<u>38,158,830.63</u>	<u>4,756.81</u>	<u>91,809.16</u>	<u>38,255,396.60</u>

Land and buildings encompasses 19 office and commercial properties (previous year: 25) which were acquired from Sparkasse Südholstein in 2007 ("Sparkassen portfolio"). Among the rental properties, 3 properties are partially owned by Fair Value REIT-AG (previous year: 4). The additions to acquisition costs totalling € 537,553.69 (previous year: € 682,779.67) largely relate to the renovation of an office building in Pinneberg into a health centre. In the additions to acquisition costs, € 238,938.95 is attributable to reclassifications from assets under construction. A book profit before selling expenses of € 455,848.95 was achieved from the sale of six properties in the past financial year.

The valuation appraisals collected on the balance sheet date determine market values which are important for accounting according to IFRS. On the balance sheet date, the market values totalled € 38,379,000.00. The residual carrying amount of the properties before write-ups and write-downs totalled € 37,994,000.00. As a result, the market values are € 385,000.00 higher than the carrying amounts.

A permanent impairment is also allowed for if the depreciated carrying amounts, which are calculated using future scheduled depreciation over a five-year period, are above the market value.

In the past financial year, the market value for the properties was determined for the first time separately based on land and buildings. After comparing the carrying amounts for land with the land value, a write-down totalling € 319,056.00 was made.

The comparison between the carrying amounts for the buildings led to a write-up of € 550,112.08 in line with the requirement to reinstate original values pursuant to Section 253 Para. 5 HGB. In addition, write-downs totalling € 66,087.32 were also made on two further properties in Neumünster, Röntgenstraße and Appen, Hauptstraße.

(5) Financial assets

Financial assets developed as follows:

	Interests in affiliated companies	Participations	Total
Acquisition costs			
As of 1/1/2013	15,232,772.99	26,759,684.13	41,992,457.12
Additions	6,395.00	727,441.60	733,836.60
Disposals (removing withholding tax)	-1,046.85	-2,876.09	-3,922.94
Disposals	<u>-839,027.17</u>	<u>-7,086,489.22</u>	<u>-7,925,516.39</u>
As of 12/31/2013	<u>14,399,093.97</u>	<u>20,397,760.42</u>	<u>34,796,854.39</u>
Accumulate depreciations			
As of 1/1/2013	793,578.14	54,259.15	847,837.29
Additions	140,000.00	0.00	140,000.00
Disposals (write-ups)	-196,578.14	-54,259.15	-250,837.29
Disposals	<u>-597,000.00</u>	<u>0.00</u>	<u>-597,000.00</u>
As of 12/31/2013	<u>140,000.00</u>	<u>0.00</u>	<u>140,000.00</u>
Carrying amounts			
As of 1/1/2013	<u>14,439,194.85</u>	<u>26,705,424.98</u>	<u>41,144,619.83</u>
As of 12/31/2013	<u>14,259,093.97</u>	<u>20,397,760.42</u>	<u>34,656,854.39</u>

Fair Value REIT-AG terminated its participation in BBV 09, in which it held an interest of 25%, as of the end of 2013. In place of the participation value, an interest-bearing receivable in connection with company BBV09 for paying out a settlement credit in the amount of the net asset value of the interest at the time of the termination became effective on the balance sheet date. The settlement credit is € 11,628,176.62.

In the past financial year, the liquidation of IC Fonds & Co. München Karlsfeld KG, Munich ("IC01") was completed based on the liquidation balance sheet as of December 31, 2012 through an agreed final payment by the liquidator IC Immobilien Service GmbH. The liquidation proceeds of IC01 totalling € 116,303.08 were netted against the carrying amount of the participation of € 117,002.17.

The interests break down as follows:

	As of 12/31/2013	As of 12/31/2012
Affiliated companies		
IC Fonds & Co. München Karlsfeld KG, Munich ("IC 01")	0.00	117,002.17
IC Fonds & Co. Forum Neuss KG, Munich ("IC 03")	1,762,005.59	1,902,005.59
IC Fonds & Co. Büropark Teltow KG, Munich ("IC 07")	4,604,740.16	4,605,112.33
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG, Munich ("IC 13")	1,291,232.29	1,094,840.19
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG, Munich ("BBV 03")	1,368,576.71	1,493,701.08
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, Munich ("BBV 06")	4,873,626.65	4,867,620.92
GP Value Management GmbH, Munich ("GPVM")	25,000.00	25,000.00
BBV 3 Geschäftsführungs-GmbH & Co. KG, Munich ("FV03")	42,712.83	42,712.83
BBV 6 Geschäftsführungs-GmbH & Co. KG, Munich ("FV06")	92,816.70	92,816.70
BBV 9 Geschäftsführungs-GmbH & Co. KG, Munich ("FV09")	76,922.38	76,922.38
BBV 10 Geschäftsführungs-GmbH & Co. KG, Munich ("FV10")	77,538.59	77,538.59
BBV 14 Geschäftsführungs-GmbH & Co. KG, Munich ("FV14")	43,922.07	43,922.07
Interests in affiliated companies, total	<u>14,259,093.97</u>	<u>14,439,194.85</u>
Participations		
IC Fonds & Co. SchmidtBank-Passage KG, Munich ("IC 12")	1,817,611.49	1,499,760.25
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Munich ("IC15")	3,177,905.80	3,178,263.51
BBV Immobilien-Fonds Erlangen GbR, Munich ("BBV 02")	117,193.56	62,944.05
BBV Immobilien-Fonds Nr. 9 GmbH & Co. KG, Munich ("BBV 09")	0.00	5,548,489.22
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich ("BBV 10")	10,134,344.44	9,783,550.27
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich ("BBV 14")	5,150,705.13	6,632,417.68
Participations, total	<u>20,397,760.42</u>	<u>26,705,424.98</u>
Financial assets, total	<u>34,656,854.39</u>	<u>41,144,619.83</u>

Fair Value is entered into the commercial register with its respective liability contribution for all limited partner interests.

The interests held pursuant to Section 285 Sentence 1 no. 11 HGB break down as follows:

	Interest in capital in % 12/31/2013	Equity 12/31/2013	Annual net profit 2013
Affiliated companies			
IC 03	71.58	2,487,697.37	631,026.00
IC 07	77.74	7,040,349.79	-103,439.39
IC 13	50.54	3,125,551.81	730,628.43
BBV 03	54.10	4,586,887.60	-50,393.38
BBV 06	59.72	9,855,590.01	-198,570.03
GPVM	100.00	33,870.95	6,362.94
FV03	100.00	49,544.61	10,214.18
FV06	100.00	54,095.96	13,238.41
FV09	100.00	71,713.40	32,812.64
FV10	100.00	50,636.40	10,406.00
FV14	100.00	51,159.31	10,052.02
Participations			
IC 12	48.86	6,030,171.47	-24,726.64
IC 15	39.49	13,810,436.65	916,485.73
BBV 02	41.53	360,648.03	287,474.88
BBV 10	40.77	8,691,703.14	1,749,930.14
BBV 14	45.21	7,075,534.69	3,018,867.26

(6) Accounts receivable

Accounts receivable comprise the following:

	12/31/2013	Previous year
Receivables due from tenants	236,654.25	355,638.79
Ancillary costs estimation financial year	117,814.47	51,671.38
Ancillary costs billing for the previous years	<u>9,444.57</u>	<u>-10,168.80</u>
Accounts receivable, total	<u><u>363,913.29</u></u>	<u><u>397,141.37</u></u>

Receivables due from tenants are made up of € 43,502.23 receivables from rent in the past financial year and € 77,137.17 receivables from rent in the previous years that are viewed as recoverable. Receivables due from tenants also include the recharging of a maintenance reserve for the parking garage renovation in the partially-owned unit Ulzburger Str. 363 in Norderstedt totalling € 142,105.26. This receivable is also viewed as recoverable. After calculating the ancillary rental costs 2012, a credit for the tenants of € 34,036.92 exists on balance.

Receivables from ancillary cost billing for the previous years total € 9,444.57. The receivables are comprised of a credit of € 828.29 from Sparkasse Südholstein and receivables of € 10,272.86 from other tenants.

No individual impairments for default risks were made in the reporting period. Receivables totalling € 24,540.37 were derecognized.

The entitlements from the recharging of ancillary costs are set off against the advance payments made by the tenants. No excess advanced payments exist.

The outstanding receivables from rent in the last financial year due from the largest individual tenant, Sparkasse Südholstein, totalling € 38,425.80 were settled by the time that the annual financial statements were prepared following a partial payment of € 37,701.75.

All accounts receivable are current.

(7) Receivables from affiliated companies

The loan totalling € 60,000.00 taken up by the affiliated company IC Fonds & Co. Forum Neuss KG was recouped as agreed by March 31, 2013.

(8) Other assets

Other assets comprise the following:

	12/31/2013
Settlement credit BBV 09	11,628,176.62
Receivables from the sale of properties (purchase prices)	1,950,000.00
Entitlements to income tax rebates	28,614.44
Receivables from the sale of properties (rent and ancillary rental costs)	10,285.76
Rental deposits paid	7,650.00
VAT surplus	4,455.88
Other	<u>701.48</u>
Other assets, total	<u>13,629,884.18</u>
- Of which with a remaining term of more than one year:	<u>11,511,894.85</u>

Other assets contain a purchase price claim from the sale of the property in Kaltenkirchen totalling € 1,950,000.00. From the purchase price, € 808,000.00 was received by Fair Value and € 1,142,000.00 by Westdeutsche Immobilienbank as an unscheduled loan repayment on January 24, 2014.

The settlement credit for the interests in BBV 09 is due six months after its binding determination by the auditor of BBV 09. The investment company is entitled to pay out the settlement credit in three yearly instalments. In this case, the respective remaining amount is subject to 4% interest p.a.

Following a shareholder resolution in 2013, the management of the investment company BBV 09 is authorised to set the amount of the respective yearly instalments in coordination with the advisory board, taking into account the current and future liquidity requirements of the company. The respective yearly instalments are to be communicated in writing to the former shareholder at the latest three months before they are due. If the management and advisory board have not agreed on the amount of the instalment three months before it is due, the amount is set to one percent of the respective settlement amount plus the interest incurred, with the full remaining amount including interest to be paid in the final instalment.

(9) Bank balances

Bank balances mainly consist of freely available current accounts.

(10) Deferred charges

This largely consists of prepaid insurance premiums, prepaid advisory costs as well as a one-off payment for an interest rate swap, which will be systematically released over the entire period of the swap transaction over 10 years until June 29, 2018. In addition, a processing charge was deferred for a loan with Capital Bank – GRAWE Gruppe AG, Graz totalling € 39,361.47.

(11) Surplus from offsetting

A pension commitment exists towards the Management Board of the company, for which a re-insurance policy has been concluded. According to this, a pension sum of € 195,977.16 will be paid out when the entitled party leaves the company after his 65th birthday. The claim to the re-insurance benefits is pledged to the entitled party. The pension obligation and re-insurance claim have been offset in line with Section 246 Para. 2 HGB. The surplus difference is subject to a pay-out block in line with Section 268 Para. 8 Sentence 3 HGB.

The surplus from offsetting assets has developed as follows:

Projected benefit obligation	
As of 12/31/2012	77,585.00
Past service cost	1,001.00
Interest expense	3,794.00
As of 12/31/2013	<u>82,380.00</u>
Fair value / cost of the insurance entitlement	
As of 12/31/2012	95,161.79
Payments by the employer	5,215.20
Income	2,492.00
As of 12/31/2013	<u>102,868.99</u>
Surplus from offsetting 12/31/2013	<u>20,488.99</u>
Surplus from offsetting 12/31/2012	<u>17,576.79</u>

The valuation of the pension commitment was determined via a mathematical insurance appraisal by Mercer Deutschland GmbH, Munich. A discount rate of 4.65% p.a. was applied. The biometric basis for the appraisal was provided by the "Richttafeln 2005 G" life expectancy tables from Klaus Heubeck.

The fair value of the re-insurance corresponds with the planned actuarial reserve for the insurance contract plus any possible credit from contribution refunds (so-called irrevocable allocated participation features). Cost is reported in the same amount. The expenses from the compounding of the obligation were offset against the income from the reinsurance policy and reported in interest expense.

(12) Equity

Equity developed as follows:

	As of 01/01/2013	Distribution of dividends	Annual net income	Charge to the reserve	As of 12/31/2013
Subscribed capital	47,034,410.00	0.00	0.00	0.00	47,034,410.00
less the accounting par value of treasury shares	<u>-406,550.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-406,550.00</u>
Issued capital	46,627,860.00	0.00	0.00	0.00	46,627,860.00
Capital reserve	3,712,465.49	0.00	0.00	0.00	3,712,465.49
Treasury shares below par	22,952.05	0.00	0.00	0.00	22,952.05
Reserve pursuant to Section 13 REITG	119,065.46	0.00	0.00	225,000.00	344,065.46
Retained earnings	995,922.04	932,557.20	2,743,521.16	-225,000.00	2,581,886.00
Equity, total	<u>51,478,265.04</u>	<u>932,557.20</u>	<u>2,743,521.16</u>	<u>0.00</u>	<u>53,289,229.00</u>

Subscribed capital Subscribed capital comprises 9,406,882 no-par value bearer shares.

Treasury shares By resolution of the Annual General Meeting dated May 29, 2009, the Management Board is entitled to purchase own shares to the amount of up to 10% of the share capital until May 28, 2014. 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.

Reserve pursuant to Section 13 REITG A re-investment reserve of € 225,000.00 is formed from net income pursuant to Section 13 REITG. The reserve corresponds to 49.36% of the profit from the sale of real estate in the past financial year.

Retained earnings The net income for the financial year of € 2,743,521.16 is carried forward to new account and transferred to retained earnings. After forming the re-investment reserve pursuant to Section 13 REITG, retained earnings totalled € 2,581,886.00 and contained profit carried forward from the previous year of € 63,364.84. As proposed by the Management Board, a dividend of € 0.25 per share in circulation will be distributed. This corresponds to € 2,331,393.00 and a pay-out ratio of around 90.11% of retained earnings.

(13) Other provisions

Other provisions developed as follows:

	As of 1/1/2013	Utilisation	Reversal	Reclassification	Addition	As of 12/31/2013
Personnel						
Bonuses	60,502.60	34,194.11	0.00	0.00	141,098.53	167,407.02
Holiday entitlements	13,920.47	13,920.47	0.00	0.00	22,706.85	22,706.85
Contributions to employers' liability insurance	600.00	583.36	16.64	0.00	590.00	590.00
Personnel provisions, total	75,023.07	48,697.94	16.64	0.00	164,395.38	190,703.87
Miscellaneous						
Final billing settlement	133,272.87	88,458.24	9,338.43	20,340.04	101,485.22	116,621.38
Litigation	13,743.22	725.64	0.00	0.00	0.00	13,017.58
Ancillary cost estimation 2012/2013.....	74,835.08	72,943.24	0.00	0.00	34,007.89	35,899.73
Supervisory Board remuneration	27,116.16	26,759.18	356.98	0.00	32,992.00	32,992.00
Costs relating to the annual financial statements	106,117.60	93,708.51	4,417.09	0.00	68,410.40	76,402.40
Provision for anticipated losses in connection with interest rate swaps	427,804.99	0.00	0.00	0.00	1,350,579.40	1,778,384.39
Miscellaneous provisions, total	782,889.92	282,594.81	14,112.50	20,340.04	1,587,474.91	2,053,317.48
Other provisions, total	857,912.99	331,292.75	14,129.14	20,340.04	1,751,870.29	2,244,021.35

Supervisory Board remuneration also contains performance-related remuneration which is dependent on the planned dividend distribution. € 861,907.32 of the provisions are due within one year. The provision for the ineffective part of the hedging transaction increased due to the elimination of the valuation unit with the original underlying bank loan and is now updated via an annual re-valuation (see item 29).

(14) Liabilities to banks

Liabilities to banks comprise the following:

	12/31/2013	Previous year
Remaining term of up to one year	1,087,417.05	1,350,575.72
Remaining term of between one and five years	11,000,000.00	8,864,000.00
Remaining term of more than five years	<u>19,640,700.00</u>	<u>23,950,540.00</u>
Liabilities to banks, total	<u>31,728,117.05</u>	<u>34,165,115.72</u>
- of which covered by liens and similar rights	<u>31,728,117.05</u>	<u>34,165,115.72</u>

The balance sheet disclosures take into account accrued interest of € 83,294.59 (previous year: € 37,328.11).

On December 29, 2013, the loan for financing the Sparkassen portfolio at Westdeutsche Immobilienbank AG was restructured and extended by one year. Two loan tranches were agreed, of which the tranches are subject to fixed (€ 10,000 thousand) and variable (€ 14,641 thousand) interest. The base amount of the interest rate swap was reduced by € 19,730 to € 10,000 thousand. Costs for the partial termination of the swap totalling € 3,495 thousand were incurred.

The terms are as follows:

	Loan I Capital Bank, GRAWE Gruppe AG, Graz	Loan II Westdeutsche ImmobilienBank AG, Mainz	Loan III Westdeutsche ImmobilienBank AG, Mainz
Original loan amount	€ 7,000,000	€ 10,000,000	€ 14,640,700
As of 31.12.2013	€ 7,000,000	€ 10,000,000	€ 14,640,700
Repayment	No on-going repayment obligation	Quarterly repayments	Quarterly repayments
Maturity	30.06.2015	30.6.2019	30.6.2019
Interest	3-month EURIBOR plus 5% margin plus 1.5% p.a. Commitment commission on committed and unused parts of loans	Fixed interest rate of 2.55% over the entire term	3-month EURIBOR plus 1.27% margin
Collateralisation	Pledging all fund shares	Land charges for the acquired properties and cession of the rights from the rental agreements	Land charges for the acquired properties and cession of the rights from the rental agreements
Interest rate hedging	None	None	Swap concluded for € 10,000,000 with WIB at 4.94% against 3-month EURIBOR.
Covenants			
Lending limit (LTV)	n/a	LTV test every two years from 12/2009. The loan value may not exceed more than 75% of the market value of the property.	LTV test every two years from 12/2009. The loan value may not exceed more than 75% of the market value of the property.
Debt service capacity ratio (DSCR)	n/a	The anticipated net rental income must cover the debt service requirements by at least 120%. The initial calculation is made as of 30.06.2014. If this level is not met, a pledged fixed deposit account must be established to cover the difference or a suitably large repayment must be made.	The anticipated net rental income must cover the debt service requirements by at least 120%. The initial calculation is made as of 30.06.2014. If this level is not met, a pledged fixed deposit account must be established to cover the difference or a suitably large repayment must be made.

The covenants for Loan II and III were adhered to as of December 31, 2013.

(15) Accounts payable

The liabilities are due within one year and largely relate to services for valuing real estate as well as ongoing property-related expenses.

(16) Liabilities towards affiliated companies

Liabilities towards affiliated companies comprise the following:

	12/31/2013	Previous year
BBV 6 Geschäftsführungs-GmbH & Co. KG, Munich	41,000.00	34,282.89
BBV 14 Geschäftsführungs-GmbH & Co. KG, Munich	40,000.00	35,228.64
BBV 10 Geschäftsführungs-GmbH & Co. KG, Munich	39,000.00	33,280.03
BBV 3 Geschäftsführungs-GmbH & Co. KG, Munich	38,000.00	33,272.89
BBV 9 Geschäftsführungs-GmbH & Co. KG, Munich	38,000.00	34,290.03
GP Value Management GmbH, Munich	12,500.00	12,500.00
	<hr/>	<hr/>
Liabilities towards affiliated companies, total	<u>208,500.00</u>	<u>182,854.48</u>

This relates to loan liabilities towards general partners of the BBV fund totalling € 196,000.00 as well as an outstanding contribution at GP Value Management GmbH, Munich, totalling € 12,500.00. The loans are due to expire on December 31, 2014.

(17) Liabilities towards companies in which the company holds a participating interest

Liabilities towards participations comprise the following:

	12/31/2013	Previous year
IC Immobilien Service GmbH		
Sales commissions	38,288.25	3,391.50
Accounting	13,039.90	6,641.51
Rental commission	7,809.67	0.00
Property management	5,138.00	9,656.39
Other	4,349.45	0.00
BBV 09		
Transferred costs of DCF expert opinion 2011	<u>0.00</u>	<u>2,975.00</u>
Liabilities towards companies in which the company holds a participating interest, total	<u>68,625.27</u>	<u>22,664.40</u>

(18) Other liabilities

Other liabilities comprise the following:

	12/31/2013	Previous year
Debtors with credit balances	12,220.71	14,409.33
Other	1,831.70	22,454.84
Tax liabilities		
VAT	0.00	6,510.77
Other liabilities, total	<u>14,052.41</u>	<u>43,374.94</u>

The other liabilities are all due within one year.

(19) Contingent liabilities and pending litigation

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

(20) Other financial obligations

All major other financial obligations are listed below:

Contract for accounting services – A contract exists with IC Immobilien Service GmbH (ICIS), Unterschleißheim, regarding the provision of accounting services. The remuneration consists of a basic remuneration of € 100,000.00 net p.a. as well as a variable remuneration amounting to 0.25% of the actual rental income for the year proportionately attributable to Fair Value excluding ancillary income (determined pursuant to IFRS). The contract can be terminated with notice of six months required, on December 31, 2014.

Expenses of € 154,080.88 plus VAT were incurred in the financial year 2013.

Property management contract – Moreover, a service contract also exists with ICIS which obligates ICIS to manage the real estate directly held by the company. The annual remuneration is 3% of the actual annual rental income of the directly-held property excluding ancillary costs; refurbishment and renovation measures, new rental agreements as well as all further extra services are remunerated separately. The contract can be terminated with notice of six months required, on December 31, 2014.

The remuneration paid in the financial year 2013 totalled € 93,200.86 plus VAT. In addition, € 96,518.50 was paid for intermediation services as part of the sale of real estate, € 63,812.80 for project management as part of maintenance and renovation measures as well as € 6,562.75 plus VAT for arranging new rental agreements.

Agreement for consulting as part of media and investor communications – As of the balance sheet date, obligations totalling € 38,000.00 existed in relation to media and investor communication work.

Liability as a limited partner pursuant to Section 172 Para. 4 HGB – The personal liability of the company resumed with regards to its liability deposit with the fund companies BBV10 and BBV14 in line with Section 172 Para. 4 HGB as of the balance sheet date for € 1,625 thousand and € 1,660 thousand respectively.

Notes to the income statement

(21) Revenues

	2013	Previous year
Rent		
Sparkassen portfolio	2,974,731.00	3,241,158.95
Tenant cost allocations		
Sparkassen portfolio	689,874.62	585,582.38
Revenues, total	<u>3,664,605.62</u>	<u>3,826,741.33</u>

Tenant cost allocations for the past financial year rose by € 104,292.24. This is due to the ancillary cost estimates for the past financial year including higher additional charges for tenants than in the previous year.

(22) Real estate-related operating expenses

This relates exclusively to property-related expenses, which break down as follows:

	2013	Previous year
Depreciation		
on property, plant and equipment (land and buildings)	819,405.92	826,363.80
on property, plant and equipment (office and operating equipment)	179.64	179.52
on low-value assets	0.00	771.33
Energy costs and water consumption	289,252.57	230,334.04
Repairs and maintenance costs	138,894.35	75,120.54
Non-deductible VAT	133,664.85	89,512.22
Property taxes	128,581.69	134,615.93
Maintenance cost payments for partially-owned properties	91,838.39	81,324.75
Property management costs	89,200.86	99,581.10
Servicing and operating technical systems	38,455.17	21,466.84
Other property costs	37,421.92	36,741.38
Technical building maintenance	30,935.92	27,007.69
Garden maintenance / Cleaning	27,966.67	26,311.89
Street cleaning / Rubbish collection	26,474.90	23,057.78
Rental costs	6,090.00	25,924.43
Insurance	4,799.53	3,351.27
Real estate-related operating expenses, total	<u>1,863,162.38</u>	<u>1,701,664.51</u>

The higher repair and maintenance costs during the period under review contain expenses for project management as part of the renovation of an office property into a doctor's practice and health centre in Pinneberg. In addition, heating costs rose by € 58,918.53 in the past financial year due to an agreement with Sparkasse Südholstein in Neumünster which provides for Fair Value to cover this advance payment in full.

(23) General administrative expenses

	2013	Previous year
Personnel expenses		
Salaries	505,672.75	414,600.02
Social security contributions	32,183.13	30,365.76
Expenses for pension plans	<u>23,594.61</u>	<u>18,064.98</u>
Personnel expenses, total	561,450.49	463,030.76
Non-deductible VAT	180,455.04	165,245.59
Legal and consulting costs	162,186.02	217,778.80
Corporate services/accounting (ICIS)	154,080.88	146,336.06
Ongoing costs of listing and research	119,543.91	95,549.13
Costs of the audit of the annual financial statements	112,897.50	120,492.58
Costs relating to the annual report	101,656.08	100,930.48
Costs of the Annual General Meeting	47,091.13	45,203.82
Other insurance, contributions, fees	39,019.21	47,368.22
Rent incl. ancillary costs	33,156.00	33,531.00
Supervisory Board remuneration	32,992.00	27,116.16
Vehicle and travel costs	30,104.46	41,022.81
Advertising, promotional and hospitality costs	26,142.17	37,095.62
Valuation costs	25,577.66	98,268.81
Other	13,322.84	14,801.00
Depreciation/amortisation		
on property, plant and equipment (office and operating equipment)	1,902.72	1,230.26
on low-value assets	1,045.44	1,810.70
on intangible assets	<u>624.05</u>	<u>1,419.02</u>
Depreciation/amortisation, total	3,572.21	4,459.98
General administrative expenses, total	<u><u>1,643,247.60</u></u>	<u><u>1,658,230.82</u></u>

The rise in personnel expenses largely resulted from the dividend-based remuneration of the Management Board.

On average over the course of the year, next to the Management Board two people (2012: 2) were employed.

(24) Other operating income

	2013	Previous year
Income from the write-up of land and buildings	550,112.08	160,995.08
Income from the sale of assets	266,499.71	238,130.89
Income from the reversal of provisions	14,129.14	13,887.93
Recharging of costs or similar	9,263.86	18,821.79
	<hr/>	<hr/>
Other operating income, total	<u>840,004.79</u>	<u>431,835.69</u>

In the past financial year, income from the reversal of provisions relating to other periods was generated totalling € 14,129.14.

(25) Other operating expenses

	2013	Previous year
Write-downs on property, plant and equipment	385,143.32	223,081.50
Derecognition of receivables	24,540.37	183,958.90
Others	<u>701.98</u>	<u>0.00</u>
Other operating expenses, total	<u>410,385.67</u>	<u>407,040.40</u>

The write-downs on property, plant and equipment break down as € 319,056.00 from land and € 66,087.32 from the properties in Appen, Hauptstraße 56e and 56d, and Neumünster, Röntgenstr. 120. In the past financial year, expenditure relating to other periods from the derecognition of receivables was incurred totalling € 24,540.37.

(26) Income from participations and write-ups on financial assets

	2013	Previous year
Income from settlement credit		
BBV 09	6,079,687.40	0.00
Profit distribution		
BBV 14	1,017,500.00	612,122.98
BBV 09	511,100.00	511,100.00
IC15	215,586.52	215,586.52
BBV 10	0.00	364,100.00
Advance dividend distributions		
BBV 14	1,022,200.00	560,992.02
BBV 03	0.00	135,000.00
BBV 10	0.00	182,050.00
Income from the write-up of financial assets		
IC 13	196,578.14	715,000.00
BBV 02	54,259.15	63,000.00
IC 03	<u>0.00</u>	<u>208,000.00</u>
Income from participations and write-ups on financial assets, total	<u><u>9,096,911.21</u></u>	<u><u>3,566,951.52</u></u>

Income from participations includes € 0.00 (previous year: € 135,000.00) from affiliated companies. In the write-ups on financial assets, € 196,578.14 (previous year: € 923,000.00) related to affiliated companies.

Income from participations contains an amount totalling € 6,079,687.40, which represents the net from the preliminary settlement credit for BBV09 of € 11,628,176.62 less the carrying amount of the participation of € 5,548,489.22.

(27) Amortisation on financial assets

	2013	Previous year
Amortisation on financial assets		
IC 03	140,000.00	0.00
IC 01	<u>0.00</u>	<u>319,000.00</u>
Amortisation on financial assets and securities held as current assets, total	<u>140,000.00</u>	<u>319,000.00</u>

€ 140,000.00 (previous year: € 319,000.00) of the amortisation on financial assets related to affiliated companies.

(28) Interest income

	2013	Previous year
Swap settlement payment	-3,495,000.00	0.00
Interest and similar expenditure	-1,960,789.10	-2,235,168.05
Addition of provision for anticipated losses in connection with interest rate swaps	-1,350,579.40	-427,804.99
Other interest and similar income	4,966.77	7,857.15
Interest income, total	<u>-6,801,401.73</u>	<u>-2,655,115.8</u>

Interest income includes € 699.99 (previous year: € 3,049.98) from affiliated companies.

Interest expenses includes € 1,897.05 (previous year: € 1,354.48) from affiliated companies. Net expenses from the discounting of the pensions provision totalled € 1,302.00 (previous year: € 1,274.46).

Ongoing interest expenses fell year-on-year, mainly on the back of unscheduled repayments which totalled € 3,005,000.00 (previous year: € 2,122,300.00) during the past financial year.

(29) Derivative financial instruments and valuation units

As part of the company's interest rate management efforts, a derivative financial instrument is used. An interest rate swap exists with a base amount of € 10,000,000.00 (previous year: € 30,630,000.00) as of December 31, 2013, in which the variable interest rates linked to the 3-month Euribor are swapped for fixed interest rates of 4.94%. The negative market value as of the balance sheet date totalled € -1,778,384.39 (previous year: € -6,563,976.71). The valuation is made based on the present values of the future interest payment flows (discounted cash flow model).

On the back of the restructuring and extension of the financing of the Sparkassen portfolio, the valuation unit which existed as part of a microhedge was cancelled with the bank loan, so that the hedging transaction is to be viewed as ineffective overall. As a result, the provision for anticipated losses formed in the previous year was topped up to the total negative market value of the interest rate swap reduced to € 10,000.00 thousand.

(30) Taxes from earnings and income

Taxes from earnings and income relate to tax refunds from capital gains tax and solidarity tax from 2011.

(31) Total auditor's fee

This information is contained in the company's consolidated financial statements as of December 31, 2013.

(32) Remuneration of the Management Board and Supervisory Board

Management Board

The remuneration of the Management Board member Frank Schaich comprised the following for the financial years 2013 and 2012:

	2013	Previous year
Fixed remuneration		
Fixed salary	220,000.00	212,167.82
Benefits in kind and other	12,307.18	18,252.73
Contribution-based pension pledge	12,351.90	12,351.90
Variable remuneration	108,141.47	35,936.61
Interest on pension provision	-3,794.00	-3,500.34
Management Board remuneration, total	<u>349,006.55</u>	<u>275,208.72</u>

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 comprises the following:

	2013	Previous year
Determination of the variable remuneration pursuant to Section 3, Item a	93,255.72	23,313.93
of which virtual shares	45,515.14	11,055.39
of which cash pay-out amount	47,740.58	12,258.54
Determination of the variable remuneration pursuant to Section 3, Item b	9,187.62	12,622.00
Determination of the variable remuneration pursuant to Section 3, Item d	5,698.13	0.00
Variable remuneration, total	<u>108,141.47</u>	<u>35,936.61</u>

The virtual shares comprise the following:

in €	Virtual shares
Obligation	
Balance as of January 1, 2012	13,278.71
Additions	11,055.39
Balance as of December 31, 2012	24,334.10
Additions	45,515.14
Balance as of December 31, 2013	69,849.24
Valuation	
Balance as of January 1, 2012	0.00
Additions	231.89
Disposals	0.00
Balance as of December 31, 2012	231.89
Additions	2,699.56
Disposals	0.00
Balance as of December 31, 2013	2,931.45
Settlement amount	
Balance as of January 1, 2012	13,278.71
Balance as of December 31, 2012	24,565.99
Balance as of December 31, 2013	72,780.69

Virtual shares	Number
As of 1/1/2012	2,661.94
Additions	2,737.18
Disposals	0.00
As of 12/31/2012	5,399.12
Additions	9,012.90
Disposals	0.00
As of 12/31/2013	14,412.02

The variable remuneration components consist of:

- a. A dividend-based remuneration of 4% of the company's distributed dividend. The variable remuneration is paid subject to the discount of the share price in Xetra trading on the Frankfurt stock exchange at the consolidated balance sheet NAV either in cash or in virtual shares in Fair Value REIT-AG. The variable remuneration will be paid in virtual shares and not in cash to the amount of the percentage discount. The virtual

shares can be exchanged for cash, no sooner than two years after they have been granted, at the price then valid in XETRA trading.

- b. An additional cash bonus totalling 10% of the annual savings on company administration costs achieved is also paid. The basis for this calculation are 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 component is made after four years by comparing the market capitalisations 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

The members of the Supervisory Board were granted remuneration of € 32,992.00 (previous year: € 27,116.16) for the financial year 2013. No loans and advances were granted to members of the Supervisory Board; in addition, no contingent liabilities were entered into in favour of Supervisory Board members. For further details on the remuneration of the Management Board and Supervisory Board members, please refer to the information in the remuneration report (part of the management report).

(33) Composition and mandate of the Management Board and Supervisory Board

1. Supervisory Board

The following overview lists the members of the Supervisory Board of the company, their activities outside of the company as well as their work as directors at other companies during the last five years.

Name function in the Supervisory Board	Member since	Principal activity outside the company as well as other work as a director in similar domestic and foreign businesses	
Prof. Dr. Heinz Rehkugler Chairman of the Supervisory Board	October 2007	Since 1977	University professor (emeritus status since 2009)
		Since 2002	Deputy Chairman of the Supervisory Board of DIA Consulting AG, Freiburg
Dr. Oscar Kienzle Vice Chairman of the Supervisory Board	July 2007	Since July 2009	Management Board member of Günther Graf von Hardenberg Stiftung, Karlsruhe
		from August 2011 to April 2013	Supervisory Board Chairman of IC Immobilien Holding AG
		Since May 2013	Chairman of the Supervisory Board of GIEAG Immobilien AG
Christian Hopfer Member	July 2007	Since December 2012	Managing Director of Real Grundbesitz GmbH Unterschleißheim

2. Management Board

Name	Age	First appointed on	Currently appointed until
Frank Schaich, Banker	54	09/17/2007	09/30/2016

(34) Disclosures pursuant to Section 21 Para. 1 and Para. 1a WpHG / Section 11 Para. 5 REITG

a) Directly held interests

1. IC Immobilien Service GmbH, Unterschleißheim, notified us on January 16, 2008 that its proportion of voting rights totalled 6.34% (596,581 voting rights).
2. H.F.S. Zweitmarkt Invest 2 GmbH & Co. KG, Ebersberg, notified us on May 14, 2010 that its proportion of voting rights totalled 8.13% (764,992 voting rights).
3. H.F.S. Zweitmarkt Invest 3 GmbH & Co. KG, Ebersberg, notified us on May 14, 2010 that its proportion of voting rights totalled 7.44% (700,000 voting rights).
4. H.F.S. Zweitmarkt Invest 4 GmbH & Co. KG, Ebersberg, notified us on May 14, 2010 that its proportion of voting rights totalled 7.44% (700,000 voting rights).
5. H.F.S. Zweitmarkt Invest 5 GmbH & Co. KG, Ebersberg, notified us on May 14, 2010 that its proportion of voting rights totalled 7.44% (700,000 voting rights).
6. IFB Beteiligungen AG, Düsseldorf, notified us on January 18, 2008 that its proportion of voting rights totalled 5.44% (511,978 voting rights).
7. Bayerische Beamten Lebensversicherung a.G., Munich, notified us on January 21, 2008 that its proportion of voting rights totalled 3.76% (353,922 voting rights).
8. Michael Kollmann Vermögensverwaltung GmbH, Gelnhausen, notified us on December 23, 2013 that its proportion of voting rights had fallen below the 3% mark and totalled 2.18% (205,000 voting rights) as of December 20, 2013.

b) Directly and indirectly held interests

1. IC Immobilien Holding AG, Unterschleißheim, notified us on January 16, 2008 that its proportion of voting rights totalled 18.09% (1,701,476 voting rights). Of this amount 8.70% (818,057 voting rights) are attributable to it pursuant to Section 22 Para. 1 Sentence 1 no. 1 WpHG. Its attributed voting rights are held by the following companies which it controls and which hold a proportion of voting rights in Fair Value REIT-AG of 3% or more:

IC Immobilien Service GmbH

2. UniCredit S.p.A., Rome, notified us on May 14, 2010 that its proportion of voting rights totalled 32.41% (3,048,528 voting rights).

Of this amount 32.41% (3,048,528 voting rights) are attributable to it pursuant to Section 22 Para. 1 Sentence 1 no. 1 WpHG. Its attributed voting rights are held by the following companies which it controls and which hold a proportion of voting rights in Fair Value REIT-AG of 3% or more:

UniCredit Bank Aktiengesellschaft

Wealth Management Capital Holding GmbH

H.F.S. HYPO-Fondsbeteiligungen für Sachwerte GmbH

WealthCap Real Estate Management GmbH

H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG

H.F.S. Zweitmarkt Invest 2 GmbH & Co. KG

H.F.S. Zweitmarkt Invest 3 GmbH & Co. KG

H.F.S. Zweitmarkt Invest 4 GmbH & Co. KG

H.F.S. Zweitmarkt Invest 5 GmbH & Co. KG

3. UniCredit Bank Aktiengesellschaft (formerly Bayerische Hypo- und Vereinsbank Aktiengesellschaft), München, notified us on May 14, 2010 that its proportion of voting rights totalled 32.41% (3,048,528 voting rights).

Of this amount 32.41% (3,048,528 voting rights) are attributable to it pursuant to Section 22 Para. 1 Sentence 1 no. 1 WpHG. Its attributed voting rights are held by the following companies which it controls and which hold a proportion of voting rights in Fair Value REIT-AG of 3% or more:

Wealth Management Capital Holding GmbH

H.F.S. HYPO-Fondsbeteiligungen für Sachwerte GmbH

WealthCap Real Estate Management GmbH

H.F.S Zweitmarktfonds Deutschland 2 GmbH & Co. KG

H.F.S Zweitmarkt Invest 2 GmbH & Co. KG

H.F.S Zweitmarkt Invest 3 GmbH & Co. KG

H.F.S Zweitmarkt Invest 4 GmbH & Co. KG

H.F.S Zweitmarkt Invest 5 GmbH & Co. KG

4. Wealth Management Capital Holding GmbH, Munich, notified us on May 14, 2010 that its proportion of voting rights totalled 30.46% (2,864,992 voting rights).

Of this amount 32.41% (3,048,528 voting rights) are attributable to it pursuant to Section 22 Para. 1 Sentence 1 no. 1 WpHG. Its attributed voting rights are held by the following companies which it controls and which hold a proportion of voting rights in Fair Value REIT-AG of 3% or more:

H.F.S. HYPO-Fondsbeteiligungen für Sachwerte GmbH

WealthCap Real Estate Management GmbH

H.F.S Zweitmarktfonds Deutschland 2 GmbH & Co. KG

H.F.S Zweitmarkt Invest 2 GmbH & Co. KG

H.F.S Zweitmarkt Invest 3 GmbH & Co. KG

H.F.S Zweitmarkt Invest 4 GmbH & Co. KG

H.F.S Zweitmarkt Invest 5 GmbH & Co. KG

5. H.F.S. HYPO-Fondsbeteiligungen für Sachwerte GmbH, Munich, notified us on May 14, 2010 that its proportion of voting rights totalled 32.41% (3,048,528 voting rights).

Of this amount 32.41% (3,048,528 voting rights) are attributable to it pursuant to Section 22 Para. 1 Sentence 1 no. 1 WpHG. Its attributed voting rights are held by the following companies which it controls and which hold a proportion of voting rights in Fair Value REIT-AG of 3% or more:

WealthCap Real Estate Management GmbH

H.F.S Zweitmarktfonds Deutschland 2 GmbH & Co. KG

H.F.S Zweitmarkt Invest 2 GmbH & Co. KG

H.F.S Zweitmarkt Invest 3 GmbH & Co. KG

H.F.S Zweitmarkt Invest 4 GmbH & Co. KG

H.F.S Zweitmarkt Invest 5 GmbH & Co. KG

6. WealthCap Real Estate Management GmbH, Munich, and AMMS Komplementär GmbH, Ebersberg, notified us on May 14, 2010 that their proportions of voting rights totalled 32.41% (3,048,528 voting rights).

Of this amount 32.41% (3,048,528 voting rights) are attributable to them pursuant to Section 22 Para. 1 Sentence 1 no. 1 WpHG. Their attributed voting rights are held by the following companies which they control and which hold a proportion of voting rights in Fair Value REIT-AG of 3% or more:

H.F.S Zweitmarktfonds Deutschland 2 GmbH & Co. KG
H.F.S Zweitmarkt Invest 2 GmbH & Co. KG
H.F.S Zweitmarkt Invest 3 GmbH & Co. KG
H.F.S Zweitmarkt Invest 4 GmbH & Co. KG
H.F.S Zweitmarkt Invest 5 GmbH & Co. KG

7. H.F.S Zweitmarktfonds Deutschland 2 GmbH & Co. KG, Ebersberg, notified us on February 19, 2008 that its proportion of voting rights totalled 30.46% (2,864,992 voting rights).

Of this amount 30.46% (2,864,992 voting rights) are attributable to it pursuant to Section 22 Para. 1 Sentence 1 no. 1 WpHG. Its attributed voting rights are held by the following companies which it controls and which hold a proportion of voting rights in Fair Value REIT-AG of 3% or more:

H.F.S Zweitmarkt Invest 2 GmbH & Co. KG
H.F.S Zweitmarkt Invest 3 GmbH & Co. KG
H.F.S Zweitmarkt Invest 4 GmbH & Co. KG
H.F.S Zweitmarkt Invest 5 GmbH & Co. KG

(35) Consolidated financial statements

The company prepares its consolidated financial statements according to IFRS. The consolidated financial statements are published on the company website and submitted to the operator of the electronic Federal Gazette.

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

On January 15, 2013, the Management and Supervisory Boards issued the latest declaration of conformity within the meaning of Section 161 of the AktG. This declaration was made permanently accessible to shareholders on the company's website ([www.fvreit.de/Investor Relations/Corporate Governance/Entsprechenserklärung](http://www.fvreit.de/Investor_Relations/Corporate_Governance/Entsprechenserklärung)).

(37) Declaration by the legal representative

To the best of my knowledge, I declare that, according to the principles of proper reporting applied, the annual financial statements provide a true and fair view of the company's net assets, financial position and results of operations, that the management interim report presents the company's business including the results and the company's position such as to provide a true and fair view and that the major opportunities and risks of the company's anticipated growth for the remaining financial year are described.

Munich, March 20, 2014

Fair Value REIT-AG, Munich

Frank Schaich

Management Report
of Fair Value REIT-AG
as of December 31, 2013

BASIC COMPANY INFORMATION

Company 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 is based on declaration made by the Management Board regarding compliance with the requirements of Sections 11 and 13 at Fair Value REIT-AG level (distribution of shares and minimum distribution) as well as Sections 12, 14 and 15 (asset and income requirements, exclusion of property trading and compliance with the minimum equity capital requirement) at Group level. As in previous years, Fair Value REIT-AG fulfilled all the requirements of the REIT Act as of December 31, 2013.

REIT-G	Criteria	Requirement	Actual Fair Value 12/31/2013	Actual Fair Value 12/31/2012
§ 11	Free float – Non-consolidated financial statements	At least 15%	39.4%	36.4%
§ 12, para. 2a	Asset requirements – Group	At least 75%	90.2%	95.3%
§ 12, para. 2a	Income requirements – Group	At least 75%	100.0%	100.0%
§ 13	Minimum distribution to shareholders – Non-consolidated financial statement	At least 90%	92.6%	96.6%
§ 14	Exclusion of real estate trading – Group	Max. 50%	23.1%	17.2%
§ 15	Minimum equity requirement – Group	Min. 45%	47.1%	52.6%*

* Before changing the scope of consolidation as part of the first-time adoption of IFRS 10

Business model

Fair Value REIT-AG 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 in the areas of commercial and technical property management as well as accounting are outsourced to external service providers, which receive partly fixed and partly performance-related variable remuneration. The company's fixed costs are kept to the required minimum level thanks to the streamlined organisational structure.

Taking into account the trade limitations of the REIT Act, the strategy also encompasses the targeted sales of individual portfolio properties. Here, smaller properties and non-strategic real estate at participations are the focus. The successive liquidation of property-owning companies allows for savings of company-related management costs, reduces the complexity of the business model and is aimed at successively expanding the proportion of directly-held properties in the portfolio as a whole from the current 23% to over 50%.

Portfolio

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

The fall of € 151 million compared to the previous year, which is equivalent to a 33% reduction over the previous year figure, resulted 71% or € 107 million from the disposal of a cancelled limited partner interest in the participation BBV 9 which holds a portfolio of five properties, around € 31 million or 20% from sales of 11 directly and indirectly held properties, and around € 13 million or 9% from valuation losses in the portfolio as of December 31, 2013.

Direct investments

As of the balance sheet date, the company directly owned 19 commercial properties (previous year: 25), the majority of which are used as bank branch offices, in Schleswig-Holstein with lettable space totalling 34,407 m² (previous year: 39,468 m²). Based on individual appraisals, the market values of these properties as of the balance sheet date was determined to total around € 38.4 million. They are therefore almost on a par with the comparable (like-for-like) figure from the previous year of € 38.5 million.

On the back of letting successes and index adjustments, the contractual rents of these properties as of the balance sheet date totalling € 2.8 million were more than 5% up on the like-for-like previous year figure of € 2.6 million. This represents an income-weighted occupancy rate of 98.6% of the potential rent in the case of full occupancy (previous year portfolio, like-for-like: 94.7%).

In the past financial year, six directly-held properties were sold. The total sale price of around € 5.6 million was approx. 7% up on the market values of these properties determined as of December 31, 2012 (around € 5.2 million).

Participations

The company holds participations in a total of 10 real estate partnerships (previous year: 12 partnerships), five management partnerships and one general partner GmbH (see Note 5). This translates as 11 affiliated companies and five participations. The proportion of voting rights at the participations is below 50%.

Affiliated companies

In the past financial year, three properties were sold by affiliated companies. The total sale price of around € 7.1 million was approx. 5% down on the market values of these properties as of December 31, 2012 (around € 7.4 million). On the back of these sales, an affiliated company can be dissolved in the financial year 2014.

Affiliated companies therefore currently hold 14 properties (previous year: 17 properties) in the portfolio. The total lettable space of these properties is 102,900 m² (previous year: around 117,100 m²). The market values of the properties held by the affiliated companies totalling € 72.1 million as of December 31, 2013 was down 4.5% on the like-for-like figure of € 75.5 million from the previous year.

The fall in value of the properties at the affiliated companies was 80% due to the valuation of the hotel property in Hannover sold in January 2014 with the agreed sale price.

The contractual rents as of the balance sheet date totalling € 6.7 million were 3% up on the like-for-like previous year figure € 6.5 million following letting successes and index adjustments. This represents an income-weighted occupancy rate of 93.8% of the potential rent in the case of full occupancy (previous year portfolio, like-for-like: 93.1%).

Participations

In the past financial year, two properties were sold by participations. The total sale price of around € 18.5 million was approx. 3% up on the market values of these properties as of December 31, 2012 (around € 18.0 million).

Moreover, as of December 31, 2013, Fair Value REIT-AG cancelled its partner interest in the participation BBV 9, which holds five properties with a total lettable area of around 88,570 m² in its portfolio. As part of the cancellation, Fair Value REIT-AG has an interest-bearing receivable as of the balance sheet date in the amount of the proportionate net asset of the company totalling € 11.6 million (previous year carrying amount: around € 5.5 million), which is due at the latest during the financial year 2016.

Participations therefore currently hold 16 properties (previous year: 23 properties) with a total lettable area of around 158,488 m² (previous year: 260,000 m²). The market value of these properties was calculated at a total of € 201.2 million as of December 31, 2013. This amount is 4.5% down on the € 210.7 million reported in the previous year.

The valuation reduction is largely a direct result of the Praktiker insolvency and relates to the estimated vacancy and follow-up rental costs for the affected properties in Celle and Eisenhüttenstadt.

The contractual rents of the portfolio at participations totalling € 17.0 million were 3% down on the like-for-like previous year figure of € 17.6 million as of the balance sheet date. This represents an income-weighted occupancy rate of 92.2% of the potential rent in the case of full occupancy (previous year portfolio, like-for-like: 93.1%).

Aims and strategy

Fair Value REIT-AG strives to increase the dividend pay-outs to its shareholders to a sustainable level of at least 50% of operating profit at Group level (FFO or Funds from operations). The proposed dividend for the past financial year was able to be increased from the originally forecast 0.12 € per share (20% of FFO) to 0.25 € per share (36% of FFO). The target distribution ratio of at least 50% of FFO should be achieved by 2016.

The company aims to deliver on this target by continuing its existing strategy, which has proved successful up to now, of making specific sales of individual directly-held and participation-held portfolio properties to strengthen the equity base, cut financing and administration costs and at the same time create scope for new investments and re-investments.

The cash inflows from future sales are to be used to repay liabilities to banks, expand the portion of real estate directly owned by the company as well as further expand the interests in participations, to the extent that these cash inflows are not reserved for dividend pay-outs.

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

Independently of this, the Management Board is continuing the existing focus on secondary and regional locations. As part of this, the market value-related, geographic distribution of the existing portfolio across the German federal states should gradually come to reflect the distribution of overall economic value creation. In line with this, future investments are to be preferably made in the growth regions in Bavaria, Baden-Württemberg and Rhineland-Palatinate which have not yet been or are no longer represented within the portfolio.

Management and control

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

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

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

Management system

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

The management system at Fair Value REIT-AG is based on rolling five-year forecasts for individual properties in the directly-held real estate portfolio as well as for real estate held by

affiliated companies. Fair Value REIT-AG is also incorporated, on the basis of the same information, into the budget and management process of the properties held indirectly in the minority interests.

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, service charges, maintenance costs and investments.

Research and development

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

BUSINESS REPORT

Macroeconomic and sector-specific conditions

Summary

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

Macroeconomic situation

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

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

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

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

Sources:

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

Real estate market in Germany

The leasing market

Office space

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

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

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

Retail space

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

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

The investment market

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

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

Sources: Jones Lang LaSalle

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

Overall statement on the development of business by the management

With rental business slightly better than forecast, the company achieved net income of around € 2.7 million in the financial year 2013, which was approximately 153% up on the previous year figure of around € 1.1 million on the back of one-off effects.

Net sales in the financial year were around 4% down on the previous year after property sales during the year, but at around € 3.7 million still slightly higher than anticipated. Real estate-related expenses including scheduled depreciation totalled € 1.9 million and were therefore as expected. Net rental income came in at € 1.8 million, around € 0.3 million down on the previous year figure, but 6% up on the forecast.

The increase in net income mostly resulted from higher income from participations which offset increased interest cost and similar expenditure.

Income from participations contained income from the settlement credit for a cancelled participation totalling € 6.1 million, which was central to the increase in income from participations and write-ups on financial assets to € 9.1 million from € 3.6 million in the previous year.

On the back of a refinancing and extension of the loan for the directly-held real estate, the valuation unit of an interest rate swap transaction with a notional amount of around € 30 million ceased to exist with the underlying transaction. On the back of this, a partial termination of the interest rate swap by around € 20 million was carried out, resulting in expenses of € 3.5 million. The existing provision for anticipated losses was increased by € 1.4 million (previous year expenses: € 0.4 million) for the remaining interest rate swap with a notional amount of € 10 million. Given the reduced ongoing interest expenses, interest expenses rose by € 4.1 million over the previous year.

On the back of property sales and one-off payments, the company balance sheet equity ratio rose from 59% in the previous year to 61% of total assets. Thanks to the one-year extension of financing for the directly-held properties, the average remaining term of liabilities to banks remained on a par with the previous year at around 5 years.

The financial year 2013 was therefore very positive overall and substantially better than anticipated. The one-off effects described not only allowed the company to more than double its proposed dividend to € 0.25 per share compared to original planning, but also form a solid basis for dividends of that amount in the years ahead.

Income, financial and net asset position

Income position

Analysis of P&L	2013	2012	Change	
€ thousand	in € thousand		in %	
Rental income	2,975	3,241	-266	-8%
Income from operating and incidental costs	690	586	104	18%
Total revenues	3,665	3,827	-162	-4%
Real estate-related expenses	-1,863	-1,702	-161	-9%
Net rental income	1,801	2,125	-324	-15%
General administrative expenses	-1,643	-1,658	15	1%
Other income and expenses	430	25	405	n/a
Operating result	588	492	96	20%
Income from participations	9,097	3,567	5,530	155%
Amortisation on financial assets	-140	-319	179	56%
Net interest expenses	-1,956	-2,227	-271	-12%
Swap settlement payment / provision for anticipated losses in relation to interest	-4,845	-428	4,417	n/a
Net income	2,744	1,084	1,660	153%
Allocation to other reserves (Section 13 REITG)	-225	-119	-106	-89%
Profit carried forward	63	30	33	106%
Retained earnings	2,582	996	1,586	159%

Due to property sales, rental income was around 8% down on the previous year figure. This fall is offset by higher ancillary income, so that net sales of € 3.7 million were only 4% down on the previous year figure. The rise in real estate-related expenses by € 0.2 million or 9% mainly resulted from a rise in energy costs and increased maintenance expenses, making up around 40% of the change respectively.

The € 0.3 million or 15% fall in net rental income was compensated by a rise in the balance of other operating income and expenses by € 0.4 million on the back of almost unchanged general administrative expenses of around € 1.6 million. The rise in other operating income resulted from capital gains in connection with the sale of six directly-held properties as well as from a positive balance of write-ups and write-downs on directly-held land and buildings. The operating result of € 0.6 million was therefore around € 0.1 million up on the previous year figure.

Income from participations of € 9.1 million was € 5.5 million or 155% higher than the € 3.6 million reported in the previous year. This rise mainly resulted from income from the settlement credit for the cancelled participation. The compensation amount, which was higher than the carrying amount, totalled € 6.1 million. Amortisation on financial assets came in at € 0.1 million and was therefore € 0.2 million down on the previous year.

Ongoing net interest expenses were recorded at € 2.0 million, around 12% down on the previous year figure. Moreover, expenses of € 4.8 million (previous year: € 0.4 million) were incurred for the formation of provisions for anticipated losses and termination costs for interest hedging transactions, the valuation unit of which no longer existed with the underlying loan.

The background to this is the replacement of the loan for financing the directly-held real estate as of December 29, 2013 with a new loan in two tranches, the period of which is one year longer than the previous agreement, now extending up to June 30, 2019. This resulted in the termination of the valuation unit of the existing interest hedging transaction with the underlying liability.

A provision for anticipated losses was therefore formed for the negative market value of the interest hedging transaction. However, before the balance sheet date, around two thirds of the notional amount of the interest hedging transaction was terminated against a settlement payment of € 3.5 million recognised in profit or loss. The provision for anticipated losses for the negative market value of the remaining notional sum of € 10.0 million totalled € 1.8 million on the balance sheet date; for this, the provision for anticipated losses of € 0.4 million already formed in the previous year was topped up by a further € 1.4 million which is recognized in profit and loss.

On the back of this, net income came in at € 2.7 million and was therefore € 1.7 million, or 153%, higher than the € 1.1 million reported in the previous year.

Following a proposal from the Management Board, the company is forming a reinvestment reserve of around € 0.2 million pursuant to Section 13 REITG. This corresponds with almost 50% of the profit achieved from the sale of six directly-held properties before sale-related costs.

Taking into account the profit carried forward from the previous year, from the retained earnings of € 2.6 million (previous year: € 1.0 million) around € 2.3 million (previous year: € 0.9 million) is to be paid out following a resolution of the Annual General Meeting as of May 27, 2014.

This pay-out corresponds with a dividend of € 0.25 (previous year: € 0.10) per share in circulation. The remaining retained earnings of around € 0.3 million are to be carried forward to new account. The distribution rate of around 92.6% of net income according to German commercial law modified in line with Section 13 (1) REITG therefore fulfils the requirement of the REIT Act for distribution of at least 90%.

Financial and net asset position

Assets

	December 31				Change	
	2013	in %	2012	in %	€ thousand	in %
Non-current assets	72,913	83	84,577	99	-11,664	-14
Current assets	14,698	17	2,087	1	12,611	604
Other	133	0	193	0	-60	-31
Total assets	87,744		86,856		888	1

Non-current assets of € 72.9 million fell by € 11.7 million year-on-year and represented 83% of assets on the balance sheet date (previous year: € 84.6 million or 99%). This comprises 52% property, plant and equipment in the form of directly-owned real estate and 48% carrying amounts of participations.

The carrying amount of property, plant and equipment came in at € 38.3 million and was therefore € 5.2 million or 12% down on the € 43.4 million reported in the previous year. The fall resulted from the disposal of six sold properties and the balance of write-ups, write-downs and scheduled depreciation. Moreover, in the financial year 2013, further costs to be capitalised were incurred for the renovation of an office property into a doctor's practice and health centre totalling € 0.8 million, € 0.2 million of which were to be written down. No further investments were made. No investment plans existed as of the balance sheet date.

The carrying amount of the participations came in at € 34.7 million and was therefore € 6.4 million or 16% down on the € 41.1 million reported in the previous year. The fall mainly resulted from the disposal of the cancelled participation as well as additions after limited partnership interest purchases in the so-called secondary market.

Current assets rose by € 12.6 million in the year under review to € 14.7 million (previous year: € 2.1 million). Of this amount, € 0.7 million related to credit with banks (previous year: € 1.0 million), while € 14.0 million related to receivables and other assets (previous year: € 1.1 million). The purchase price claim of around € 2.0 million contained in other assets for the property in Kaltenkirchen sold at the end of 2013 was settled in January 2014. The settlement for the cancelled participation BBV 9 totalling € 11.6 million is due at the earliest 6 months after determination and after that is subject to 4% p.a. and p.r.t. interest in favour of the company until the final maturity date in 2016.

Total assets therefore increased by around 1% compared to the previous year to € 87.7 million (previous year: € 86.9 million).

Equity and liabilities

	December 31				Change	
	2013	in %	2012	in %	€ thousand	in %
Total equity	53,289	61	51,478	59	1,811	4
Provisions	2,244	3	858	1	1,386	162
Liabilities + deferred credit items	32,211	37	34,520	40	-2,309	-7
Total equity and liabilities	87,744	100	86,856	100	888	1

As of balance sheet date, 61% (previous year: 59%) of assets were financed by equity and 39% (previous year: 41%) by liabilities and provisions.

As of the balance sheet date, liabilities to banks totalled € 31.7 million compared to € 34.2 million last year. Of this amount, € 1.0 million or 3% (previous year: € 1.4 million or 4%) are due within one year.

The credit line of Capital Bank, GRAWE Group AG, Graz totalling € 7.0 million has been completely used (around € 5.0 million of which was used in the previous year). The loan with a term until June 30, 2015 is subject to interest set at the 3-month EURIBOR rate plus a margin of 500 bp. Commitment interest of 1.5% p.a. and p.r.t. has to be paid for unused partial amounts. There are no on-going repayment obligations. However, the loan can be fully or partially cancelled or repaid before maturity with a six-week cancellation period up to

the end of the following quarter. There are no requirements for a lending limit or debt servicing capacities. All interests in the existing limited partnerships were pledged as collateral to Capital Bank. Pay-outs relating to the settlement credit at BBV 9 are to be used to repay the loan in the partial amount of around € 1 million.

The collateralised loan from WIB Westdeutsche Immobilienbank for financing the Sparkassen portfolio totalling around € 24.6 million (originally € 33.7 million) was replaced by a new loan in two tranches effective as of December 30, 2013. The term of the new loan has been extended by one year over the previous loan up until June 30, 2019.

For tranche I totalling € 10.0 million, a fixed interest rate over the 5.5 years until the expiry of the loan of 2.55% p.a. and p.r.t. was agreed; the repayment is a stable € 0.4 million p.a. Tranche II encompassing € 14.6 million is subject to interest rates linked to the 3-month EURIBOR rate plus a margin of 127 bp; the proportional repayment of tranche II encompasses € 0.6 million p.a.

The required debt service coverage ratio (DSCR) was increased from the previous 110% of the total of interest and repayments to 120%. The ratio of loan values and market values of the real estate (LTV ratio) remained unchanged to the previous loan at a maximum of 75%. Both conditions were adhered to as of the balance sheet date.

In certain cases, the company uses derivative financial instruments to hedge debt service fluctuations for loans with variable interest rates (interest rate hedges). As part of this, in 2008 the company selected to hedge the interest rate level of the long-term final financing of the directly-held real estate via a swap transaction with an initial notional amount of € 33.7 million and a term up to June 29, 2018; the transaction involved the swapping of the respective 3-month EURIBOR rate for a fixed interest rate of 4.94% p.a.

As of December 20, 2013, around € 20.0 million of the notional amount of the interest rate swap of approximately € 30.0 million was terminated following the payment of a termination fee of around € 3.5 million including accrued interest. More detailed information on the conditions of the loan and the interest hedging transaction is provided in the Notes (no. 14 and no. 29) to the annual financial statements.

EVENTS AFTER THE REPORTING PERIOD

As of January 28, 2014, € 5.0 million of the remaining notional sum of the interest swap of € 10.0 million was terminated following the payment of a termination fee of around € 0.9 million including accrued interest.

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

The shareholder meeting of the affiliated company BBV 06 in January approved the sale of the hotel property to a company belonging to the hotel operator for a sale price of € 17.0 million. The transfer of ownership, risks and benefits took place on February 1, 2014 after the payment of the sale price into an account maintained by the notary. The sale price was used in full to repay liabilities to banks at the affiliated company.

On March 14, 2014, the subsidiary BBV 03 sold the property in Weyhe-Leeste for €2.86 million to local private investors. The transfer of ownership, risks and benefits will take place on May 1, 2014 after the payment of the sale price into an account maintained by the notary. On the back of the absence of liabilities to banks, the sale price initially increases Group

liquidity and will thereafter be paid out to shareholders. The pay-out entitled to Fair Value REIT-AG totals €1.5 million.

FORECAST

Economic situation and industry outlook

Summary

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

Macroeconomic situation

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

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

Rental markets

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

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

Investment market

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

Sources:

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

Anticipated earnings position

The following forecast for the financial year 2014 is based on the property-based budget of income and expenses of the real estate in the directly-held and participation-held portfolios as well as on the corporate budgets of Fair Value REIT-AG and its participations.

If income cannot be derived from contractual rent for the full year, rental space-specific assumptions for the probability of contract extensions and vacancy periods have been made.

The same applies for the likely rental costs contained in real estate-related operating expenses. The budgeted maintenance expenses are largely based on specifically planned measures or otherwise on flat-rate empirical figures. The operating costs of the properties were carried forward on an indexed basis based on the previous year figures.

Taking into account the wide range of portfolio effects resulting from 47 properties (providing for the sales in the financial year 2014 outlined in the “Events after the reporting period” section), the budgeted property-related expenses for maintenance and rental were based on empirical values, corrected with a respective flat-rate deduction of 25% recognised in profit or loss.

Possible one-off effects from market valuations were not taken into account. With the exception of the properties in Henstedt-Ulzburg (directly-held) and Hannover (affiliated company BBV 06) already disposed in 2014, the figures are based on an assumed unchanged real estate portfolio.

€ million	2013	2014e
Total revenues	3.7	3.5
Real estate-related operating expenses incl. depreciation of properties	-1.9	-1.5
Net rental result	1.8	2.0
General administrative expenses	-1.6	-1.4
Operating result	0.6*	0.6
Income from participations	9.0	1.4
Net interest expenses (2013 incl. addition of provision for anticipated losses)	-6.8	-1.0
Net income pursuant to HGB	2.7	1.0
Reserve pursuant to Section 13 (3) REITG	-0.2	0.3
Modified net income pursuant to Section 13 (1) REITG	2.5	1.3

*Inclusive other operating result in the amount of 0.4

For 2014, the Management Board is anticipating net sales of € 3.5 million or 5% down on the previous year level (€ 3.7 million) on the back of property sales.

Thanks to the reduction in real estate-related expenses, net rental income of € 2.0 million is expected, around 11% up on the € 1.8 million reported in the previous year. After deducting slightly decreased administrative expenses, the operating result in 2014 should be on a par with the previous year figure of € 0.6 million in line with budget.

The forecast income from participations according to German commercial law of € 1.4 million is substantially below the previous year figure, which was boosted by a one-off effect. However, this reduction can be largely compensated for by substantially reduced net interest expenses.

The net interest expenses of € 1.0 million planned for 2014 are, with regards to the variably financed loan, based on the assumption of a 3-month EURIBOR rate of 0.3% p.a. for the current financial year. The partial reduction in the interest rate swap completed in January 2014 was also taken into account, as was the assumption of a complete termination of the remaining interest rate swap of € 5.0 million as of the end of June 2014. If this measure is not

carried out to this point in time or at another date during the year, net interest expenses would rise by around € 0.1 million.

The Management Board is planning dividend pay-outs for 2014 of € 0.25 per currently issued share, which corresponds with around 46% of the FFO anticipated on Group level for 2014 of € 0.54 per share.

To achieve this, the figures in the table above for net income pursuant to HGB for 2014 of € 1.3 million in line with Section 13 (1) and retained earnings have to come in roughly € 1.0 million higher at around € 2.3 million. This increase can stem from the profit carried forward from 2013 totalling € 0.3 million as well as the currently uncertain higher income or lower expenses, or via withdrawals from the capital reserve.

Due to the forecasts provided here, the Management Board expects that Fair Value REIT-AG will also fulfil the income and asset-related requirements of the REIT Act as of December 31, 2014.

Anticipated financial position

As of the end of 2013, current assets had increased from 6% to 46% of liabilities year-on-year, which was substantially above the assumptions made in the forecast at the start of the past financial year.

The around € 11.6 million rise is 80% due to the receivable for the pay-out of the settlement credit for the terminated participation at BBV 9, which is due in 2016 at the latest. The Management Board plans to use around 60% of the settlement credit for the full repayment of the loan to Capital Bank totalling € 7.0 million. If by the expiry of the agreed loan period on June 30, 2015 less than 60% of the settlement credit has been paid out, the Management Board anticipates the possibility of extending the loan period.

Moreover, the Management Board plans to control the company liquidity so that as of the end of 2014 freely available bank credit of between € 0.8 million and € 1.0 million is available and the expected cash flows for the following months allow the 2014 dividend pay-out targeted for the following year.

Liabilities to banks will be reduced by roughly 9% with scheduled repayments and (already executed) sales-related unscheduled repayments to around € 28.8 million.

Opportunities and overall statement of the management on the expected development of the company

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

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

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

RISK REPORT

Risk Management System

Objectives, Principles and Methods of Risk Management

The risk management system of Fair Value REIT-AG is an integral part of the management and control system of the Fair Value Group. It enables all risks relevant to the business activities of Fair Value to be identified as early as possible, analysed, evaluated and managed. As part of this, opportunities are not continuously monitored.

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

The service provider supports the management of Fair Value in the identification, notification, assessment and management of current and potential risks. Risk control and reporting are carried out centrally by the management of Fair Value REIT-AG. This ensures that the Management Board is informed in a timely manner of all significant risks in order to initiate appropriate measures. The Management Board believes that no material risks for the Group exist which are not identified by risk management and which can be fundamentally avoided.

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

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

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

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

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

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

The accounting procedures of the Group are monitored by ICIS and Fair Value REIT-AG using an effective internal control system which ensures the accuracy of the Group's accounting and its compliance with statutory provisions. Key aspects in this respect include clear allocation of responsibilities and controls using the four-eye principle and the separation

of functions principle. Furthermore, it is important to set up appropriate access control for computer systems used in the preparation of financial statements and to take into account the risks which have been identified and assessed.

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

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

Other risk management systems

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

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

Risk control An essential part of risk control is the aforementioned reporting, which forms a basis for the definition, evaluation and documentation of individual risks. The assessment of the individual risks is recorded in the risk inventory. The risk inventory is the basis for risk control decisions and shows the overall risk exposure of the Fair Value Group. Early warning indicators are defined for individual risks and these provide information on their possible development. In addition to the early warning indicators, thresholds are defined, which, if exceeded, trigger immediate reports to the Management Board.

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

Individual Risks

Economic and Industry Risks

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

Corporate Strategy Risks

In essence, corporate strategy risks involve the inaccurate assessment of future market developments, and the affiliated 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.

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).

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

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

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

Personnel Risks Fair Value could lose members of its Management Board and staff, or it might be unable to replace staff with suitably qualified new employees.

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

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

Financial Risks

Investment Risks

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

Due Diligence

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

Sales

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

Risks from Financing Activities

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

Equity

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

Liquidity

The liquidity of Fair Value REIT-AG is different from the liquidity ratio of the Fair Value Group. It is dependent on regular income from properties held directly as well as inflows from subsidiaries and affiliated companies less property management, administration and financing costs as well as amortization and depreciation.

There is a risk that the Company does not have sufficient liquidity available to it to fulfil the on-going obligations up to the pay-out of the legally prescribed minimum dividend at every point during the year.

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

Financial liabilities

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

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

There is also a general interest rate risk. In addition to the interest rate risk, there is the risk of increasing bank refinancing costs ("funding costs") and therefore rising bank margins.

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

Risks from the use of hedging instruments

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

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 it nor its participations qualify as investment funds.

Nevertheless, the risk exists that BaFin or a court could hold 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 administrative 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 the ongoing additional internal expenses to be at least € 200 thousand per year. No empirical values are available for estimating the external additional expenses.

Risks for REIT-AG's

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

Risks Related to the REIT Status

Non-compliance with the provisions of the REIT Act may lead to an immediate loss of the tax exemption. In the case of non-compliance, fines may be imposed, while in some cases, there may be no direct consequences. However, in the case of repeated violations there is a real risk of the Company losing its tax exemption status. Depending on the circumstances, this could lead to tax arrears and significant cash outflows. If Fair Value REIT-AG were not able to manage to maintain its REIT status, this could have a negative effect on its competitive position. In addition, a loss of the REIT status is likely to result in shareholder compensation claims against Fair Value REIT-AG.

Overall Assessment of the Company's Risk situation

Assessment of the risk situation by the Management Board

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

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

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

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

The maximum risks for Fair Value REIT-AG totalled around €2.0 million using this approach. Thereof €1.9 million or 95% of these are non-cash valuation risks.

The weighted net risks affecting cash add up to a total of €0.7 million.

At the affiliated companies, the maximum risks totalled around € 15.8 million after deducting minority interests. Of this amount, € 11.7 million or 74% are non-cash valuation risks and around € 1.7 million or 11% relate to the risk that liability at an affiliated company is reactivated, which would however only come into force in the case that this company becomes insolvent.

The weighted net risks totalled € 4.8 million; 85% or € 4.1 million of these are non-cash valuation risks. The net risks affecting cash of the Fair Value Group are therefore estimated at a total of € 0.7 million.

However, in reality given the occurrence of calculated risks at the affiliated companies, Fair Value REIT-AG will provide a shielding effect. The result is then the absence of pay-outs or pay-outs from cash reserves not effective in profit or loss as well as write-downs on the carrying amounts of the participations up to the complete write-off of the participation.

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

Company Rating

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

OPPORTUNITIES

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

Thanks to the changes made to the portfolio during the past financial year, Fair Value REIT-AG has given itself room for manoeuvre which as a result could be used for a sustained increase in the dividend pay-out for 2013 and for the following years.

Parallel to that, from the capital market point of view, the early application of IFRS standard 10 on Group level with the full consolidation of all participations as of December 31, 2013 should reduce the complexity of the Fair Value Group.

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

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

MAIN FEATURES OF THE COMPANY REMUNERATION SYSTEM

Remuneration for the 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 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 after they have been granted, at the price then valid in XETRA trading.
- b) an additional cash bonus totalling 10% of the annual savings on company administration costs achieved is also paid. The basis for this calculation are 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.

Remuneration for the Supervisory Board

Remuneration paid to the members of the Supervisory Board consists of fixed remuneration of € 5,000 per annum and pro rata temporis, 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.

OTHER INFORMATION PURSUANT TO SECTION 315 PARA. 4 HGB AND CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A 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 para. 4 of the REIT Act, no single shareholder may directly hold 10% or more of the shares or voting rights (maximum participation limit). If the maximum participation limit is exceeded, the relevant shareholder must demonstrate in an appropriate manner that its direct participation has been reduced within two months after being requested to do so by the Management Board. A continued breach of the maximum participation limit can, in accordance with the articles of association, lead to transfer without compensation of the surplus shares or to a compulsory withdrawal of these shares without compensation.

On the balance sheet date, no shareholder directly held 10% or more of the voting rights. Indirectly, the voting rights held by UniCredit Italiano S.p.A. in Rome, UniCredit Bank AG (formerly Bayerische Hypo- und Vereinsbank AG) in Munich, Wealth Management Capital Holding GmbH in Munich, H.F.S. Hypo-Fondsbeteiligungen für Sachwerte GmbH in Munich and WealthCap Real Estate Management GmbH in Munich totalled 32.41% and those held by H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG in Ebersberg amounted to a total of 30.46%. In addition, IC Immobilien Holding AG in Unterschleißheim held direct and indirect voting rights of 18.09%. Under Section 11 para. 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

Authorized capital

The company does not currently have authorised capital.

Conditional capital

The company does not currently have conditional capital.

Share buy-back programme

The Annual General Meeting on May 29, 2009 authorised the company to buy back up to 10% of the share capital existing as of the date of the adoption of the resolution by May 28, 2014. At no point in time may a combination of the shares acquired based on this authorisation and other own shares held by the Company or attributed to it according to Sections 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 and termination of members' employment contracts.

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

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

Corporate governance statement pursuant to Section 289a HGB:

On February 5, 2014, the Management Board of Fair Value REIT-AG submitted a statement on corporate governance pursuant to Section 289a of the German Commercial Code ("HGB") and also published this statement on the www.fvreit.de website in the Investor Relations section under "Corporate governance".

Munich, March 20, 2014

Fair Value REIT-AG

Frank Schaich

Auditor's Opinion

We have audited the financial statement of Fair Value REIT-AG, Munich, comprising the balance sheet, income statement and notes to the financial statement as well as the management report for the fiscal year from January 1, 2013 to December 31, 2013. The preparation of the financial statement and the management report in accordance with German Commercial Code are the responsibility of the company's legal representative. Our responsibility is to express an opinion, based on our audit, on the annual financial statement and the management report.

We conducted our audit in accordance with Section 317 of the HGB (German Commercial Code) and in compliance with the principles of proper auditing adopted by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statement in accordance with the principles of proper accounting and in the management report are detected with reasonable assurance. The process of defining the audit procedures takes account of knowledge about the business activities and the economic and legal environment of the company, as well as expectations of possible errors. An audit includes examining, largely on a test basis, the effectiveness of the internal control system and evidence supporting the amounts and disclosures in the annual financial statement and the management report. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statement and the management report. We are confident that our audit provides a sufficiently sound basis on which to make an assessment.

Our audit led to no objections.

In our opinion, based on the results of our audit, the financial statement complies with the provisions of the HGB and convey a true and fair picture of the financial position and results of operations of the company. The management report is consistent with the financial statement and as a whole provides a suitable picture of the position and suitably presents the opportunities and risks of future development.

Munich, March 25, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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