fair value
REIT

Annual Report 2012

Confirming value

Key Figures

Key figures Fair Value Group

Revenues and earnings		2012	2011 adjusted[1]
Rental revenues		11,165	10,807
Net rental result	in € thousand	8,385	8,754
EBIT	in € thousand	5,855	6,700
Result from equity-accounted investments	in € thousand	1,209	3,225
Consolidated net income	in € thousand	1,175	4,550
Earnings per share	in €	0.13	0.49
Adjusted consolidated net income (EPRA-Earnings)/FFO	in € thousand	5,594	5,540
EPRA-Earnings/FFO per share	in €	0.60	0.59

Assets and capital		12/31/2012	12/31/2011 adjusted[1]	01/01/2011 adjusted[1]
Non-current assets	in € thousand	176,294	179,666	177,101
Current assets	in € thousand	8,546	10,951	18,198
Total assets	in € thousand	184,840	190,617	195,299
Equity/Net asset value (NAV)	in € thousand	77,393	76,894	74,024
Equity ratio	in %	41.9	40.3	37.9
Immovable assets	in € thousand	176,141	180,563	179,322
Equity within the meaning of Section 15 of the REIT act	in € thousand	92,692	91,482	88,407
Equity ratio within the meaning of Section 15 of the REIT act (minimum 45%)	in %	52.6	50.7	49.3

Real estate investments		12/31/2012	12/31/2011
Number of properties	amount	65	73
Market value of properties[2]	in € million	213	222
Contractual rent	in € million	17.9	18.4
Potential rent	in € million	18.9	19.7
Occupancy	in %	94.4	93.8
Remaining term of rental agreements	years	5.7	6.0
Contractual rental yield before costs	in %	8.4	8.3

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)
[2] Based on market valuation as of December 31, 2012 relating to Fair Value's proportionate portfolio.

Further key figures		12/31/2012	12/31/2011 adjusted[1]
Number of shares in circulation	in pieces	9,325,572	9,325,572
Net asset value (NAV) per share	in € thousand	8.30	8.25
EPRA-NAV per share	in € thousand	9.25	9.21
Number of employees (including Management Board)		3	4

Group Management Report

Consolidated Financial Statements

Compliance

Letter to Shareholders

Frank Schaich, Vorstand

Dear Shareholders, Ladies and Gentlemen,

The operating result of the Fair Value Group in the financial year 2012 came in around 8% up on our forecast. We also increased the occupancy rate of our portfolio and further boosted the equity ratio. In addition, we were able to substantially exceed the most recently determined market value in five of seven property sales. Retained earnings pursuant to the German Commercial Code were recorded at around €1 million, some 30% up on the previous year. This allows us to distribute a dividend of €0.10 per share for 2012.

Financial year 2012: FFO up, valuation result impacts consolidated net income

Consolidated net income adjusted for valuation effects (FFO Funds from Operations) of €5.6 million or €0.60 per share was around 2% up on the previous year figure of €5.5 million and exceeded our most recently increased forecast of €5.2 million from August 2012 by 8%.
In contrast, IFRS consolidated net income came in at €1.2 million, around €3.4 million down on previous year figure of €4.6 million. Around two thirds of the fall resulted from a valuation loss of some properties and from a voluntary change of the accounting method, which also led to adjustments in the figures of previous years. The remaining third of this reduction is largely attributable to increased rental costs and changes to the market values of interest rate derivatives recognised in profit or loss.
The fall in the property valuation mainly relates to two properties at the associated companies, where reletting costs after termination of long term general leases are coming up. Adjusted for both these properties, there was a slight valuation gain of 0.4% proportionate to Fair Value.
The Group balance sheet equity ratio rose from 40% in the previous year to 42% of total assets. On the balance sheet date, the REIT equity ratio came in at 52.6% of real estate assets after 50.7% in the previous year, substantially higher than the legally required minimum level of 45%. Net asset value per share rose slightly from €8.25 (adjusted figure for the previous year) to €8.30 on the balance sheet date.

Net income pursuant to HGB rises sharply

Net income for 2012 pursuant to HGB came in at €1.1 million, around 50% up on the €0.7 million reported in the previous year. After establishment of a reinvestment reserve in line with Section 13 REITG totalling 50% of capital gains after sales costs, retained earnings of around €1 million were reported. At the Annual General Meeting on May 16, 2013, we will therefore propose distributing a dividend of €0.10 per share from the retained earnings of Fair Value REIT-AG for the year 2012.

Stable FFO and higher dividends forecast for 2013 and 2014

Our forecast for 2013 and 2014 includes sales of several properties within the Group and at the associated companies. As part of this we initially intend to use most of the proceeds from the sales for the repayment of loans and therefore for further strengthening the Group’s equity base. This in turn will give us scope for future investments.
For 2013, we are expecting FFO of €5.3 million or €0.57 per share, with this figure rising to €5.6 million or €0.60 per share in 2014. We are also anticipating commercial net income for 2013 and 2014 which would allow a dividend payment of €0.12 per share.

Munich, March 26, 2012
The Management Board

Frank Schaich

A REIT – Higher Return for Investors

REIT stands for Real Estate Investment Trust.

REITs are well established in many countries worldwide and represent a widely recognised form of indirect property investment.

In Germany, they consist of listed companies that largely invest in property as well as in property participations.

High Flexibility
Listed Property-Shares

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

High Payout Ratio
90% Profit Dividends

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

%

High Profitability after Tax
No Income Tax at Company Level

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

§

High Level of Security
Security through Equity Strength

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

Confirming Value

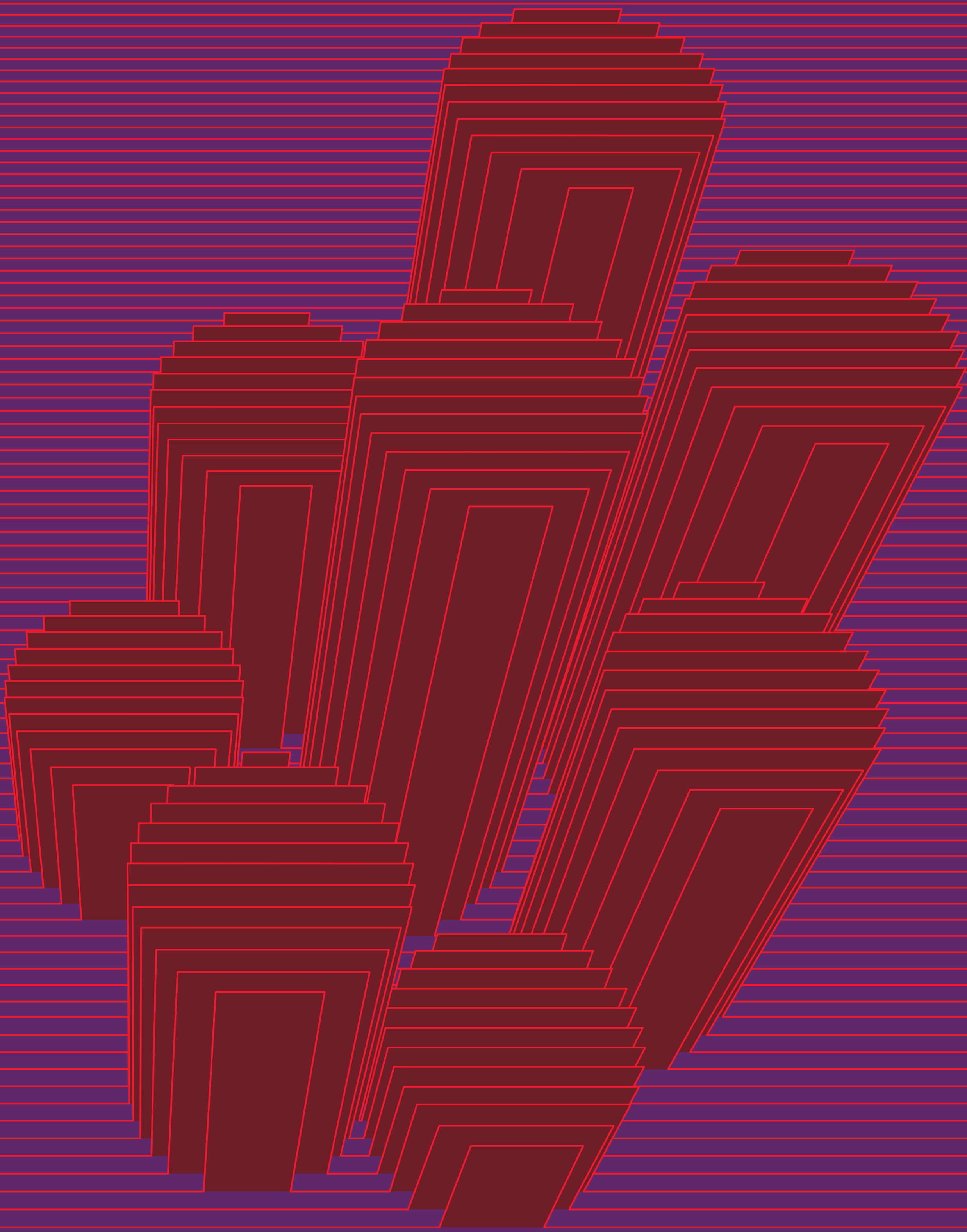
Fair Value REIT-AG invests in German commercial real estate with a focus on retail properties and office buildings in regional locations. The broad diversification of our locations and properties, the good standing of our tenants and our proactive asset management provide us with a solid basis for developing the value of our portfolio.

The contractual rents of our properties consistently had a ratio between 94% and 96% of the potential rents over the last five years. During this time, the average remaining term of the lease agreements has constantly stayed at around six years.

Fair Value Group's annual operating results have also remained stable at around €0.60 per share. We have made the most of the upbeat results to continuously expand our REIT equity ratio. This figure is now at around 53% of our balance sheet real estate assets.

High equity, historically low interest on financial debt and the quality of our portfolio allow us to forecast further stable results and rising dividends for the future.

Stable Property Values



Stable Property Values

Fair Value REIT-AG mainly invests in medium-sized cities and regional centres. Due to the economic structure in Germany with concentration on medium-sized companies, these locations provide a more stable rental market and value development over the long term than the major population centres, which are more strongly impacted by economic cycles.

Regional distribution of the properties

in % of market values

The real estate portfolio of Fair Value REIT-AG is characterised by a high number of properties with strong regional diversification owned either directly or through participations. On the balance sheet date, the overall portfolio consisted of 65 properties with a total lettable area of approximately 416,000 m² (previous year: 432,000 m²) after the sale of eight properties during 2012. This broad range of investment assets reduces the dependency on regional and sector developments and forms the basis for stable occupancy rates as well as the value development of the portfolio.

As of December 31, 2012, the total market value of the portfolio was calculated at around €463 million. The proportionate Fair Value REIT-AG share of this portfolio totalled €213 million.

The market value of the real estate properties in the Group attributable to Fair Value (direct investments and subsidiaries) increased year-on-year by 2.0%. In contrast, the market values of the real estate properties in associated companies declined year-on-year by 5.1%. This resulted in a valuation result proportionate to Fair Value at -2.2% of the previous year figures.

The decrease in the valuation of the real estate at the associated companies mainly relates to a shopping centre in Eisenhüttenstadt and an office property in Munich. At both properties, major relettings and renewal agreements are due at the current substantially lower market level after the expiry of the long-term lease agreements. Adjusted for these two properties, the overall portfolio attributable to Fair Value recorded a gain in value of 0.4% over the previous year level.

Distribution by type of use

in % of potential rent

The real estate portfolio generates 43% of Fair Value's share of the total potential rent of €18.9 million with real estate primarily in the retail segment. Around 42% of the proportionate potential rent is generated by properties primarily used for offices, while 15% stems from properties with other uses (hotel and logistics real estate). Fair Value REIT-AG will focus its future investments on retail properties.

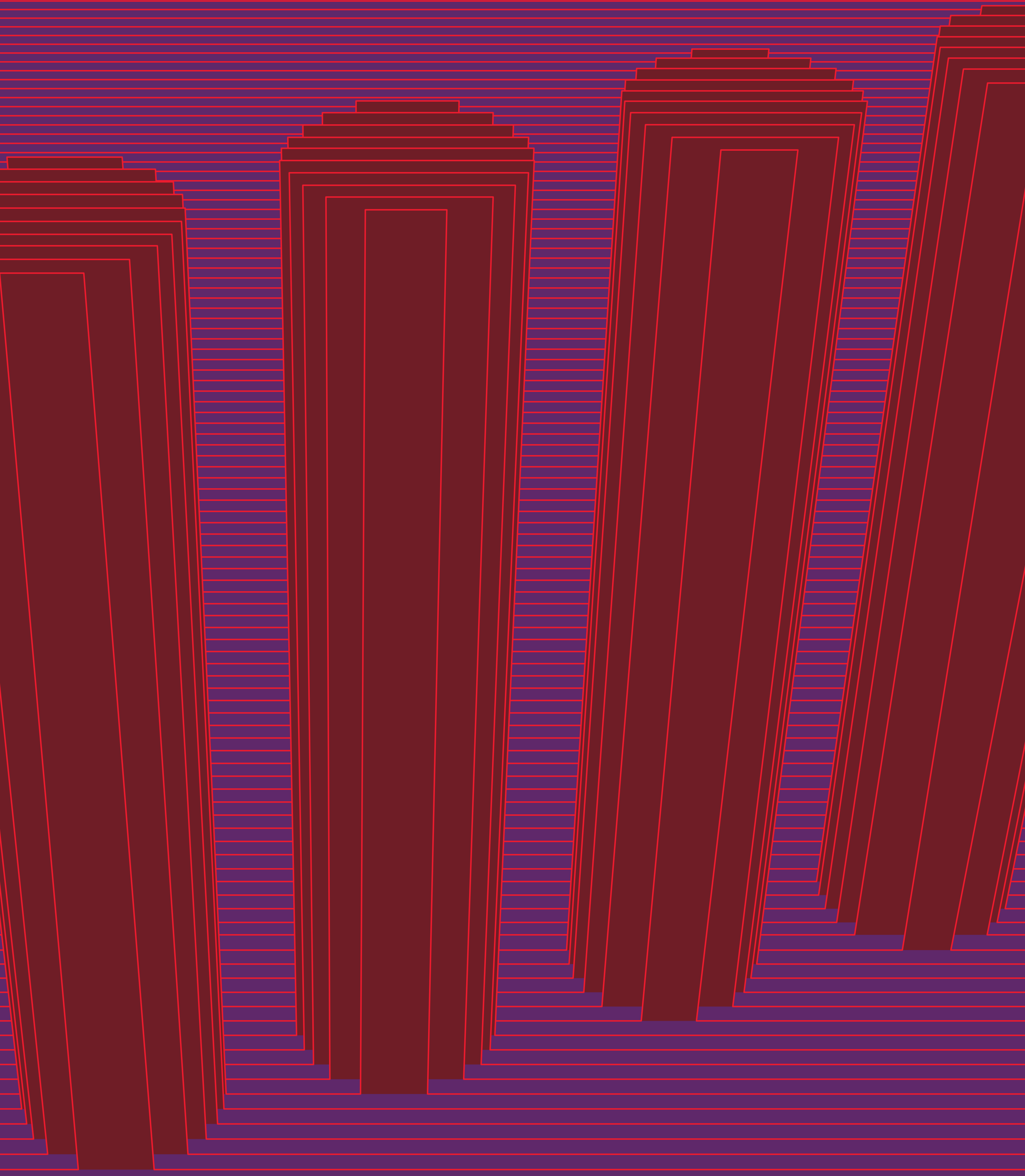
Tenant structure

in % of contractual rent

The largest single tenant, with about 14% of the proportionate contractual rent totalling €17.9 million, is Sparkasse Sudholstein, which has long-term lease agreements for 25 properties used for banks and offices (previous year: 31 properties).

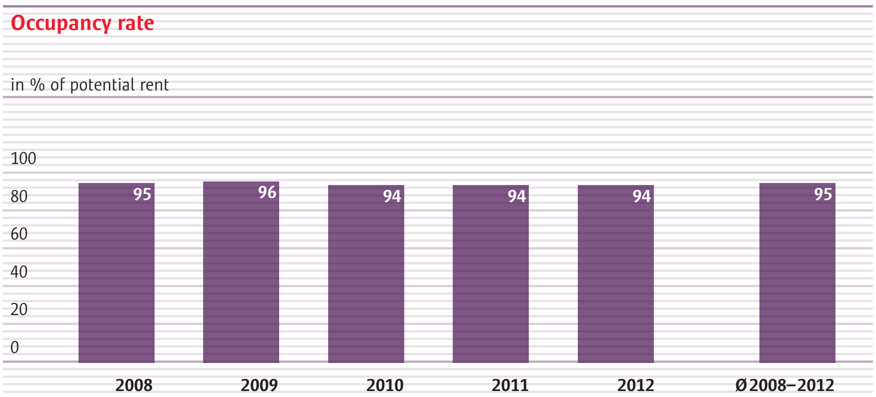
Large retailers, such as Edeka Group, the Lidl/Kaufland Group, the Metro Group and Praktiker, jointly represent approximately 22.5% and are further major tenants in 12 portfolio properties. The ten largest tenants occupy a total of 43 properties and pay around 58% of the proportionate contractual rent.

Continuously High Occupancy Rate

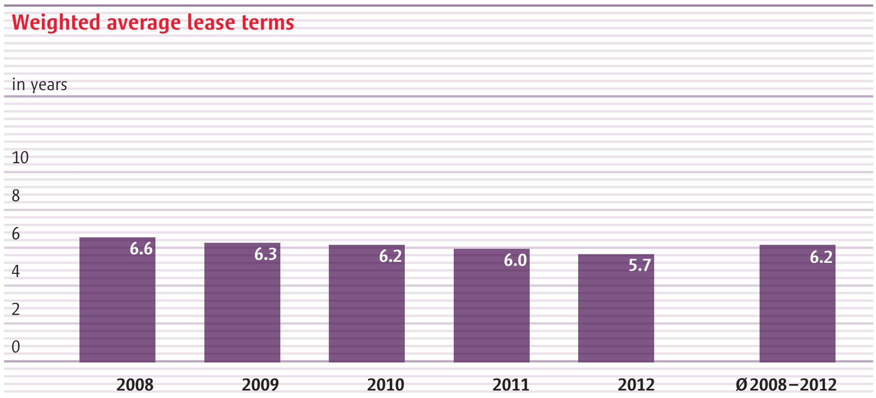


Continuously High Occupancy Rate

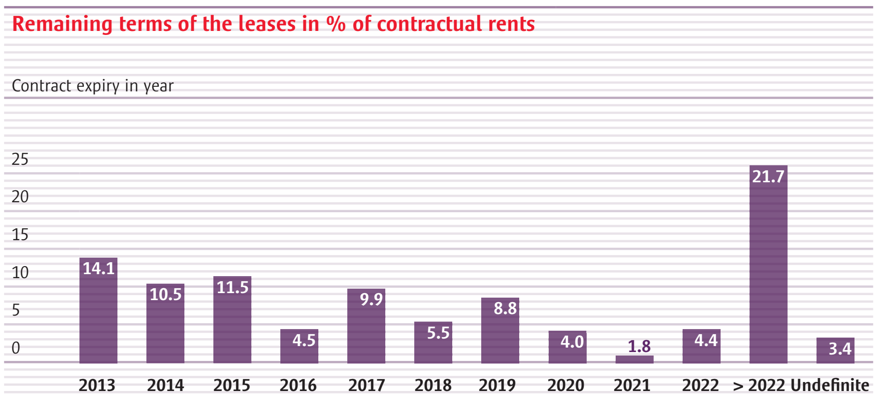
Long remaining lease terms of around six years and a five-year average occupancy rate of 95%: The Fair Value Group stands on stable foundations. Low tenant turnover and predictable rental income are the result of successful tenant retention and high property standards.



The occupancy rate of the proportionate Fair Value portfolio at the end of 2012 remained high and was slightly up on the previous year at 94.4% (previous year: 93.8%) of the proportionate potential rent (€18.9 million). Over the past five years, our portfolio had an average occupancy of 95% irrespective of the challenging market environment. This stability is a cornerstone of Fair Value's success.



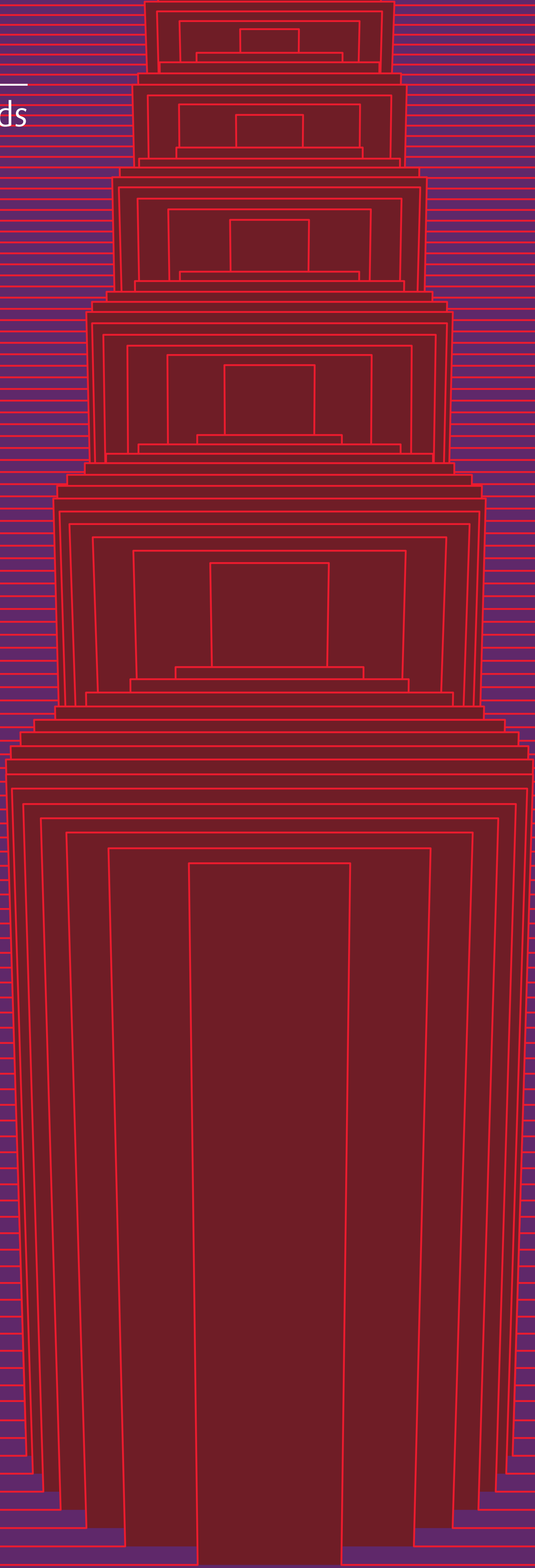
The remaining term of the existing leases of the proportionate portfolio on December 31, 2012 was 5.7 years. The stable development over several years while maintaining a high occupancy rate is a result of prudent tenant support with the aim of extending expiring lease agreements ahead of time. It reflects successful tenant retention and ensures high predictability and sustainability of the rental income.



From a total of 685 leases in the overall portfolio, 81 agreements are due for renewal in the current financial year, with the three largest lease agreements equivalent to 76% of the expiring, proportionate rental volume attributable to Fair Value. A follow-up 10 year lease could be seamlessly agreed with a new tenant, which is equivalent to expiring rental volume of 10% in the financial year 2013. The remaining approximately 90% is only due for new leases at the end of the year.

In 2014, the fixed terms of 100 lease agreements are due to expire, with the three largest tenants sharing just 16% of the expiring rental volume in the financial year 2014.

Sustainably High Funds from Operations



Sustainably High Funds from Operations

We have recorded stable FFO results in the five full financial years since Fair Value REIT-AG's establishment. The decline in the adjusted operating results came on the back of property sales and premature lease terminations by tenants in return for compensation payments. These development were offset by optimising cost structures and using unscheduled cash inflows to make additional repayments on debt. This is also reflected in the continuous improvement of the financial result.

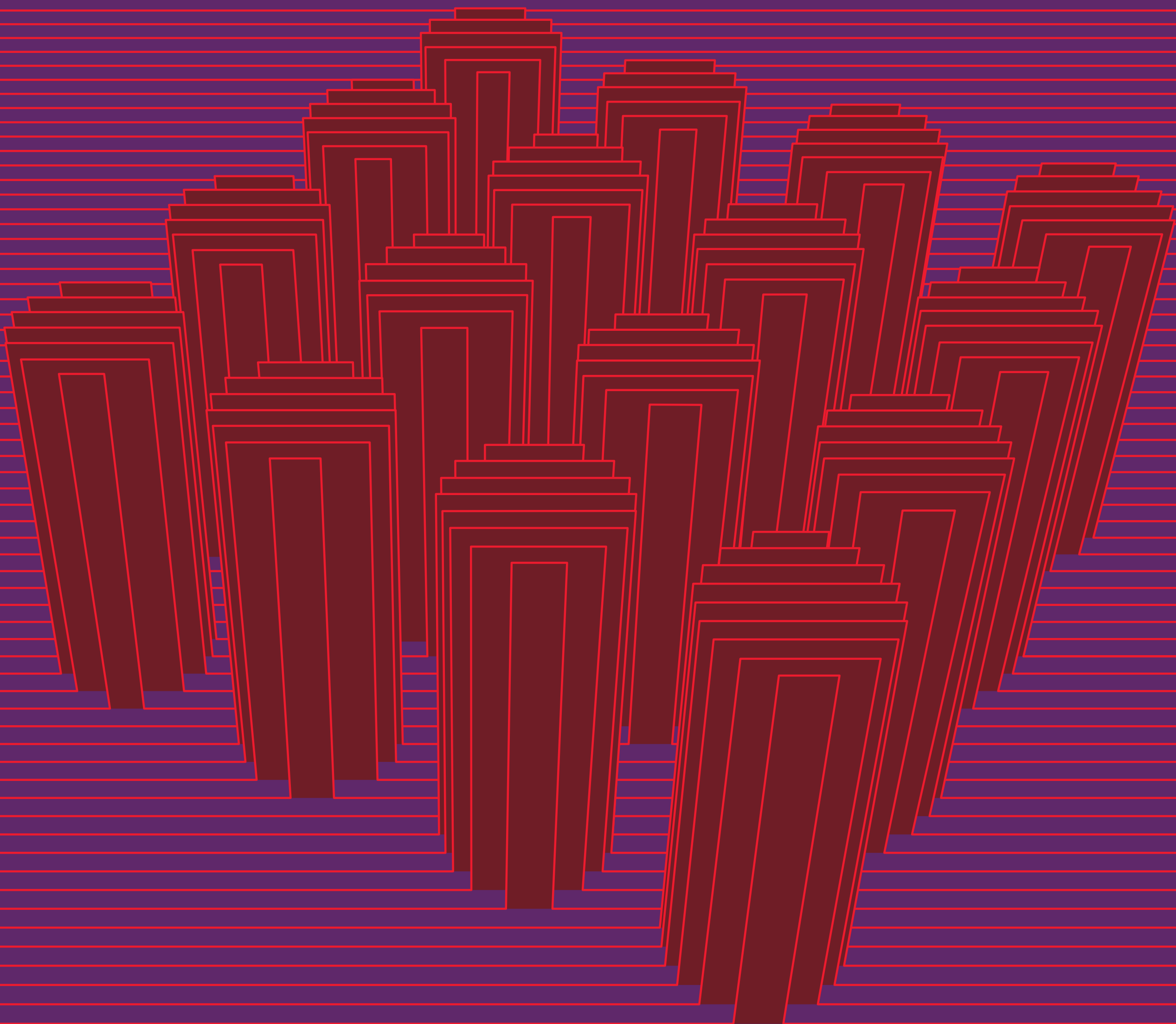
EPRA-Ergebnis (FFO)[1]

in € million	2008	2009	2010	2011	2012
Rental income	**22.2**	**20.2**	**19.4**	**18.6**	**19.0**
Income from incidental costs	2.8	3.0	3.0	3.1	3.0
Real estate-related expenses	(5.1)	(5.5)	(5.9)	(5.7)	(6.3)
Net rental income	**19.8**	**17.7**	**16.5**	**16.0**	**15.7**
General administrative expenses	(3.3)	(2.7)	(2.4)	(2.6)	(2.7)
Other income and expenses	(0.6)	0.0	0.0	(0.1)	(0.1)
Adjusted operating result	**15.9**	**14.9**	**14.1**	**13.2**	**12.9**
Adjusted financial result	(10.1)	(8.8)	(8.4)	(7.7)	(7.3)
Adjusted consolidated net income (FFO)[1]	**5.7**	**6.1**	**5.7**	**5.5**	**5.6**
FFO per share	**0.61**	**0.65**	**0.61**	**0.59**	**0.60**

[1] Pro-forma proportionate consolidated view, not directly compatible with the consolidated financial statements

The pro-forma proportionate consolidated presentation of adjusted consolidated net income (EPRA earnings) is a transparent way of showing the operating result (FFO or Funds from Operations) of Fair Value REIT-AG.

High Equity Ratio – a Value in Itself



High Equity Ratio – a Value in Itself

The balance sheet real estate assets of Fair Value REIT Group are almost 53% financed with equity. The continuous increase in this figure and the corresponding reduction in net financial liabilities form a solid basis for the Company's future development.

Equity development pursuant to § 15 of the REIT Act

in € million	2008	2009	2010[1]	2011[1]	2012
Immovable assets	179	193	179	181	176
Equity pursuant to § 15 of the REIT Act[2]	93	88	88	91	93
as a % of immovable assets	**52**	**46**	**49**	**51**	**53**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)
[2] Incl. minority interests in subsidiaries

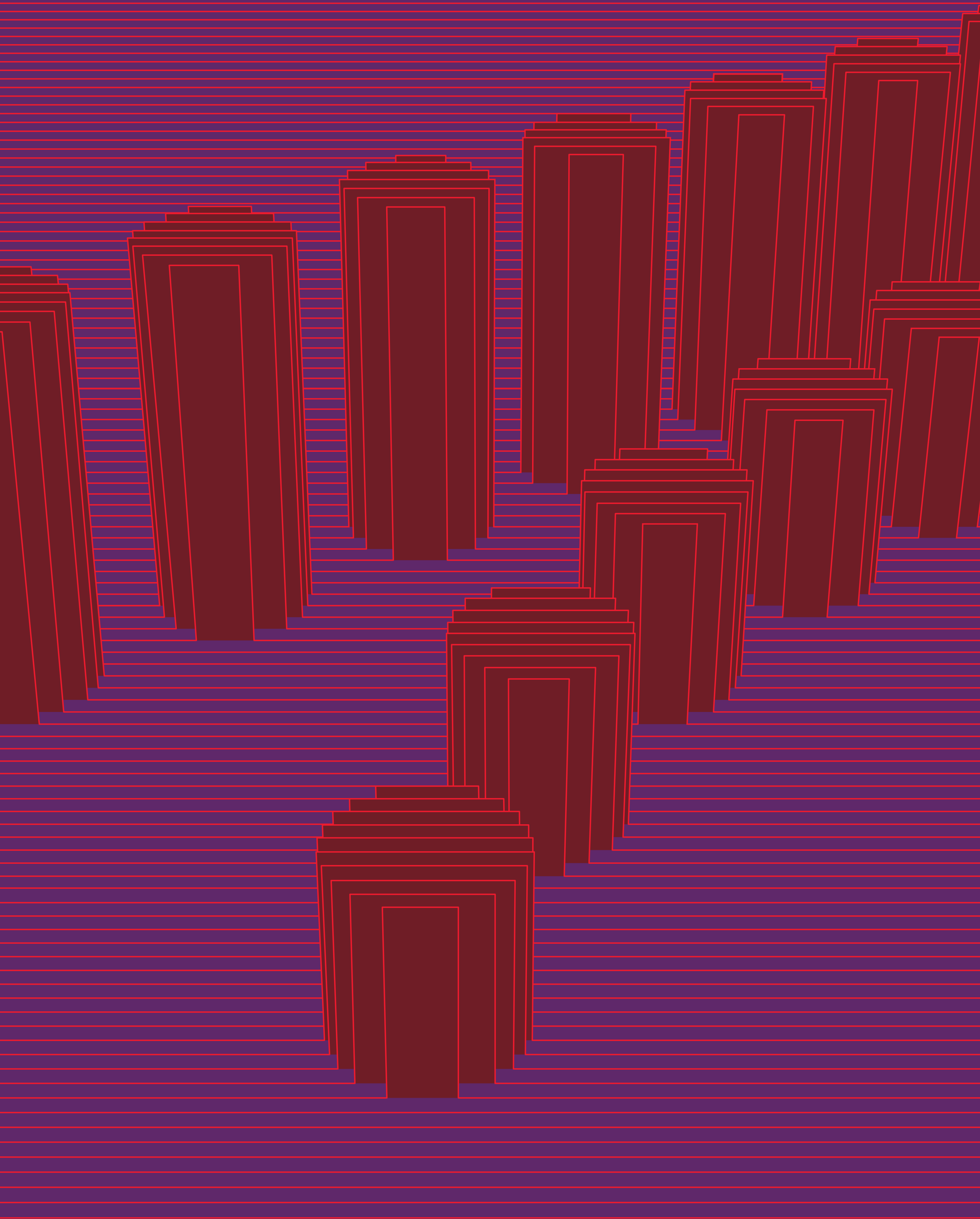
The immovable assets of the Fair Value Group balance sheet represent the market values of the investment properties in the Group and the net assets of associated companies. Equity pursuant to § 15 of the REIT Act was substantially higher than the legal minimum of 45% of immovable assets over the five full financial years since the Company's foundation.

Proportionally consolidated net financial liabilities

in € million	2008	2009	2010	2011	2012
Proportional market values	245	236	225	222	213
Net financial liabilities	155	144	135	131	121
in % of market values	**63**	**61**	**60**	**59**	**57**

The pro-forma proportional consolidated representation of net financial liabilities in relationship to proportional market values shows a continuous reduction in Fair Value's proportional loan to value ratio (LTV ratio). In the past five financial years, this figure has fallen from 63% on the balance sheet date 2008 to 57% of proportional market value on December 31, 2012.

Convergence of Share Price to NAV

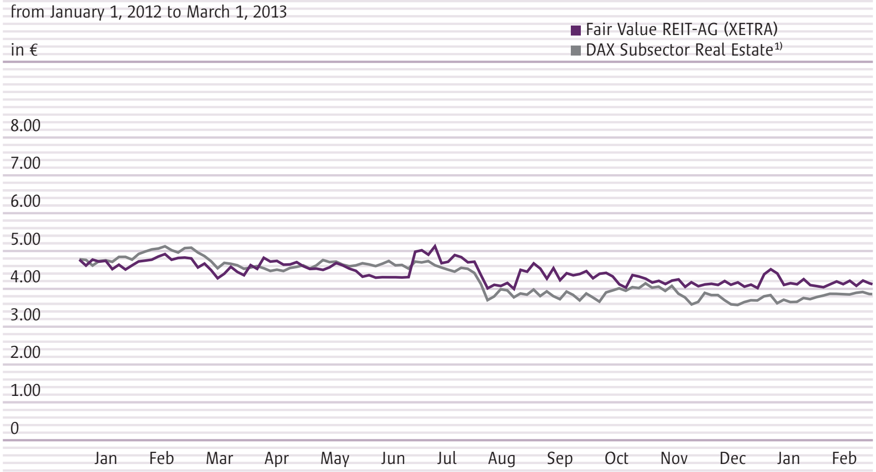


Convergence of Share Price to NAV

The Fair Value share and the development of the stock market

In 2012, the international stock markets developed largely positively despite the sovereign debt crisis and economic problems in many countries. Due to the low interest rates, many investors are viewing shares as an attractive alternative to bonds and other fixed interest investments. However, the Fair Value REIT-AG share was initially unable to benefit from the upwards trend on the markets, only gaining momentum in the second half of the year.

Development of Fair Value's share
from January 1, 2012 to March 1, 2013

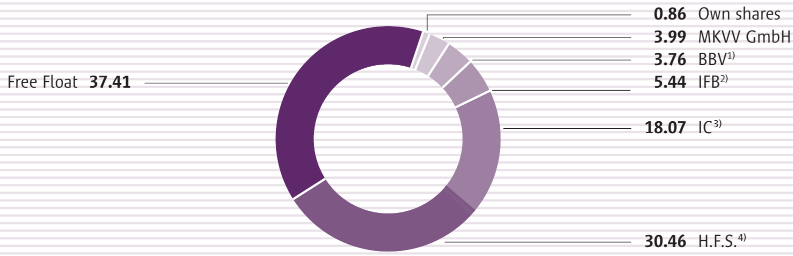


[1)] Chain-linked as of January 1, 2012

Fair Value REIT-AG´s shareholder structure

as of December 31, 2012

in %



[1] Bayerische Beamten Lebensversicherung a.G.
[2] IFB Beteiligungen AG i.L.
[1] IC Immobilien Holding AG 9.39%, IC Immobilien Service GmbH 6.34%, IC Fonds GmbH 2.34%
[2] H.F.S. Zweitmarkt Invest 2 GmbH & Co. KG 8,13%, H.F.S. Zweitmarkt Invest 5 GmbH & Co. KG 7,44%; H.F.S. Zweitmarkt Invest 4 GmbH & Co. KG 7,44%, H.F.S. Zweitmarkt Invest 3 GmbH & Co. KG 7,44%

Key data

Fair Value REIT-AG's share	**2012**
Sector	Real Estate (REIT)
WKN (German Securities Code)/ISIN	A0MW97/DE000A0MW975
Stock symbol	FVI
Share capital	€47,034,410.00
Number of shares (non-par value shares)	9,406,882 pcs.
Proportion per share in the share capital	€ 5.00
Initial listing	November 16, 2007
High/low 2012 (XETRA)	€ 5.05/3.50
Market capitalization as of December 31, 2012 (XETRA)	€42.8 million
Market segment	Prime Standard
Stock exchanges Prime Standard	Frankfurt, XETRA
Stock exchanges OTC	Stuttgart, Berlin-Bremen, Duesseldorf, Munich
Designated sponsors	Close Brother Seydler Bank
Indices	RX REIT All Shares-Index, RX REIT-Index

Overall, the share price of Fair Value REIT-AG rose by 4.6% during the year under review. The Xetra closing price on December 30, 2011 was €4.35, while the closing price on December 28, 2012 was recorded at €4.55. By this point, the Fair Value REIT-AG share had recorded a market capitalisation of around €42.8 million. In the first half of the year, the share price largely showed sideways development below the level at the start of the year. After the share price reached its lowest mark at €3.50 in mid-July, a substantial upwards trend was observed in the third quarter. During this time, the Fair Value share topped €5.00 before conceding some ground again in the fourth quarter.

Despite the upbeat business development, the share developed weaker than the DAX overall, which gained a good 29% in 2012, and the DAX subsector Real Estate, which was up 35.8%. The sustained sovereign debt crisis and the restrained economic development in many Eurozone countries seem to have only had a relatively minor influence on the stock markets, while the low interest rates made share investments increasingly attractive for investors.

Investor Relations

Maintaining transparent financial reporting and a credible corporate communications is a key focus of Fair Value REIT-AG. For this reason, Fair Value, within the framework of its financial reporting and on its website, provides detailed information concerning the real estate and participation portfolio which extends above and beyond its obligations, as well as details of the financial liabilities of the Group and associated companies.

The Management Board is in continuous contact with analysts, investors and the specialist media. The Company takes part in investor conferences and showcases its business results during road shows to interested domestic and overseas investors.

In the course of 2012, the Company presented the respective current financial figures at the 7th DVFA real estate conference in February, the press conference in March for the release of the year's results, the 12th Annual Conference of the Real Estate Share Initiative in September in Berlin and the German Equity Forum in November in Frankfurt/Main. In addition, the Management Board presented the Company to investors in Frankfurt, London, Vienna and Zurich.

Further information about the share is also available on the website www.fvreit.de in the Investor Relations section.

Group Management Report

Net Profit €1.2 Million
(2011: €4.6 Million)

Operating Result (FFO):
€5,6 Mio. (2011: €5,5 Mio.)

Balance Sheet Equity 42%
(2011: 40%)

REIT-Equity 53%
(2011: 51%)

Table of Contents

Business Report
Business Activities and General Conditions

Corporate Structure and Business Activities

Fair Value Group's three-part real estate portfolio consists of: directly held properties as well as a number of majority participations in fully consolidated real estate partnerships. The Group also has minority interests in real estate partnerships accounted at equity. The total market value of the properties directly held by Fair Value and the total proportionate market value of the properties held via participations attributable to Fair Value amounted to €213 million on the balance sheet date. The occupancy rate of the proportionate portfolio was 94.4% on the balance sheet date and the weighted remaining lease term was 5.7 years.

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 real estate investment firm, the Company focuses on the acquisition and management of commercial properties in Germany. Investment activities focus in particular on office and retail properties in regional centres. Fair Value invests directly in real estate as well as indirectly in real estate partnerships via the acquisition of participations.

Fair Value Group holds its portfolio of properties in Fair Value REIT-AG and in its subsidiaries. This forms the basis for the two business segments "Direct investments" and "Subsidiaries". The full consolidation of the subsidiaries results in the proportion of net assets attributable to minority interests in these subsidiaries being listed under Fair Value Group financial liabilities in accordance with IFRS accounting standards.

There are also minority interests in real estate partnerships. These associated companies are measured at equity on the balance sheet with the proportionate net assets attributable to Fair Value REIT-AG. The proportionate results of the associated companies are listed in the consolidated income statement as income from participations.

The occupancy rate of the properties held by the Group and its associated companies, calculated on a proportionate basis, has increased slightly from the previous year from 93.8% to 94.4%. The weighted remaining term of the leases on the balance sheet date totalled 5.7 years compared to 6.0 years in the previous year.

The following table provides an overview of the real estate assets attributable to the Group (€127 million; €125 million like-for-like in previous year) and the associated companies (€336 million; €358 million in the previous year) as of December 31, 2012. The market values of the properties are based on property-specific valuations carried out by external surveyors.

Detailed information of each property is provided in the Appendix to the Group Management Report on pages 120–127.

Real estate assets of Fair Value REIT-AG

as of December 31, 2012	Total plot size [m²] 1)	Lettable space [m²] 1)	Annualized contractual rent [in € thousand] 1)	Market value [in € thousand] 1) 2)	Fair Value REIT-AG's share: Participating interest [%]	Annualized contractual rent p.a. [in € thousand]	Market value [in € thousand] 2) 3)	Occupancy rate [%] 4) 6)	Weighted average lease terms [years] 5) 6)	Contractual rental yield before costs [%]
Direct investments segment	49,999	39,321	3,006	43,712	100.00	3,006	43,712	94.7	10.5	6.9
Subsidiaries segment	155,682	117,075	7,316	82,960	58.03	4,199	48,144	91.9	4.1	8.7
Group	**205,681**	**156,397**	**10,322**	**126,672**	**72.51**	**7,205**	**91,856**	**93.1**	**6.7**	**7.8**
Associated companies	340,250	259,594	30,469	335,860	36.03	10,658	121,022	95.3	5.0	8.8
Portfolio Total	**545,931**	**415,991**	**40,791**	**462,532**	**46.02**	**17,863**	**212,878**	**94.4**	**5.7**	**8.4**

1) Does not take into account the respective participating interest
2) According to market valuation by CBRE GmbH, Frankfurt/Main, Berlin branch as of December 31, 2012
3) Proportionate market values attributable to Fair Value based on percentage of participations
4) Contractual rent/(contractual rent + vacant space at standard market rent)
5) Income-weighted
6) (Sub)totals for occupancy rate and average remaining term taking the respective percentage of participations into account

Management and Control

The internal management activities of Fair Value REIT-AG focus on the strategic management of the Group as well as risk management and investor relations. The operating functions of property management and accounting are outsourced to an external service provider.

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

Accounting and property management functions are outsourced via fixed-term service agreements to IC Immobilien Service GmbH, a subsidiary of IC Immobilien Holding AG based in Unterschleißheim near Munich. These agreements encompass both fixed and variable/performance-related remuneration. IC Immobilien Holding AG and its subsidiaries have approximately 290 employees and provide support for an investment volume of approximately €12 billion on behalf of private and institutional investors.

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

Information regarding the remuneration paid to the Management Board and Supervisory Board is provided in the remuneration report (see page 45 of this Group Management Report) as well as in Note 31 of the Notes section. Further information about the company management is laid down in the Company Management Declaration, which is available online at www.fvreit.de in the Investor Relations/Corporate Governance section. The declaration concerning the German Corporate Governance Code in accordance with § 161 AktG (German Stock Corporation Act) can also be downloaded from there.

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.

Company management, goals and strategy

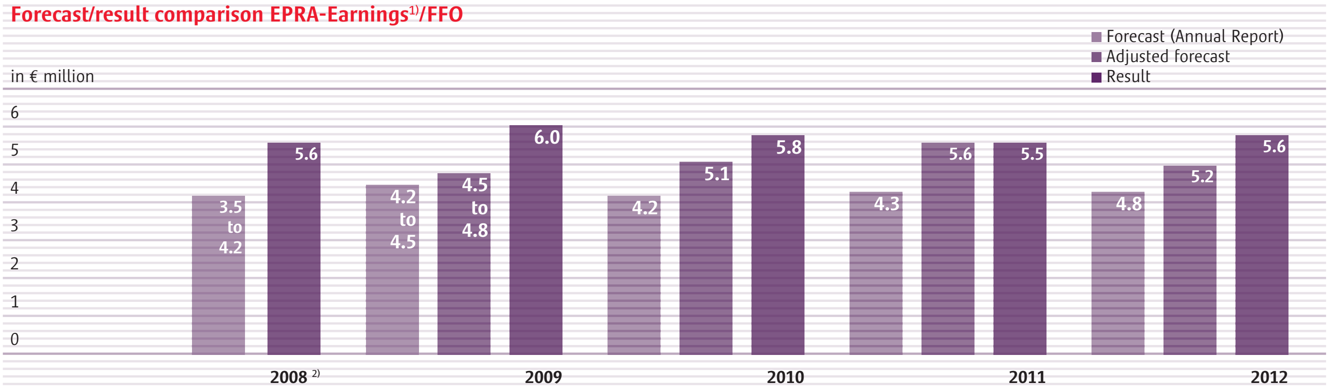
Internal management system

At Group level, the latest information relating to the development of the real estate portfolio is aggregated to determine the FFO and/or EPRA performance indicators, which are published as forecast values. Up to now, Fair Value has always fulfilled or exceeded its forecasts.

EPRA-Ergebnis/FFO[1]

To calculate this figure, consolidated net income is adjusted for changes in the market value of properties and interest rate derivatives as well as other one-off effects. For the five full years since the listing of Fair Value REIT-AG on the stock exchange, the comparison between the forecast and actual results for these indicators is as follows:

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



[1] According to the "Best Practise Recommendations from the European Public Real Estate Association (EPRA) for the IFRS reporting of real estate company earnings.
[2] Forecast not adjusted

The internal management system at Fair Value REIT-AG is based on rolling five-year forecasts for directly held properties as well as real estate held by subsidiaries. Moreover, individual property information is consolidated on an individual company level. Fair Value REIT-AG is also involved, on the basis of the same information, into the budget and management process of the properties held indirectly in the associated companies.

At Group level, property and company information is aggregated, taking into account the overheads and financing expenses of Fair Value REIT-AG. Forecast figures for EPRA-Earnings/"FFO – Funds from Ovperations" and for net income pursuant to German commercial law are published in the forecast report (see page 56 of the Group Management Report).

Financial performance indicators At least every quarter, the Company obtains information in accordance with its specifications about all directly and indirectly held properties. The reports contain specific information including contractually relevant incidents or developments that deviate from planning. In addition, for its quarterly financial reporting within specific time frames, Fair Value REIT-AG receives the interim reports of the AG and all participations in line with IFRS as well as the respective annual report in line with the German Commercial Code (HGB) and IFRS.

Important performance indicators include the market rent level, contracted rental income and any rent receivables, operating expenses including maintenance expenses as well as rental costs and investments.

Other performance indicators include the development of interest on assets and debt, the ratio of debt to the current market values of the real estate as well as the guidelines laid down in the REIT Act, including minimum equity requirements for immovable assets.

The dividend amount distributed to the shareholders is the main financial performance indicator for the variable remuneration components of the Management Board and Supervisory Board. More information on this and the other performance indicators is available in the remuneration report (see page 45 of the Group Management Report) as well as in Note 31 in the Notes section.

Non-financial performance indicators The acquisition of five general partner companies in mid 2011 extended the influence of Fair Value REIT-AG to legal representative authority in two subsidiaries and three associated companies. Overall, Fair Value REIT-AG can therefore exercise direct influence on the daily business of 83% of its calculated proportionate real estate assets through direct ownership and legal representative authority. When taking into account the voting majorities in subsidiaries, the direct influence rises to 92% of the proportionate real estate assets.

Using this basis, the Management Board can better tune the long-term development, sector and regional composition of the real estate portfolio and the financing structure to anticipated market changes, demographic development and changing risk assessments.

Aims and strategies

Efficient company organisation as a basis for high profitability Fair Value REIT-AG aims to offer sustainable earnings strength as the basis for attractive dividend payments to shareholders. The Company focuses on the German commercial real estate market, with a particular focus on regional centres, and always strives to ensure a broad diversification of risks.

Due to its REIT status, Fair Value REIT-AG is exempt from corporation and trade tax. However, this also means that the Company has to adhere to the guidelines of the REIT Act (REITG). These include the obligation to underlay immovable assets in accordance with the IFRS consolidated financial statement with balance sheet equity of at least 45%, as well as the obligation to pay out dividends amounting to at least 90% of annual net income as defined under the German Commercial Code.

Fixed costs are kept to the required minimum level thanks to the streamlined organisational structure of the internal management. 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.

Future focus on retail properties In a pro-forma consolidated overview, 43% of the Fair Value proportionate rental income at full occupancy (potential rent) is currently generated from properties used primarily for retail. A further 42% of the proportionate rent is generated by properties primarily used for offices, while 15% stems from properties with other uses.

In its future investments, Fair Value REIT-AG wants to focus on retail properties.

This future investment focus underlines the aim of the Company to secure sustainable earnings strength through lease agreements which are as long as possible.

Successive adjustment of the portfolio structure The strong demand from private and institutional investors for property investments should continue to be used for the targeted sale of individual portfolio properties. Here, smaller properties and real estate at participations are the focus. The corresponding successive liquidation of the property-owning companies allows for savings of company-related management costs and therefore increases the dividend potential of Fair Value.

The cash inflows from sales are to be used to repay liabilities to banks, to expand the portion of real estate directly owned by the Company with a focus on retail properties as well as to extend the majority interests by increasing interests in existing participations, to the extent that these cash inflows are not reserved for dividend pay-outs.

Macroeconomic and sector-specific conditions

German economic growth was weaker than in previous years during 2012. Nevertheless, the German economy showed itself to be very robust compared to the rest of Europe, which also benefited the employment market. The commercial property markets remained stable, although the restrained economic situation was reflected in slightly falling turnover on the office and retail space market. In contrast, the investment market recorded a very good year.

Macroeconomic situation

Sources: German Federal Statistics Agency, DIW, German Employers' Association (BDA), Federal Ministry of Economics and Technology, Federal Employment Agency

During 2012, the German economy recorded less dynamic development than in 2011. The gross domestic product (GDP) grew on a price and calendar-adjusted basis by 0.9%, following growth in the previous year of 3.1%. The majority of this gain was generated in the first half of the year. After summer, the economy stuttered and GDP even fell slightly in the fourth quarter compared to Q3. Nevertheless, given the difficult world economic situation and the comparison with other European countries, German economic development can still be seen as stable. In order to stimulate the economy, the European Central Bank (ECB) reduced the base rate of interest in the Eurozone by 25 basis points in July 2012 to 0.75%, a new historical low.

Consumer prices rose in 2012 by an average of 2.0% compared to the previous year. The price increase was therefore slightly lower than in the previous year. As in 2011, energy products gained most in price with an increase of 5.7% (previous year: +10%). Without taking this price hike into account, the annual rate of inflation was 1.6%.

Thanks to the comparatively upbeat economic situation in Germany, the condition of the employment market continued to improve in 2012. The number of people registered as unemployed fell to almost 2.9 million, which represents a reduction of 79,000 people. The unemployment rate fell from 7.1% to 6.8% and was therefore at its lowest level since 1991. While the reduction in unemployment was still highly noticeable at the start of the year, this trend reduced during the year in line with the slowing economic development.

Real estate market in Germany

Sources: Jones Lang LaSalle, BNP Paribas Real Estate

The rental market **Office space** The leasing turnover in the German office rental market fell slightly in 2012. At the seven large real estate centres[1)] a total of 3.04 million m² was turned over, which is 11% less than the previous year. The moderate economic development therefore impacted the office market. In Frankfurt, turnover grew by 21%, while in Berlin it reached the same level as the previous year. In contrast, turnover volumes fell at the other five centres. Net absorption was at a similar level to 2011, reaching a good 1 million m² during the reporting period.

The top rents rose in almost all top cities; only in Frankfurt did they remain at €33/m²/month. On average across all seven centres, there was an increase of 3%, which is slightly up on the results from the previous year. Top rents in Düsseldorf recorded the strongest growth with +8.3%.

Vacant space came in lower in all locations. The average vacancy rate dropped during 2012 from 9.5% to 8.8%. This represents the lowest level for 10 years. One cause of this development is the further reduction in the volume of new constructions. This amounted to 820,000 m² and was therefore down 60,000 m² on the previous year.

Retail space Leasing turnover also fell slightly in the retail space market in 2012. Space totalling 590,000 m² was brokered during the year. That is 13% less than in 2011 (678,000 m²). The result, however, is still significantly up on the average between 2007 and 2011 of 318,000 m². The number of agreed leases increased slightly from 980 to 989. The average size of the leased spaces fell from almost 700 m² to just over 600 m².

The proportion of turnover generated by foreign companies fell slightly from 60% to 55%. Gastronomic system concepts recorded a clear expansion during the reporting period, with twice as many lease agreements concluded as in 2011. Top rents in retailing rose by 1.1% on average for the year.

The investment market In 2012, the German investment market for commercial real estate recorded a very good year despite economic uncertainty and financing bottlenecks. Transaction volumes were up by 8% to €25.3 billion (2011: €23.5 billion). As part of this, the focus of investors was increasingly on office real estate, which made up €10.6 billion or 42% of the volume overall. Retail properties made up a proportion of 31% (€7.9 billion) after being the most important investment class in the previous year. For 2013, analysts anticipate a similar result to 2012.

The most active buyers during the reporting period were asset and fund managers with a proportion of 28% and institutional investors such as banks, insurance companies and pension funds (12%). Foreign buyers made up 42% of the total investment volume, slightly more than the previous year. The latter were particularly involved in large transactions. Core properties were particularly sought after among all buyers. In this market segment, the supply was substantially lower than the demand, which led to a fall in yields.

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

Overall statement from the Company management on the economic environment

Fair Value REIT-AG has taken advantage of the stable market environment to achieve its operating targets. The proportionate Fair Value occupancy rate of the real estate portfolio improved slightly from 93.8% in the previous year to 94.4%. At the same time, the average remaining period of lease agreements fell only slightly from 6.0 years in the previous year to 5.7 years as of the balance sheet date due to advance lease renewals.

The historically low interest rates on financial liabilities were used as expected in the follow-up financing of expiring fixed interest loans. Moreover, the Group and associated companies benefited from the fall in the EURIBOR interest level during the year as part of variable-interest loans. In turn, this positive development led to a deterioration in the market values of interest rate hedges, which largely impacted the Group's equity and earnings.

As part of the sale of six directly-held bank buildings in Schleswig-Holstein, the Company was able to achieve purchase prices which were on average 8% higher than the market value on December 31, 2011. Although the sale of a retail property in Rhineland-Palatinate (subsidiary IC 01) to an investor as part of rental activities for partial own usage led to a sales loss, the subsidiary saved on reconstruction and rental costs of at least the same amount.

The market valuation of the real estate on the balance sheet date allowed the Group proportionate to achieve a valuation gain of 2,0% before accounting for tenant incentives etc. In contrast, the valuation loss grew at associated companies. The proportionate total valuation result for Fair Value was –2.2%. The corresponding figure for the previous year was 0.6% after taking capitalised reconstruction costs into account. The valuation losses at the balance sheet date largely centred on two properties rented over the market value with only short-term lease agreements remaining. Adjusted for these special cases, the valuation gain proportionate to Fair Value before accounting for tenant incentives etc. totalled 0.4%.

Share price performance

During 2012, the Fair Value REIT-AG share recorded a volatile performance. However, the Company's shares were up by 4.6% to close at €4.55 as of the end of 2012, compared to the closing price in XETRA trading of €4.35 per share on the balance sheet date 2011. However, during the year the share fluctuated between +16% (price of €5.05 per share on October 2, 2012) and –20% (price of €3.50 per share on July 16, 2012) of this price.

These large fluctuations also reflect the worries of capital market participants over the continued existence of the Euro, although a more optimistic sentiment prevailed from September 2012 onwards.

Income, Financial and Net Asset Position

The financial year 2012 was successful for the operating business of the Fair Value Group. Adjusted for sales results and market value changes of properties and swaps, the Company exceeded its forecast, which was most recently adjusted in August 2012, by 8%.

Voluntary amendment of the accounting method in line with IAS 8 The consolidated financial statements include a voluntary change to the accounting method in line with IAS 8. This change means that tenant concessions, brokering commissions and advance rent payments, which were previously deferred and released to income over the term of the lease agreement in line with standard IFRS accounting practice, are now cancelled at the expense of the valuation result in order to avoid the risk of double recordings in the property values. These changes result in adjustments to the consolidated financial statements as of December 31, 2011 as well as previous years. Changes pertaining to previous years have cumulatively been made in the opening balance sheet as of January 1, 2011.

For further information please see Note 2b in the notes section.

EPRA-Earnings (FFO) compared to the previous year The operational success of the Fair Value Group is measured in consolidated net income (EPRA-Earnings or FFO), adjusted to take into account changes in the market value of properties and interest rate derivatives as well as other one-off effects.

Given the net rental income down 4% on the previous year due to mainly rental costs, extraordinary effects were recorded following earnings from the sale of investment properties and the valuation result. On the back of 3% higher general administration costs within the Group and €0.2 million higher other operating expenses, the corresponding adjusted operating result of €5.8 million was down 10% on the previous year figure of €6.4 million.

The income from participations adjusted for extraordinary effects from the market valuation of real estate and interest rate hedges totalled €5.3 million, up €0.3 million or 6% on the €5.0 million reported in the previous year, which was largely attributable to reduced net interest expenses at the associated companies.

Adjusted consolidated net income therefore came in at €5.6 million, slightly up on the previous year figure of €5.5 million and around €0.4 million or around 8% above the EPRA-Earnings forecast for the financial year.

Adjusted consolidated income (EPRA-Earnings)/FFO 2012

in € thousand	According to consolidated income statement	Adjustment for extraordinary effects: Profits/ loss on disposals	Real estate valuation	Valuation of associated companies	Valuation Interest rate swaps/interest rate caps	**Adjusted consolidated income statement**
Net rental income	**8,385**	–	–	–	–	**8,385**
General administrative expenses	(2,378)	–	–	–	–	(2,378)
Other operating income and expenses	(221)	–	–	–	–	(221)
Earnings from sale of investment properties	51	(51)	–	–	–	–
Valuation profit/loss	18	–	(18)	–	–	–
Operating result	**5,855**	**(51)**	**(18)**	**–**	**–**	**5,786**
Income from participations	**1,209**	**–**	**6,941**	**(2,250)**	**(556)**	**5,344**
Net interest expense	(4,647)	–	–	–	421	(4,226)
Income before minority interests	**2,417**	**(51)**	**6,923**	**(2,250)**	**(135)**	**6,904**
Minority interest in the result	(1,242)	(5)	(66)	–	3	(1,310)
Consolidated net income	**1,175**	**(56)**	**6,857**	**(2,250)**	**(132)**	**5,594**
Consolidated net income (loss) per share	0.13	–	–	–	–	0.60

Adjusted consolidated income (EPRA-Earnings)/FFO 2011 (adjusted)[1)]

in € thousand	According to consolidated income statement	Adjustment for extraordinary effects: Profits/ loss on disposals	Real estate valuation	Valuation of associated companies	Valuation Interest rate swaps/interest rate caps	**Adjusted consolidated income statement**
Net rental income	**8,754**	–	–	–	–	**8,754**
General administrative expenses	(2,310)	–	–	–	–	(2,310)
Other operating income and expenses	(31)	–	–	–	–	– 31
Earnings from sale of investment properties	25	(25)	–	–	–	–
Valuation profit/loss	262	–	(262)	–	–	–
Operating result	**6,700**	**(25)**	**(262)**	**–**	**–**	**6,413**
Income from participations	**3,225**	**–**	**2,535**	**(450)**	**(357)**	**4,953**
Net interest expense	(4,522)	–	–	–	(141)	(4,663)
Income before minority interests	**5,403**	**(25)**	**2,273**	**(450)**	**(498)**	**6,703**
Minority interest in the result	(853)	(32)	(340)	–	62	(1,162)
Consolidated net income	**4,550**	**(57)**	**1,933**	**(450)**	**(436)**	**5,540**
Consolidated net income (loss) per share	0.49	–	–	–	–	0.59

[1)] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

Income Position

Net sales were 2% up on the previous year, while the operating result fell by 13% year-on-year. This was largely due to rental-related increases in property-related expenses and a reduced sale and valuation result within the Group. Income from participations was down by around €2 million on the previous year level. This mainly resulted from valuation losses at individual properties with a lease agreement above market level and soon to expire. In addition, the consolidated net income was impacted by changes recognised in profit or loss to the market valuation of interest hedging transactions worth €0.4 million. Overall, consolidated net income came in at €1.2 million, down €3.4 million on the previous year figure.

Income position (selected P&L-positions)

in € million	2012	2011 adjusted[1]	Change [in € million]	Change [%]
Total revenue	13.58	13.36	0.22	2
Net rental income	8.39	8.75	(0.36)	(4)
General adminstrative expenses	(2.38)	(2.31)	0,07	3
Balance of other income and expenses, sales and valuation result	0.15	0.26	(0.41)	(137)
Operating result	5.86	6.70	(0.84)	(13)
Income from participations	1.21	3.23	(2.05)	(63)
Net interest expense	(4.65)	(4.52)	0.13	3
Minority interest in the result	(1.24)	(0.85)	0.35	39
Consolidated net income	**1.18**	**4.55**	**(3.37)**	**(74)**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

Net rental income came in at €8.39 million, some 4% below the previous year figure of €8.75 million; this is the result of higher property-related expenses incurred in connection with the successful letting of vacant space.

The balance of other income and expenses, results from sales of property and the market valuation of Group properties led to expense of €0.15 million (previous year: income of €0.26 million). Consequently, the operating result came in at €5.86 million, and was therefore 13% down on the €6.70 million reported in the previous year.

The result of the equity-accounted associated companies (income from participations) came in at €1.21 million, down by €2.05 million or 63% from €3.23 million in the adjusted previous year. This decrease was due to a valuation loss on the back of the property market valuation, which is largely attributable to write-downs on two properties with soon-to-expire lease agreements.

Net interest expenses of €4.65 million (previous year: €4.52 million), which increased despite continuing repayments, contains a value adjustment of an interest rate hedge of €0.42 million which is recognised in profit and loss but liquidity-neutral. Adjusted for these valuation expenses, net interest expenses were down 8% on the previous year figure.

After taking into account the earnings attributable to minority shareholders in subsidiaries, Fair Value Group recorded IFRS consolidated net income of €1.18 million (adjusted previous year: €4.55 million). This represents earnings per share of €0.13 compared with €0.49 in the previous year.

Financial Position

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

Furthermore, financial management involves the on-going review of concluded loan agreements in order to identify potential savings in interest expenses. Where direct influence can be exercised, financial management is carried out centrally. In the case of participations, direct consultation is undertaken with the respective company management or carried out in the context of the opportunities for intervention regulated by the respective articles of association.

In certain cases, the Company uses derivative financial instruments to hedge debt service fluctuations for loans with variable interest rates (interest rate hedges). For example, for the long-term financing of the "Sparkasse portfolio" which is owned directly, the Company chose a 10 year hedge of the interest rate through a swap transaction on the request of the bank in July 2008, which fixes the interest rate for this loan at 6,0% p.a. until June 30, 2018.

In the upcoming renegotiations of loans, the Management Board plans to initially forego interest rate fixing due to the current very low interest rates and partially hedge against the risk of increasing interest rates by agreeing interest rate caps.

Of the Group's financial liabilities totalling around €83.0 million (previous year: €91.0 million), €13.1 million or 16% (previous year: €38.2 million or 42%) are due within one year.

Cash Flow from Operating Activities

Net cash from operating activities

in € thousand	2012	2011 adjusted[1]
Consolidated net income	**1,175**	**4,550**
Profit/loss on valuation and on disposals	(69)	(287)
Income from equity-accounted participations	(1,209)	(3,225)
Withdrawals from equity-accounted participations	2,456	1,328
Minority interests (profit/loss, pay-outs)	679	201
Compensation payment received	—	2,000
Other adjustments	242	(837)
Net cash from operating activities	**3,274**	**3,730**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

The cash inflow from operating activities came in at €3.28 million in the financial year 2012, some €0.45 million or 12% down on the previous year level of €3.73 million, which featured a compensation payment received for a prematurely terminated lease agreement in a subsidiary.

Cash flow from investment activities

Investment activities resulted in a cash inflow totalling €3.62 million compared to €1.04 million in the previous year.
The net cash in 2012 resulted from proceeds from the sale of eight properties totalling €5.03 million, which was offset by investments in the portfolio totalling €1.40 million.

Cash and cash equivalents

in € thousand	2012	2011
Cash flow from investment activities	**3,624**	**1,039**
Cash flow from financing activities	**(8,762)**	**(9,019)**
Change to cash and cash equivalents	(1,864)	(4,250)
Cash and cash equivalents at the start of the period	7,725	11,975
Cash and cash equivalents at the end of period	**5,861**	**7,725**

Cash flow from financing activities

Cash outflow from financing activities totalling €8.76 million (previous year: €9.02 million) resulted mainly from the net repayment of financial debts of €8.04 million as well as the payment of the dividend for 2011 totalling €0.75 million. In the previous year, €8.08 million was repaid and €0.93 million spent on distributing dividends.

Liquidity

As the cash outflow for repayments and dividends totalling around €8.76 million was only offset by cash inflows of around €6.89 million, cash and cash equivalents in the Group dropped by €1.86 million to €5.86 million (previous year: down €4.25 million to €7.73 million).

Net asset position

The balance sheet equity ratio increased from 40.3% (adjusted 2011) to 41.9% of consolidated total assets. Equity pursuant to § 15 of the REIT Act increased to 52.6% of immovable assets (adjusted 2011: 50.7%).

The market value of the Group's properties as well as properties held by companies valued at equity is determined once a year by independent experts using the discounted cash flow method. Further information on the method of property valuation is available in Note 6 of the Notes.

Participations in the equity-accounted companies are also subject to an impairment test. This determines the net present value of the administrative and services costs, which are not taken into account in the property valuation. This figure is then included in the book value of the Company as an impairment deduction.

Compared to the previous year, total assets were reduced by 3% from €190.62 million to €184.84 million due to the disposal of eight properties and the repayment of bank debts.

Non-current assets amounted to €176.29 million and represented 95% of total assets (previous year: €179.67 million or 94%). Investment properties accounted for 72% or €126.67 million (previous year: 72% or €129.13 million). Equity-accounted participations in associated companies represented 28% or €49.47 million (previous year: 28% or €50.34 million) of non-current assets.

Current assets of €8.55 million (previous year: €10.95 million) contained €5.86 million or around 69% cash and cash equivalents. Receivables and other assets accounted for another €2.69 million (31%).

Assets	12/31/2012		12/31/2011 adjusted[1]		Change	
	[in € thousand]	[%]	[in € thousand]	[%]	[in € thousand]	[%]
Total non-current assets	176,294	95	179,666	94	(3,372)	(2)
Total current assets	8,546	5	10,951	6	(2,405)	(22)
Total assets	**184,840**	**100**	**190,617**	**100**	**(5,777)**	**(3)**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

Equity and liabilities	12/31/2012		12/31/2011 adjusted[1]		Change	
	[in € thousand]	[%]	[in € thousand]	[%]	[in € thousand]	[%]
Total equity	**77,393**	**42**	**76,894**	**40**	**499**	**1**
Total non-current liabilities	91,947	*86*	73,355	*65*	18,596	25
Total current liabilities	15,500	*14*	40,368	*35*	(24,868)	(62)
Total liabilities	**107,447**	**58**	**113,723**	**60**	**(6,276)**	**(6)**
Of which financial liabilities	82,984	*77*	91,027	*80*	(8,043)	(9)
Total equity and liabilities	**184,840**	**100**	**190,617**	**100**	**(5,777)**	(3)

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b).

As of balance sheet date, 42% (previous year: 40%) of assets were financed by equity and 58% (previous year: 60%) by debt. It should be noted that minority interests in subsidiaries in the amount of €15.30 million (previous year: €14.59 million) are listed as liabilities in accordance with IFRS. If minority interests were considered equity, as proposed in the REIT Act, equity would increase to €92.69 million or 50% of total assets (adjusted previous year: €91.57 million or 48%).

The financial liabilities of the Group totalled €82,98 million or 45% of total assets (previous year: €91,03 million or 48%). As of December 31, 2012, 16% or €13.11 million of this total (previous year: 42% or €38.22 million) was due within one year. The decrease in financial liabilities by €8,04 million compared to the previous year was attributable in part to (special) repayments in connection with the sale of properties.

The improvement of the maturity structure of financial liabilities in the Group resulted from the replacement of a loan at the end of October 2012 from WIB Westdeutsche Immobilien-Bank AG due on December 31, 2012, for financing the interests purchased in 2007 by a loan from Capital Bank, GRAWE Gruppe AG, Graz of around €5.0 million, with a maturity as of June 30, 2015.

The new credit line of Capital Bank, GRAWE Gruppe AG, Graz totalling €7.0 million (€5.0 million of which has been used to date) is, like the previous credit from the WIB, collateralized by way of a pledge of the interests held in the subsidiaries and associated companies. The loan has an interest rate of the 3 month EURIBOR plus a margin of 5.0% p.a. (previously 4.75%); commitment interest of 1.5% p.a. has to be paid for unused loan components. A one-off processing charge of 1% of the credit line was agreed and paid. 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 guidelines for a lending limit or debt servicing capacities.

Equity ratio pursuant to § 15 of the REIT Act When calculating the equity ratio according to § 15 of the REIT Act, the balance sheet equity plus minority interest in subsidiaries is divided by immovable assets. Immovable assets are composed of the market value of an investment property (which would include the market value of real estate held for sale) and the net asset value of shares in associated companies. Taking into account the disposal of eight properties and the valuation result resulting from the market valuation of the property portfolio, immovable assets fell compared to the adjusted previous year results of €180.56 million by €4.42 million equal 2% to €176.14 million. At the same time, REIT equity increased by €1.61 million to €93.80 million. The REIT equity ratio therefore rose to 52.6% (previous year: 50.7%). As a result, this figure was significantly above the statutory minimum rate of 45.0% of immovable assets.

Determination of the equity ratio pursuant to § 15 of the REIT Act

in € thousand	2012	2011 adjusted[1]
Investment property	126,672	129,127
Interests in associated companies	49,469	50,336
Non-current assets available for sale	—	1,100
Immovable assets	**176,141**	**180,563**
	≙ 100.0%	≙ 100.0%
Equity	77,393	76,894
Minority interests	15,299	14,588
Equity ratio according to § 15 of the REIT Act	**92,692**	**91,482**
	≙ 52.6%	≙ 50.7%

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

Equity/net asset value (NAV) per share

The net asset value ("NAV"), calculated as the sum of the market value of the properties and participations after taking into account other balance sheet items, amounted to €77.39 million as of December 31, 2012 compared to €76.89 million at the same time in the adjusted previous year.

Net asset value is a key indicator for the valuation of real estate companies. Based on 9,325,572 shares in circulation as of the balance sheet date, the NAV per share was €8.30, compared to €8.25 in the adjusted previous year.

Balance sheet NAV

in € thousand		12/31/2012	12/31/2011 adjusted[1]
Market value of properties (including properties available for sale)		126,672	130,227
Equity-accounted participations		49,469	50,336
Miscellaneous assets minus miscellaneous liabilities		881	2,904
Minority interests		(15.299)	(14.588)
Financial liabilities		(82.984)	(91.027)
Other liabilities		(1.346)	(958)
Net Asset Value		**77,393**	**76,894**
Net Asset Value per share	in €	8.30	8.25

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

EPRA-NAV per share

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

EPRA-NAV

in € thousand		12/31/2012	12/31/2011 adjusted[1]
NAV pursuant to consolidated balance sheet		77,393	76,894
Market value of derivative financial instruments		6,685	5,893
Of which due to minority interests		(52)	(88)
Market value of derivative financial instruments of equity-accounted participations (proportionate)		2,265	3,201
EPRA-NAV		**86,291**	**85,900**
EPRA-NAV per share	in €	9.25	9.21

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

Assets not included in the balance sheet and off-balance sheet financing instruments

The consolidated balance sheet includes all assets if they can be recognised under IFRS. The sum of the knowledge of the Company's employees is an asset which does not appear on the balance sheet. However, their high motivation, commitment and expertise add value to the Fair Value Group.

No off-balance sheet financing instruments exist.

Sustainability Report

As a long-term portfolio investor, on the balance sheet date, Fair Value REIT-AG was invested directly and indirectly in a total of 65 commercial properties (previous year: 73) with a total leasable space of around 416,000 square metres (previous year: around 432,000 square metres) across eleven of the sixteen German federal states.

As the Company generates 100% of its income from property management, Fair Value is primarily interested in leasing the properties in its directly owned and participation portfolio to tenants with a good credit rating sustainably and for as long as possible.

To achieve this, good relationships with tenants and the competitive positioning of the real estate are key success factors. The competitiveness of real estate, aside from the usual location factors, is based on economic aspects resulting from the total of the rent and ancillary costs, as well as increasingly on environmental aspects. In the competition to gain tenants, the energy efficiency of a property plays an increasing role as general environmental awareness has improved substantially over the past few years.

As a result, when constructing new builds, a high energy efficiency standard is usually realised. The same applies for the renovation or reconstruction of existing buildings. As newly constructed buildings only represent a very small part of German real estate, adapting the existing building portfolio to become more environmentally-friendly is a long process overall.

The high costs of investment in the environmental sustainability of the real estate portfolio is not necessarily a question of the profitability of the investment for the owner, but rather an issue of limiting the risk to earnings and the sustained value of the property.

The overall portfolio of Fair Value including the properties in associated companies and minority interests has an average age since completion, weighted by market value, of 23 years. No property in the portfolio has been certified as a so-called "Green Building". However, all properties are continuously maintained and when renovations and reconstructions take place they are adapted to meet the latest technological standards with regards to environmental sustainability at a financially justifiable cost.

For the sustainability reports in 2010 and 2011, the heating energy efficiency of the properties used for bank and office purposes within the Fair Value portfolio, was analysed using consumption-related energy efficiency certificates, with the directly held banking and office real estate analysed in 2010 and the corresponding real estate in the participation portfolio analysed in 2011.

Overall, a space-weighted total consumption of 84 kWh/(m²a) has been calculated for the income-weighted 42% proportion of the current overall portfolio which has been analysed, which is approximately 42% below the average for comparable buildings. The variations ranged between –74% and +165% from the average.

Heating energy consumption figures

		kWh/(m²a)
Subportfolio office use		**84**
Average		147
Divergence	in %	(42)
Deviation	in %	(74) to 165

Therefore, the overall analysis shows that, with respect to the consumption values, the assessed buildings meet the standards of new buildings. As a result, there should be no fears of a competitive disadvantage overall.

It is still the case that the properties largely or exclusively used for retail only have the relevant information for consumption-related assessment available in a few cases, and therefore a retail property-based analysis would not provide a representative picture of the portfolio.

Future expansion and integration of the sustainability reporting

The Management Board is conscious that the (purely statistical) analysis of the heating energy efficiency of sub-portfolios using energy efficiency certificates is an insufficient approach for analysing the environmental aspects of sustainability reporting. It therefore plans in future to record continuous data on the direct and indirect energy consumption, water consumption and carbon dioxide emissions of individual properties to the extent that it is able to record this data itself or that the data can be recorded by service providers or tenants.

The desired recording and updating of resource consumption on an individual property basis will not be 100% achievable straightaway, just as the evolution of a real estate portfolio into a low-impact business is also a successive process.

As a comprehensive sustainability reporting approach also covers economic and social as well as environmental aspects, the sustainability reporting of Fair Value REIT-AG will in future be based on the latest guidelines from the GRI Global Reporting Initiative and the recommendations of the EPRA European Public Real Estate Association for sustainable reporting for real estate companies and will transparently present to what extent its financial reporting fulfils these recommendations.

The recommendations of GRI/EPRA for sustainability reporting and the guidelines of the DRS German Reporting Standards for management reports are redundant in many parts. Therefore in the interests of stakeholders, the Management Board has set itself the target of providing integrated financial and sustainability reporting. In implementing this target, it is orientating itself on the on-going insights of the IIRC International Integrated Reporting Committee.

Remuneration Report

Management Board

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

The variable remuneration components consist of

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

b) An additional cash bonus totalling 10% of the annual savings on Company administration costs achieved is also paid. The basis for this calculation is the administration costs for the financial year 2011 for the first contractual year (October 2012 to October 2013). For the following year, the reference amount is always corrected by the percentage change of the NAV, although

c) the maximum total amount of the bonuses after a) and b) is 100% of the fixed annual salary including specific fringe benefits (use of a company car and pension contributions). For the year 2012, the bonuses after a. are pro rata temporis, calculated from October 1, 2012. The bonuses after b) relate to the full year 2012.

d) Moreover, a bonus totalling 0.2% of the positive change in the market capitalisation of the Company. The calculation of the compensation entitlement from these long-term components is made after four years by comparing the market capitalisation of the Company on October 1, 2012, and September 30, 2016. If the employee in question leaves the Management Board earlier than planned, the calculation and pay-out is made at the termination of the contract. The amount of this bonus component is limited to the annual basic compensation without fringe benefits plus the annual average of the variable compensation according to a) and b) when it is calculated.

Supervisory Board

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

Further information, including details of the total remuneration payable to the Management Board and Supervisor Board, is available in Note 31 of the Notes.

Other information pursuant to § 315 Paragraph 4 HGB and corporate governance statement pursuant to § 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 § 11 Paragraph 4 of the REIT Act, no single shareholder may directly hold 10% or more of the shares or voting rights (maximum participation limit). If the maximum participation limit is exceeded, the relevant shareholder must demonstrate in an appropriate manner that its direct participation has been reduced within two months after being requested to do so by the Management Board. A continued breach of the maximum participation limit can, in accordance with the articles of association, lead to transfer without compensation of the surplus shares or to a compulsory withdrawal of these shares without compensation.

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

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

1. Authorised capital The Company does not currently have authorised capital.

2. Conditional capital The Company does not currently have conditional capital.

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

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

Amendments to the Articles of Association

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

Appointment and dismissal of Management Board members

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

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

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

Corporate governance statement pursuant to § 289a HGB

On January 2, 2013, the Management Board of Fair Value REIT-AG submitted a statement on corporate governance pursuant to § 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.

Compliance with the Requirements of the German REIT Act

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.

Proof of compliance with the provisions is to be provided on the balance sheet date and confirmed by the auditor. The auditor's confirmation is based on declarations made by the Management Board regarding compliance with the requirements of §§ 11 and 13 (distribution of shares and minimum distribution) as well as §§ 12, 14 and 15 (asset and income requirements, exclusion of property trading and compliance with the minimum equity capital requirement).

The Management Board is required to provide the auditor with declarations which clearly show compliance with the requirements of the REIT Act.

Key figures REIT criteria 2012

Criteria REIT Act	Requirement REIT Act	**Current Fair Value**	**Fair Value 12/31/2011 adjusted**[1]
§ 11 Free float	≥ 15%	36.4%	36.4%
§ 12, para. 2 a Asset requirements	≥ 75%	95.3%	94.7%
§ 12, para. 3 a Income requirements	≥ 75%	100.0%	100.0%
§ 13 Minimum distribution to shareholders	≥ 90%	93.6%[2]	97.6%[2]
§ 14 Exclusion of real estate trading	≤ 50%	17.2%	19.1%
§ 15 Minimum equity requirement	≥ 45%	52.6%	50.7%

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

[2] Dividend payout ratio in % of the balance sheet net income, equal § 13 No. 1 REITG 93,3% (adjusted 2011: 97,6%)

Supplementary Report

No events of material importance occurred after the balance sheet date.

Risk Report
Risk Management System

Objectives, Principles and Methods of Risk Management

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

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

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

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.

Additional management and control options have opened up through the acquisition of general partners in five of twelve participations in mid-2011. Thanks to this, Fair Value REIT-AG has the legal right to represent 83% of the market value of the directly and indirectly owned real estate portfolio.

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,
– 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, Analysis, Management, Control)

Risikoidentifikation

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. In order to structure the risks, the risk categories are defined in the following risk overview:

- **Economic and Industry Risks**
- **Corporate Strategy Risks**
- **Operating Performance Risks**
  - Leasing
  - Property Management
  - Valuation
  - Insurance
  - Liability
  - Litigation
- **Personnel Risks**
- **Information Technology Risks**
- **Financial Risks**
  - Investment Risks
    - Property Selection
    - Due Diligence
    - Sales
  - Risks from Financing Activities
    - Equity
    - Liquidity
    - Financial liabilities
- **Other Risks**
  - Legal and Tax Environment
  - Risks for REIT-AG's
  - Risks Related to the REIT Status

Risk Analysis

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

Risk Control

An essential part of risk control is the aforementioned reporting, which forms a basis for the definition, evaluation and documentation of individual risks.

The assessment of the individual risks is recorded in the risk inventory. The risk inventory is the basis for risk control decisions and shows the overall risk exposure of the Fair Value Group.

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

Risk Management

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

Individual Risks

Economic and Industry Risks

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

Corporate Strategy Risks

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

Operating Performance Risks

Leasing There are risks related to possible rent reductions, loss of rent and vacancies. In addition, it may not always be possible to implement index-related rent increases in full, immediately, or at all. In extreme cases, rents may also fall as a result of being index-linked. An overall negative deviation in rental income of 5% from the contracted amount would likely result in a fall in consolidated net income of around €0.9 million.

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

Valuation The value development of directly and indirectly held properties affects the corporate value of Fair Value REIT-AG both directly and indirectly. The valuation result as the difference between valuation losses and valuation gains has an impact on the Company's assets, balance sheet structure and financing terms (see financial liabilities). A universal change in the discount and capitalisation interest rates as part of the market valuation of the real estate portfolio by 25 bp upwards or downwards would lead to a roughly 3.9% fluctuation upwards or a 3.7% fluctuation downwards in the market valuation proportionate to Fair Value as of December 31, 2012. As a result, this would reduce consolidated net income by around €7.9 million or improve it by €8.2 million.

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

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

Litigation There is a risk that Fair Value may get involved in legal disputes with tenants, property buyers and sellers, shareholders or partners in property funds. There is currently one case of litigation pending, which exposes the Company to a cost risk of approximately €15,000.

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

Fair Value REIT-AG has an internal organisational structure for risk monitoring. In order to secure the Company against IT risks, Fair Value REIT-AG maintains a private network which is protected from external attacks. Data backups are carried out several times a week. In addition, a copy of a backup of all data is stored in a bank vault on a weekly basis.

Financial Risks

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

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

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

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

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

Liquidity The liquidity of Fair Value REIT-AG is different from the liquidity ratio of the Fair Value Group. It is dependent on regular income from properties held directly as well as inflows from subsidiaries and associated companies less property management, administration and financing costs as well as amortisation and depreciation. Due to the pay-out of settlement credit balances to exiting partners in participations, the anticipated cash inflows from the participations could be lower or may not materialise at all. 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 2013 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 also a general interest rate risk. In addition to the interest rate risk, there is the risk of increasing bank refinancing costs ("funding costs") and therefore rising bank margins. A 1% increase in the overall interest for the financial liabilities existing on December 31, 2012 within the Group and at the associated companies would result in around a €1.3 million reduction in consolidated net income.

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.

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.

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.

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
Overall, the Management Board does not expect any risks to materialise in 2013 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.

Forecast

Economic situation and industry outlook

Most economic research institutes and the International Monetary Fund (IMF) are forecasting economic growth for Germany in 2013 slightly below that of the previous year. The expectation is that the economy will be revitalised in the second half of the year and in 2014. The office and retail markets are likely to record stable development, and therefore similar to 2012. The German investment market will likely be somewhat weaker despite high demand as the supply of so-called core properties will remain low.

Macroeconomic Situation

The IMF anticipates that the German economy will grow by 0.6% in 2013, which would represent slightly weaker development than 2012. Stronger growth of 1.4% is forecast for 2014. In both years, the prospects for Germany are therefore better than for the Eurozone overall: Here, the IMF is anticipating a fall of 0.2% for 2013 and growth of 1.0% for 2014. This cautious forecast is based on the continued difficult financing conditions as well as the sustained uncertainty surrounding a final solution to the Euro crisis, among others.

In its annual economic report 2013, the German Federal Government expects the German economy to return to its growth track, even if the external impulses will be somewhat weaker than in 2012. The government believes that the situation on the employment market will record stable development and employment will increase slightly. The German Federal Bank assumes that there will be no major changes in the employment market and the unemployment rate will increase slightly during the year.

Rental Markets

According to estimates from analysts, the office rental market in 2013 can expect similar results to 2012 with around 3 million m² of leasing turnover – assuming that economic growth comes in at the same level of the previous year. The anticipated new build volumes are already two thirds leased, which means that vacancies will continue to fall. Due to the continued demand for high-quality spaces in central locations, top rents will continue to rise in 2013, even if growth is less strong than in both previous years.

2013 is also likely to see stabilisation as opposed to large growth gains in the retail real estate market in 2013. The low economic growth will cause a slow down while the robust employment market keeps domestic demand stable and therefore encourages private consumption. Overall, cautious positive development can therefore be expected.

Investment Markets

After the very good results of the previous year, slight declines are expected for the German investment market in 2013. According to analysts, substantial increases in turnover are only possible if investors broaden their horizons and also take on properties away from the core area in their investment strategies. These include other first-class properties in locations away from the city centres and top sites. Nevertheless, in 2013, core properties will remain a focus for investors, although the high demand cannot be covered by the limited supply so that the top yields will stabilise at a lower level. In addition, the procurement of borrowing will remain a limiting factor this year, as many banks are operating on an increasingly low-risk basis. Overall, the favourable interest situation as well as the high risk premium compared to German government bonds speak in favour of investment in German real estate.

The Focus of the Group

Securing income and optimising the portfolio
As was successfully implemented in the past few years, in the future high lease renewal rates should be achieved without any vacancies if possible. Unavoidable vacancy costs should be limited to standard market expenses.

As part of the pending renegotiation of long-term mortgage credits at individual participations, the Management Board anticipates substantial savings in the net interest expenses of up to 50% of expenses to date due to the historically low interest rates and despite increasing bank margins. This will offset the required adjustments to rental income from renewal agreements after expired long-term rental agreements to the substantially lower market level in some cases, and it may even partially exceed this amount and ultimately positively impact the results of the Fair Value Group.

The current high demand for investment properties should be exploited for the sale of individual portfolio properties, particularly at participations. As part of this, the trade restrictions pursuant to § 14 of the REIT Act will be adhered to. The resultant liquidation of participations enhances the earnings strength of the Company through cost-cutting. The funds raised through sales and transactions will be reinvested, while taking into account the distribution requirement under § 13 of the REIT Act.

Focus on retail properties Through these portfolio changes, Fair Value is seeking to refocus its property portfolio on retail properties and successively increase the share of direct investments and majority interests in its overall portfolio in the future.

In addition to improving the income situation in the real estate portfolio, the Management Board continues to strive to expand the real estate portfolio itself. This expansion requires a strengthening of the equity base.

Anticipated development of business

Income position and earnings outlook for the Group in 2013 and 2014

The forecast for 2013 and 2014 anticipates falling net sales due to rental costs, renewal agreements at lower market rents and following targeted property sales. This reduction can be largely offset after successful renewal agreements by falling property-related expenses and through the repayment and interest rate-related fall in net interest expenses:

EPRA-Earnings/FFO forecast

		Actual		Forecast
in € million		**2012**	**2013**	**2014**
Net sales		**13.6**	**12.8**	**10.8**
Real estate-related expenses		(5.2)	(4.9)	(3.3)
Net rental income		**8.4**	**8.0**	**7.5**
General administrative expenses		(2.6)	(2.0)	(2.0)
Operating result		**5.8**	**6.0**	**5.5**
Income from participations		5.3	4.3	4.5
Net interest expenses		(4.2)	(3.6)	(3.2)
Minority interests		(1.3)	(1.4)	(1.2)
EPRA-Earnings		**5.6**	**5.3**	**5.6**
EPRA-Earnings per share	in €	0.60	0.57	0.60

Compared to the reporting year, in line with planning, net sales will fall by 6% to €12.8 million in 2013 and by a further 16% to €10.8 million in 2014 on the back of assumed property sales in two subsidiaries.

Real estate-related expenses will fall year-on-year in 2013 by around 6% to €4.9 million and decrease substantially again by 33% to €3.3 million in 2014.

General administrative expenses include the costs on company-level and corporate expenses of the subsidiaries. This item will be around 17% down on the year under review during 2013 and 2014 at an anticipated €2.0 million due to a sale-related reduction in the assessment base.

Based on these figures, the Management Board is anticipating an operating result of €6.0 million for 2013, up 3% on the year under review. For 2014, the operating result is expected to fall by 8% to €5.5 million.

Income from participations will fall in 2013 to €4.3 million (after €5.3 million in the year under review) due to higher rental costs and on the back of the approx. 9% reduction in net sales as part of planned property sales at an associated company. In the following year, income from participations will increase again to €4.5 million on the back of the high repayments from sales-related cash inflows and reduced interest expenses.

Net interest expense is expected to fall by 12% to €3.6 million in 2013 due to repayments and lower interest rates, with this item set to decrease by a further 11% to €3.3 million in 2014, although this development depends on futures interest rate development.

After taking into account minority interests in subsidiaries, adjusted consolidated net income (EPRA-Earnings or FFO) is expected to reach €5.3 million or €0.57 per share in 2013. The Management Board is expecting FFO of €5.6 million or €0.60 per share in 2014.

Net income forecast pursuant to the German Commercial Code for Fair Value REIT-AG

For the current financial year, the Management Board is anticipating net sales of €3.6 million on REIT-AG level despite the sale of six properties with a proportional annual rental income of €0.2 million in the previous year. This would be close to the previous year mark of €3.7 million. An index and rental-related rise in net sales to €3.8 million is anticipated for 2014.

Individual Financial Statement of Fair Value REIT-AG (German GAAP)

in € million	2013	Forecast 2014
Net sales	**3.6**	**3.8**
Real estate-related operating expenses incl. AFA	(1.9)	(1.7)
Net rental income	**1.7**	**2.1**
General administrative expenses	(1.5)	(1.6)
Operating result	**0.2**	**0.5**
Income from participations	3.0	2.6
Net interest expenses	(2.0)	(1.9)
Planned net income from operating activities	**1.2**	**1.2**

In 2013, net rental income will come in at €1.7 million on the back of planned vacancy and rental costs at individual directly-held properties, around 13% down on the previous year level of €2.0 million. A rise in net rental income to €2.1 million is anticipated for 2014.

The operating result is expected to total €0.2 million in 2013, with this amount rising to €0.5 million in 2014.

The forecast for income from participations for 2013 in the amount of €3.0 million is two thirds based on profit distribution from on-going business and one third on sales-related income from participations which is not yet secure at the time of reporting. In contrast, the planned income from participations for 2014 in the amount of €2.6 million results 80% from the on-going distribution of profit without proceeds from sale under commercial law.

The planned net interest expenses of €2.0 million in 2013 and €1.9 million in 2014 based on planned repayments of liabilities for the Sparkasse portfolio and the unchanging amount of credit collateralised with interests.

The Management Board anticipates net income pursuant to the German Commercial Code for the years 2013 and 2014 which would allow dividend pay-outs of €0.12 per currently issued share.

Anticipated financial position of the Group The Management Board expects the Group's liquidity to total around €6.0 million by the end of 2013 if business develops as expected (December 31, 2012: also €6.0 million).

On the back of the anticipated property sales and the connected incoming payments from financial liabilities, the Management Board is expecting, given unchanged nominal equity pursuant to Section 15 REITG, a rise in the equity ratio to a level between 58% and 60% of immovable assets.

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

The forecast economic conditions for Germany offer a stable platform for the real estate industry and therefore also for Fair Value REIT-AG. As the current market value of the real estate in Germany is largely substantially below the rebuilding costs, a strong increase in the volume of new builds is not expected in the short-term. As a result, the existing demand for space will focus on existing properties and therefore may also have a positive effect on the pending renewal agreements and new rental agreements in the Fair Value portfolio. Moderate rent increases are also likely be implementable in the years 2013 and 2014.

The high demand for property investments is increasingly expanding to secondary and regional locations. This is likely to improve the conditions for the desired sale of individual properties at the subsidiaries and associated companies.

Due to the current historically low interest rates, the pending follow-up financing of expiring fixed rate loans during the current financial year will offer savings compared to the existing terms and therefore boost the profitability of the portfolio.

Overall, the Management Board is expecting good conditions during 2013 and 2014 for increasing the attractiveness of the Fair Value share and achieving the desired growth in the equity base and investor volume of Fair Value.

Munich, March 26, 2013

Fair Value REIT-AG

Frank Schaich

Consolidated Financial Statements

Consolidated Balance Sheet

Assets in € thousand	Note no.	12/31/2012	12/31/2011 adjusted[1]	01.01.2011 adjusted[1]
Non-current assets				
Intangible assets	4	143	180	3
Property, plant and equipment	4	4	6	7
Investment property	5	126,672	129,127	128,650
Equity-accounted investments	6	49,469	50,336	48,172
Other receivables and assets	7	6	17	269
Total non-current assets		**176,294**	**179,666**	**177,101**
Current assets				
Non-current assets available for sale	8	–	1,100	2,500
Trade receivables	9	1,398	1,222	1,262
Income tax receivables	10	65	75	71
Other receivables and assets	11	1,222	829	2,390
Cash and cash equivalents	12	5,861	7,725	11,975
Total current assets		**8,546**	**10,951**	**18,198**
Total assets		**184,840**	**190,617**	**195,299**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b))

Equity and liabilities

in € thousand	Note no.	12/31/2012	12/31/2011 adjusted[1]	01.01.2011 adjusted[1]
Equity	13			
Subscribed capital		47,034	47,034	47,034
Share premium		46,167	46,167	46,167
Reserve for changes in value		(6,411)	(6.480)	(5,732)
Balance sheet loss		(8.999)	(9.429)	(13,047)
Treasury shares		(398)	(398)	(398)
Total equity		**77,393**	**76,894**	**74,024**
Non-current liabilities				
Minority interests	14	15,299	14,588	14,383
Financial liabilities	15	69,873	52,810	87,556
Derivative financial instruments	16	6,685	5,893	5,181
Other liabilities	17	90	35	46
Total non-current liabilities		**91,947**	**73,326**	**107,166**
Current liabilities				
Provisions	18	268	250	241
Financial liabilities	15	13,111	38,217	11,547
Trade payables		865	1,007	1,083
Other liabilities	17	1,256	923	1,238
Total current liabilities		**15,500**	**40,397**	**14,109**
Total shareholders' equity and liabilities		**184,840**	**190,617**	**195,299**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b))

Income Statement

Consolidated income statement

in € thousand	Note no.	2012	2011 adjusted[1]
Rental income		**11.165**	**10.807**
Income from operating and incidental costs		2,412	2,552
Leasehold payments		(7)	(25)
Real estate-related operating expenses		(5,185)	(4,580)
Net rental result	21	**8,385**	**8,754**
General administrative expenses	22	**(2,378)**	**(2,310)**
Other operating income		125	99
Other operating expenses		(346)	(130)
Total other operating income and expenses	23	**(221)**	**(31)**
Net income from the sale of investment properties		5,211	3,175
Expenses in connection with the sale of investment properties		(5,160)	(3,150)
Result from sale of investment properties	24	**51**	**25**
Valuation gains		3,814	2,357
Valuation losses		(3,796)	(2,095)
Valuation result	25	**18**	**262**
Operating result		**5,855**	**6,700**
Result from equity-accounted investments	6	**1,209**	**3,225**
Interest income		36	99
Interest expense	26	(4.683)	(4,621)
Financial result		**(4,647)**	**(4,522)**
Taxes from earnings and income		0	0
Income before minority interests		**2,417**	**5,403**
Minority interest in the result	14	(1,242)	(853)
Net income		**1,175**	**4,550**
Earnings per share in € (basic/diluted)	28	0,13	0,49

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

Statement of Comprehensive Income

Consolidated statement of comprehensive income

in € thousand	Note no.	2012	2011 adjusted[1]
Net income		**1,175**	**4,550**
Other results			
Change in cash flow hedges	17	(279)	(852)
Thereof due to minority interests		(32)	(143)
Change in cash flow hedges of associated companies	7	380	247
Total other results		**69**	**(748)**
Comprehensive income		**1,244**	**3,802**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

Statement of Changes in Equity

Statement of changes in consolidated equity

in € thousand (except for circulating shares)	Shares in circulation	Subscribed capital	Share premium	Reserve for changes in value	Balance sheet loss	Own shares	**Total**
Balance at January 1, 2011[1]	**9,325,572**	**47,034**	**46,167**	**(5,732)**	**(12,513)**	**(398)**	**74,558**
Effects from retrospective adjustment[1]	—	—	—	—	*(534)*	—	*(534)*
Balance at January 1, 2011 (adjusted)[1]	**9,325,572**	**47,034**	**46,167**	**(5,732)**	**(13,047)**	**(398)**	**74,024**
Distribution of dividends	—	—	—	—	*(932)*	—	*(932)*
Total net income	—	—	—	*(748)*	*4,550*	—	*3,802*
Balance at December 31, 2011	**9,325,572**	**47,034**	**46,167**	**(6,480)**	**(9,429)**	**(398)**	**76,894**
Distribution of dividends	—	—	—	—	(745)	—	(745)
Total net income	—	—	—	69	1,175	—	1,244
Balance at December 31, 2012	**9,325,572**	**47,034**	**46,167**	**(6,411)**	**(8,999)**	**(398)**	**77,393**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

Cash Flow Statement

Consolidated cash flow statement

in € thousand	2012	31.12.2011 adjusted[1]
Net income	**1,175**	**4,550**
Adjustments to consolidated earnings for reconciliation to cash flow from operating activities		
Cash Flow aus betrieblicher Tätigkeit		
Income tax expenses/(income)	10	(4)
Amortization of intangible assets and depreciation of property, plant and equipment	39	23
(Profits)/losses from the disposal of investment properties	(51)	(25)
Valuation result	(18)	(262)
Income from equity-accounted investments	(1,209)	(3,225)
Withdrawals from equity-accounted investments	2,456	1,328
Loss/(profit) for minority interests	1,249	853
Disbursement to minority interests	(570)	(652)
Result from the valuation of derivative financial instruments	513	(140)
Compensation payment received	—	2,000
Changes in assets, equity and liabilities		
(Increase)/decrease in trade receivables	(176)	40
(Increase)/decrease in other liabilities	(382)	(235)
(Decrease)/increase in provisions	18	9
(Decrease)/increase in trade payables	(142)	(76)
(Decrease)/increase in other liabilities	362	(454)
Cash flow from operating activities	**3,274**	**3,730**
Payments for the purchase of interests in associated companies	—	(20)
Investments in investment properties	(1,402)	(1,825)
Income from the disposal of investment properties	5,026	3,083
Investments in property, plant and equipment and intangible assets	—	(199)
Cash flow from investment activities	**3,624**	**1,039**
Disbursements of exiting minority interests	26	(11)
Receipts from financial liabilities	4,996	—
Repayment of financial liabilities	(13,039)	(8,076)
Distribution of dividends	(745)	(932)
Cash flow from financing activities	**(8,762)**	**(9,019)**
Cash effective change of liquid funds	**(1,864)**	**(4,250)**
Change of consolidation scope	—	36
Cash and cash equivalents – start of period	7,725	11,975
Cash and cash equivalents – end of period	5,861	7,725
Additional disclosures: Interest received		
Interest received	36	99
Interest paid	(4,170)	(4,901)

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

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Notes

(1) General Information on the Company

Fair Value REIT-AG is headquartered in Munich, Germany, and does not have any branch offices. As a real estate investment firm, the Company focuses on the acquisition and management of commercial properties in Germany. Investment activities focus in particular on office and retail properties in regional centres. Fair Value REIT-AG invests directly in real estate as well as indirectly in real estate partnerships via the acquisition of participations. Following its registration as a public company on July 12, 2007, Fair Value REIT-AG ("the Company") has been listed on the stock exchange since November 16, 2007. It became a REIT on December 6, 2007.

As a result of its participation in a total of 12 (2011: 12) closed-end real estate funds and six additional companies, the Company must prepare consolidated financial statements.

The consolidated financial statements are submitted to the federal gazette ("Bundesanzeiger").

These financial statements were prepared by the Management Board and after approval by the Supervisory Board on March 26, 2013 have been released for publication.

Accounting and Valuation Methods

(2) Key accounting, valuation and consolidation methods and presentation of adjustments in previous years

(2a) Key accounting, valuation and consolidation methods

Principles of preparation The consolidated financial statements prepared by Fair Value REIT-AG as the parent company have been prepared according to uniform accounting and valuation methods. The International Financial Reporting Standards (IFRS) from the International Accounting Standards Board (IASB) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that applied on the balance sheet date and adopted by the European Union were observed in line with Section 315a of the Handelsgesetzbuch (HGB – German Commercial Code). The standards and interpretations for which application was mandatory were used.

Investment property, financial derivatives and plan assets are measured at their fair values, while interests in associated companies are equity-accounted. All other measurements are based on cost.

The consolidated financial statements have been prepared in Euro. Unless otherwise stated, all amounts are provided in thousands of Euro. Rounding differences may occur.

Assets and liabilities are broken down into current and non-current items. Items are regarded as being current if they are due within one year.

The consolidated income statement is prepared by classifying expenses by function.

Comparable figures The figures from the financial year from January 1 to December 31, 2011 adjusted pursuant to IAS 8 have been used as comparable figures (see Notes no. 2b).

First time application of accounting standards
In the financial year 2012, application of the following standards or interpretations of the stipulations of the European Union was mandatory for the first time.
- IFRS 7 – Financial Instruments: Disclosures – Transferring financial assets

This had no significant effect on the consolidated financial statements.

Accounting standards not yet applied
The following disclosures were endorsed by the EU as of December 31, 2012, but their application is not compulsory until later reporting periods:
- Amendments to IAS 1 Presentation of Financial Statements: Presentation of other earnings items
- Amendments to IAS 12 Income Taxes – Deferred Taxes: Realisation of underlying assets

– Amendments to IAS 19 Employee Benefits
– IAS 27 Separate Financial Statements
– IAS 28 Investments in Associates and Joint Ventures
– Amendment to IAS 32 Financial Instruments – Disclosure – Offsetting a financial asset and a financial liability
– IFRS 1 Accounting for Government Loans
– Amendment to IFRS 1 First-time Adoption – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
– Amendment to IFRS 7 Financial Instruments: Disclosure – Offsetting a Financial Asset and a Financial Liability
– IFRS 10 Consolidated Financial Statements
– IFRS 11 Joint Arrangements
– IFRS 12 Disclosures of Interests in Other Entities
– IFRS 13 Measuring Fair Value
– IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Group is currently reviewing the impact of the above disclosures on the consolidated financial statements. It does not believe that they will have a major impact on earnings or net assets.

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

New standards:
– IFRS 9 Financial Instruments

Amendments to existing standards:
– IFRS 1 Accounting for Government Loans

Group of consolidated companies and consolidation methods All subsidiaries are included in the consolidated financial statements. Subsidiaries are companies for which the Group can determine the financial and business policy; in general this is linked to holding a majority of voting rights. The subsidiaries are included from the day on which the Group obtains control until the end of the control. If a company is acquired, all of the identifiable assets, liabilities and contingent liabilities for the acquired company are measured at their fair values on the date of the acquisition. Interests held by other shareholders are carried according to their interests at the fair value of the identifiable assets, liabilities and contingent liabilities.

Any difference remaining after the Group’s acquisition costs are netted with the Group’s interest in the newly measured net assets is carried as goodwill if this is a positive figure or recognized in profit or loss if this is negative.

The consolidated financial statements include Fair Value REIT-AG together with 12 subsidiaries as part of full consolidation:

Full consolidated subsidiaries

Voting rights/fixed capital interest in %	12/31/2012	12/31/2011
IC Fonds & Co. Büropark Teltow KG, München (“IC 07)	77.74	76.74
IC Fonds & Co. Forum Neuss KG, München (“IC 03”)	71.58	71.58
IC Fonds & Co. München Karlsfeld KG, München (“IC 01”)	56.29	56.29
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, München (“BBV 06”)	56.69	56.18
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG, München (“BBV 03”)	54.10	54.02
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG, München (“IC 13”)	50.04	50.04
GP Value Management GmbH, München (“GPVM”)	100.00	100.00
BBV 3 Geschäftsführungs-GmbH & Co. KG, München (“FV03”)	100.00	100.00
BBV 6 Geschäftsführungs-GmbH & Co. KG, München (“FV06”)	100.00	100.00
BBV 9 Geschäftsführungs-GmbH & Co. KG, München (“FV09”)	100.00	100.00
BBV 10 Geschäftsführungs-GmbH & Co. KG, München (“FV10”)	100.00	100.00
BBV 14 Geschäftsführungs-GmbH & Co. KG, München (“FV14”)	100.00	100.00

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

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

Investment properties Investment property comprises land and buildings that are used to generate rental income and for appreciation. Investment property is initially carried on the date of its acquisition at cost including transaction costs. Acquisition costs also include later costs for expansion or maintenance work which increases value. Subsequent valuations are at fair value. According to IAS 40, this is preferably to be identified based on ascertained market prices or by comparison with sufficiently identical measurement properties. However, the Group's properties differ in terms of age, location, fittings and size. As a result, these are valued based on the discounted cash flow method (DCF method), taking into account the existing rental contracts and current market interest levels

The resulting fair value is identical to the fair market value as defined by the Royal Institution of Chartered Surveyors (RICS) in its Red Book:

> *"The fair market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."*

The fair market values of all properties are to be identified once a year by an independent expert. Changes in the value are recognized in profit or loss in the income statement.

Interests in associated companies Interests in associated companies are accounted for at equity. Associated companies are companies for which the Group has a significant influence on their business and financial policy, while not controlling them, however. As a rule this is linked to an interest and voting rights of between 20% and 50%. Interests are carried at cost. If the acquisition costs are lower than the fair value of the proportionate net assets of the associated company, the resulting negative difference is reversed and recognized in profit or loss. The interest is thus carried above cost. As a result, the carrying amount of the interests increases or decreases in line with the shareholder's interest in the earnings for the period. Distributions received from an investee reduce the carrying amount of the participation. The financial statements for the participating interests measured at equity are adjusted to the Group's accounting principles and methods.

Participations in the six following associated companies have been equity accounted in the consolidated financial statements.

Associated companies

Voting rights/fixed capital interest in %	12/31/2012	12/31/2011
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, München ("BBV 14")	45.12	45.12
IC Fonds & Co. SchmidtBank-Passage KG, München ("IC 12")	40.95	40.34
BBV Immobilien-Fonds Erlangen GbR, München ("BBV 02")	41.39	41.05
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Regensburg ("IC 15")	39.08	38.94
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, München ("BBV 10")	38.43	38.43
BBV Immobilien-Fonds Nr. 9 GmbH & Co. KG, München ("BBV 09")	25.17	25.17

Slight increases in the participations on the balance sheet date resulted from other partners exiting.

Impairment On each balance sheet date, the Group reviews the carrying amounts of the equity-accounted investments, the properties under construction and, if necessary the intangible assets and property, plant and equipment to ascertain if there are any indicators that these could be impaired. In this case, the recoverable amount of the respective asset is identified in order to determine the scope of any adjustment to its value that may have to be performed. The recoverable amount corresponds to the fair value less selling costs or the value in use; the higher value applies. The value in use corresponds to the present value of the anticipated cash flows. An interest rate that corresponds to market conditions is used for discounting. If the recoverable amount of an asset is lower than its carrying amount, the value of the asset is adjusted immediately in profit or loss.

If there is doubt surrounding the collection of receivables and other assets, these are carried at the lower amount which can be realised.

If, after impairment has been performed, a higher recoverable amount results at a later date, the asset is written up. The write-up is restricted to the amortised carrying amount which would have resulted if the asset had not been impaired in the past. The write-up is reflected in profit or loss.

Minority interests Minority interests in the real estate partnerships included in the consolidated financial statements have the right to terminate their participating interests. As a result, these shareholders' interests in the subsidiary's capital are regarded as potential compensation claims within the meaning of IAS 32 and are carried as liabilities on the consolidated balance sheet. When they are first carried, they are measured at their fair value which corresponds to the minority interest in the net asset value of the respective company. Thereafter the liability is carried at amortised cost. Profits increase the liability, losses and distributions reduce the liability. The liability thus carried corresponds to the minority interest's computed interest in the net assets of the respective subsidiary carried on the consolidated balance sheet at book values.

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

Liabilities to banks Liabilities to banks are measured at their fair value (= cost). In the case of newly assumed liabilities, cost is the repayment amount less any directly allocable transaction costs. In the case of subsidiaries' liabilities, which result for the Group as part of initial consolidation, cost corresponds to the market value of these liabilities on the date of initial consolidation. Any difference between cost and the repayment amount is distributed over the fixed-interest period by adjusting the carrying amount and reflecting this in profit or loss with each instalment.

Derivative financial instruments These are interest rate hedges for loans with variable interest rates. They are measured at their fair value. The fair value is the present value of the anticipated future payments, based on publicly available interest rates. If the conditions of IAS 39.88 for hedge accounting apply (designation and documentation as well as regular evidence of the effectiveness of the hedge), changes in the fair value are taken directly to equity under a separate item. If these conditions do not apply, the changes in the fair value are recognized in profit or loss.

Provisions Provisions are formed if there is a legal or effective obligation from past events, and if this obligation is likely to lead to an outflow of funds for which the amount can be reliably estimated.

Recognition of income and expense Rental income is recognised for a specific period in line with the term of the rental agreements and taking incentive agreements into account. If a property is sold, the earnings are recognised when the opportunities and risks associated with ownership (ownership, risks and rewards) are transferred to the purchaser. Operating expenses are recorded when the service is used. Interest is accrued and carried as expenses taking the effective interest method into account. Borrowing costs for qualified assets are capitalised.

(2b) Presentation of adjustments in previous years

To avoid double recording in the fair value of investment properties, tenant incentives and other accruals (e.g. property-related leasing commission) recognised pursuant to SIC 15, which are directly connected with the fair value of the property (IAS 40), are cancelled as part of a voluntary change to the accounting methods pursuant to IAS 8 at the expense of the valuation result. In the view of the Management Board, this presentation provides more reliable information.

The corresponding adjustments to the individual items of the balance sheet, as well as the items of the income statement are now as follows as of December 31, 2010 and 2011 pursuant to IAS 8:

Overview pursuant to IAS 8 of the adjusted items of balance sheet and income statement

in € thousand		12/31/2011 adjusted[1]	Adjustment	12/31/2011	01/01/2011 adjusted[1]	Adjustment	12/31/2010
Trade receivables		1,222	(33)	1,284	1,262	(29)	1,291
Other receivables and assets (short-term)		829	(35)	1,120	2,390	(256)	2,646
Equity-accounted investments		50,336	(33)	50,748	48,172	(379)	48,551
Other liabilities (short-term)		932	20	931	1,238	(19)	1,257
Minority interests		14,588	(37)	14,736	14,383	(111)	14,494
Balance sheet loss		(9,429)	(44)	(8,851)	(13,047)	(534)	(12,513)
Valutation losses		(2,095)	(48)	(2,047)	(4,854)	—	(4,854)
Results from equity-accounted investments		3,225	(33)	3,258	3,873	—	3,873
Minority interest in the result		(853)	37	(890)	255	—	255
for information							
Net income (-loss)		4,550	—	4,594	2,232	—	2,232
Divided by: Weighted average ordinary shares	in pieces	9,325.572	—	9,325.572	9,325.572	—	9,325.572
Earnings per share (basic/diluted)	in €	0,488	—	0,493	0,239	—	0,239

The amendment to the individual items in the statement of consolidated cash flows is as follows for 2011 pursuant to IAS 8:

Overview pursuant to IAS 8 of the adjusted items of balance sheet and income statement

in € thousand	2011 adjusted[1]	Adjustment	2011
Net income	4,550	(44)	4,594
Adjustments to consolidated earnings for reconciliation to cash flow from operating activities			
Profits/(Losses) from the disposal of investments properties	(25)	(50)	25
Valuation result	(262)	48	(310)
Income from equity-accounted investments	(3,225)	33	(3,258)
(Loss)/Profit from minority interests	853	(37)	890
(Increase)/Decrease in trade receivables	40	33	7
(Increase)/Decrease in other receivables	(235)	(13)	(222)
(Decrease)/Increase in other liabilities	(454)	(20)	(434)
Cash flow from operating activities	**3,730**	**(50)**	**3,780**
Income from the disposal of investment properties	3,083	50	3,033
Cash flow from investment activities	**1,039**	**50**	**989**
Cash flow from financing activities	**(9,019)**	**—**	**(9,019)**
Cash effective change of liquid funds	**(4,250)**	—	**(4,250)**
Change of consolidation scope	36	—	36
Cash and cash equivalent – start of period	11,975	—	11,975
Cash and cash equivalent – end of period	**7,725**	—	**7,725**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

(3) Estimations and the use of discretion as part of accounting

If no ascertained market prices are available, the management or an expert it engages must make estimates and assumptions to identify fair values. All estimates and assumptions are made to the best of their knowledge and belief, in order to ensure a true and fair view of the Group's financial position and results of operations.

Fair values must be identified in particular for:

a) **Accounting for corporate acquisitions** Upon first time consolidation all identifiable assets, liabilities and contingent liabilities are carried at their fair values on the acquisition date. One of the most important estimates is determining the respective fair values of these assets and liabilities on the acquisition date. Real estate valuations are based on opinions by independent experts on a specific date, which is no more than three months before or after the acquisition. Liabilities are measured based on the market interest rates that apply on the acquisition date taking a reasonable creditworthiness surcharge into account. In the year under review, no corporate acquisitions were made.

b) **Evaluation of investment properties** When the expert engaged estimates the fair values, estimate bandwidths exist in the discounted cash flow (DCF) method with regard to the anticipated rental income and maintenance cost as well as the applicable discount and capitalization rates. The carrying amounts of the investment properties totalled €126,672,000 as of December 31, 2012 (2011: €129,127,000). Including proportionate amounts of properties held by the associated companies, carrying amounts of €247,893,000 existed (2011: €257,001,000).

c) **Impairment of equity-accounted participations** On each balance sheet date, the management must estimate whether there is any reason that the carrying amount could possibly be impaired. In this event the recoverable amount of the affected asset has to be estimated. The recoverable amount corresponds to the fair value less selling costs or the value in use if this is higher. The carrying amounts of the equity-accounted participations totalled €49,469,000 as of December 31, 2012 (2011: €50,336,000).

Although the Management Board believes that the assumptions made for all of the estimates are realistic and reasonable, it cannot be ruled out the fact that the carrying amounts may have to be changed as a result of changes to the underlying conditions and market developments in future. This particularly applies for investment properties and equity-accounted participations.

A universal change in the discount and capitalisation interest rates as part of the market valuation of the real estate portfolio by 25 bp upwards or downwards would lead to a roughly 3.9% fluctuation upwards or a 3.7% fluctuation downwards in the market valuation proportionate to Fair Value as of December 31, 2012. As a result, this would reduce consolidated net income by around € 7.9 million or improve it by € 8.2 million.

Notes to the Balance Sheet

(4) Intangible Assets and Property, Plant and Equipment

Development of intangible assets and property, plant and equipment

in € thousand	Intangible assets	Property, plant and equipment (office and operating equipment)
Acquisition costs		
Balance as of January 1, 2011	**5**	**53**
Additions	198	—
Balance as of December 31, 2011	**203**	**53**
Disposals	—	(44)
Balance as of December 31, 2012	**203**	**9**
Accumulated depreciation, amortization and write-downs		
Balance as of January 1, 2011	**(3)**	**(46)**
Additions	(20)	(1)
Balance as of December 31, 2011	**(23)**	**(47)**
Additions	(37)	(1)
Disposals	—	43
Balance at December 31, 2012	**(60)**	**(5)**
Carrying amounts		
Balance as of January 1, 2011	2	7
Balance as of December 31, 2011	180	6
Balance as of December 31, 2012	**143**	**4**

(5) Investment Property

Development of investment property

in € thousand	Direct investments	Subsidiaries	**Total**
Acquisition costs			
Balance as of January 1, 2011	**51,832**	**115,372**	**167,204**
Additions (subsequent acquisition costs)	292	1,533	1,825
Disposals - Sale Rellingen	(574)	—	(574)
Reclassification to available-for-sale	—	(1,400)	(1,400)
Balance as of December 31, 2011	**51,550**	**115,505**	**167,055**
Additions (subsequent acquisition costs)	683	12	695
Reclassifications	—	—	—
Disposals – Sales	(3,086)	(2,002)	(5,088)
Reclassification from available-for-sale	—	—	—
Balance as of December 31, 2012	**49,147**	**113,515**	**162,662**
Changes in value			
Balance as of January 1, 2011	**(6,415)**	**(32,139)**	**(38,554)**
Write-ups	1,178	1,179	2,357
Write-downs	(292)	(1,755)	(2,047)
Disposals - Sale Rellingen	16	—	16
Reclassification from available-for-sale	—	300	300
Balance as of December 31, 2011	**(5,513)**	**(32,415)**	**(37,928)**
Write-ups	818	2,996	3,814
Write-downs	(811)	(2,052)	(2,863)
Disposals – Sales	71	916	987
Balance as of December 31, 2012	**(5,435)**	**(30,555)**	**(35,990)**
Fair values			
Balance as of January 1, 2011	45,417	83,233	128,650
Balance as of December 31, 2011	46,037	83,090	129,127
Balance as of December 31, 2012	**43,712**	**82,960**	**126,672**

There were a total of 41 properties on December 31, 2012, with 35 freehold properties, five properties in co-ownership and one leasehold property. Compared to December 31, 2011, the number of properties in the portfolio has decreased by eight. In the past financial year, six directly-held properties from Fair Value REIT-AG were sold, and two properties from subsidiaries.

The entire real estate portfolio is encumbered with mortgages as collateral for liabilities to banks. The properties of BBV 03 with a total value of €6,630,000 (2011: €6,100,000) are unmortgaged. There are pre-emptive rights for the user or leaseholder of a hotel in Hanover and a retail property in Ahaus. There are no other material restrictions on the sale of properties or contractual agreements to improve properties. The order commitment for repair and maintenance commissioned totals €398,000 (2011: €276,000).

There are obligations from a long-term leasehold agreement (residual period of 27 years) which lead to future annual leasehold payments of €4,000. The agreement includes index clauses.

CBRE GmbH, Frankfurt/Main ascertained the properties' fair value using the DCF method on a property-by-property basis. The cash flows for a ten year period are forecast in detail, whereby existing lease agreements were included in this planning until their respective end of contract. For renewals, calculations included vacancy periods, refitting costs and brokering commissions as well as the individual probability of lease renewal on a space-by-space basis. Market rents were determined using an average inflation rate of 2%. For the period after these ten years, sustained rental income is assumed. The value of this capital is identified based on property-related capitalisation rates and taking into account estimated selling costs incurred after 10 years. The surplus income for the ten-year period and the capital value resulting after this period has expired are discounted to the valuation date using discount rates less the estimated incidental acquisition costs for a potential purchaser.

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

Capitalisation rates

in %	12/31/2012	12/31/2011
Office	6.0 – 7.4	6.0 – 7.6
Retail	6.7 – 8.6	6.4 – 7.4
Other	6.3 – 8.6	6.3 – 8.4

Discounting rates

in %	12/31/2012	12/31/2011
Office	6.5 – 7.8	6.5 – 8.0
Retail	7.1 – 9.1	7.2 – 8.1
Other	7.0 – 9.1	6.9 – 8.8

The resulting value adjustments (valuation gains and losses) for the properties were due in particular to the adjustment to the capitalisation and discounting rates and the reversal of the advantage from some of the existing rental agreements that were concluded with rent above the current market level (over-rents). Of the 24 properties with unchanged or increased valuations, the property in Kölln-Reisiek (direct investment) has an unchanged value. Of the remaining 23 properties that have increased in value, 16 of these are held directly (Sparkasse portfolio). Due to the annual automatic adjustment of the rent in line with changes in the consumer price index, rents had risen by the end of 2012 by approximately 1.9% compared to the end of the previous year, which is the main reason for the increased market values in otherwise unchanged conditions. Valuations also increased for 9 properties held by subsidiaries.

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

Rental income in future

in € thousand	12/31/2012	12/31/2011
Within one year	9,556	10,252
Between one to five years	28,051	27,963
After more than five years	23,960	26,702
Total of future rental income	**61,567**	**64,917**

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

There were contingent rental payments in the financial year 2012 totalling €330,000 (2011: €336,000) from the rental of a hotel property at a subsidiary (BBV06). This relates to the revenue-related portion of the rent, which exceeds the minimum rent. There were no major index-related rent adjustments.

(6) Equity-accounted Participations

Development of equity-accounted participations

in € thousand	IC 12	IC 15	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Proportionate equity							
Balance as of January 1, 2011 (adjusted)[1]	**2,511**	**6,861**	**217**	**12,148**	**15,176**	**17,131**	**54,044**
Additions (= acquisition costs)	—	—	—	3	15	2	20
Withdrawals	(43)	(219)	—	(516)	(549)	(1)	(1,328)
Proportionate earnings	(114)	558	(145)	1,219	(89)	1,379	2,808
Profit from cash flow hedge	—	—	—	—	247	—	247
Adjustment in line with IAS 8	*2*	*11*	—	*(37)*	*(15)*	*6*	*(33)*
Disposals	—	—	—	—	—	—	—
Balance as of December 31, 2011 (adjusted)[1]	**2,356**	**7,211**	**72**	**12,817**	**14,785**	**18,517**	**55,758**
Withdrawals	—	(217)		(515)	(548)	(1,176)	(2,456)
Proportionate earnings	139	96	41	(1,220)	(1,726)	1,629	(1,041)
Profit from cash flow hedge	—	—	—	—	380	—	380
Balance as of December 31, 2012	**2,495**	**7,090**	**113**	**11,082**	**12,891**	**18,970**	**52,641**
Value adjustment							
Balance as of January 1, 2011	**(178)**	**(650)**	**(96)**	**(1,069)**	**(1,785)**	**(2,094)**	**(5,872)**
Change	3	107	32	10	0	299	451
Reclassification (status change)	0	0	0	0	(1)	0	(1)
Balance as of December 31, 2011	**(175)**	**(543)**	**(64)**	**(1,059)**	**(1,786)**	**(1,795)**	**(5,422)**
Change	57	166	15	628	700	684	2,250
Balance as of December 31, 2012	**(118)**	**(377)**	**(49)**	**(431)**	**(1,086)**	**(1,111)**	**(3,172)**
Carrying amounts							
Balance as of January 1, 2011	2,333	6,211	121	11,079	13,391	15,037	48,172
Balance as of December 31, 2011	2,181	6,668	8	11,758	12,999	16,722	50,336
Balance as of December 31, 2012	**2,377**	**6,713**	**64**	**10,651**	**11,805**	**17,859**	**49,469**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

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

Income from equity-accounted participations

in € thousand	**2012**	**2011 adjusted[1]**
Ongoing earnings		
Proportionate valuation result	(6,939)	(2,528)
Other ongoing earnings	5,898	5,303
Proportionate earnings[2]	**(1,041)**	**(2,775)**
Income from beneficial acquisition of participation	2,250	451
Resolution of (addition to) value adjustment	—	(1)
Total income from equity-accounted participations	**1,209**	**3,225**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)
[2] Proportionate earnings 2011 not directly compatible with the commercial result 2011 on page 81 due to changes in the participating interest during the year.

The release of property-related accruals account for €–151 thousand (previous year: €–33 thousand) within the proportionate valuation result.

As in the previous year, the fact that the Company's market capitalization on December 31, 2012 was lower than its net asset value gave rise to impairment testing for the carrying amounts of the interests in associated companies. This showed that the value in use of the participating interests was lower than the proportionate equity of the associated companies. This difference in value is due to the fact that non-property related costs are incurred in the funds (fund management, trustee fees, audit and consulting costs, management and liability payments, annual report, etc.), which are not taken into account in the properties' valuation, which however have to be covered from income from the properties and which reduce the funds' results. In the calculations, it is assumed that the holding period for the properties is not longer than five years from the balance sheet date and that the non-property related costs will not be incurred for longer than five years. The cumulative value adjustments of €2,250 were released to the income statement. This is largely related to the reduction in discounts on non-property related corporate costs.

Similar to the investment properties, CBRE GmbH, Frankfurt/Main ascertained the equity-accounted properties' fair value using the DCF method on a property-by-property basis (see explanation in Note 5). The following bandwidths for capitalisation and discounting rates were applied for the property valuations for the different types of use:

Capitalisation rates

in %	12/31/2012	12/31/2011
Office	6.0 – 8.5	6.0 – 8.5
Retail	5.9 – 8.2	6.1 – 7.8
Other	6.9	6.6

Discounting rates

in %	12/31/2012	12/31/2011
Office	6.5 – 10.0	6.4 – 9.0
Retail	6.3 – 8.7	6.5 – 8.3
Other	7.4	7.1

The interests in equity-accounted participations are pledged as collateral for a bank loan valued at €4,996,000 on December 31, 2012 (2011: €6,087,000).

The following tables provide additional financial information about the equity-accounted associated companies. The statements are based on the Group's proportional holding in the respective associated company rather than on a 100% holding. The proportionate share of the assets and liabilities of these companies on December 31, 2012, and December 31, 2011, was as follows:

Proportionate share of assets and liabilities of "at equity" accounted associated companies 2012

in € thousand	IC 12	IC 15	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Fair Value REIT-AG's share	40.95%	39.08%	41.39%	25.17%	38.43%	45.12%	
Investment property	**3,183**	**13,912**	**608**	**26,972**	**38,100**	**38,450**	**121,225**
Trade receivables	54	62	3	23	95	212	449
Other receivables and assets	2	21	—	3	—	203	229
Cash and cash equivalents	197	646	7	2,849	905	1,720	6,324
Provisions	(4)	(6)	(3)	(10)	(12)	(14)	(49)
Financial liabilities	**(873)**	**(7,328)**	**(486)**	**(17,070)**	**(25,151)**	**(20,864)**	**(71,772)**
Derivative financial instruments	—	—	—	(1,301)	(750)	(214)	(2,265)
Trade payables	(29)	(63)	(8)	(68)	(116)	(128)	(412)
Other liabilities	(35)	(154)	(8)	(316)	(180)	(395)	(1,088)
Net assets as of December 31, 2012	**2,495**	**7,090**	**113**	**11,082**	**12,891**	**18,970**	**52,641**

Overview of maturities of financial liabilities 2012

	IC 12	IC 15	BBV 02	BBV 09	BBV 10	BBV 14	Total
Long term	(844)	(1,167)	(460)	(16,416)	(15,251)	(20,349)	(54,487)
Short term	(29)	(6,161)	(26)	(654)	(9,900)	(515)	(17,285)
Financial Liabilities Total	**(873)**	**(7,328)**	**(486)**	**(17,070)**	**(25,151)**	**(20,864)**	**(71,772)**

Proportionate share of assets and liabilities of "at equity" accounted associated companies 2011 (adjusted)[1)]

in € thousand	IC 12	IC 15 (consolidated)	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Fair Value REIT-AG's share	40.34%	38.94%	41.05%	25.17%	38.43%	45.12%	
Investment property	**2,948**	**14,252**	**567**	**30,127**	**41,492**	**38,488**	**127,874**
Trade receivables	52	90	16	20	129	248	555
Adjustment in line with IAS 8	—	(53)	—	—	(4)	(9)	(66)
Other receivables and assets	4	279	12	124	27	8	454
Adjustment in line with IAS 8	—	(277)	—	(122)	(23)	—	(422)
Cash and cash equivalents	279	1,463	71	2,228	978	1,750	6,769
Provisions	(4)	(7)	(3)	(9)	(12)	(14)	(49)
Financial liabilities	**(887)**	**(8,302)**	**(505)**	**(17,724)**	**(26,329)**	**(21,363)**	**(75,110)**
Derivative financial instruments	—	—	—	(1,751)	(1,231)	(219)	(3,201)
Trade payables	(23)	(18)	(76)	(31)	(154)	(116)	(418)
Adjustment in line with IAS 8	—	1	—	—	—	—	1
Other liabilities	(13)	(217)	(10)	(120)	(88)	(256)	(704)
Adjustment in line with IAS 8	—	—	—	75	—	—	75
Net assets as of December 31, 2011[1)]	**2,356**	**7,211**	**72**	**12,817**	**14,785**	**18,517**	**55,758**

Overview of maturities of financial liabilities 2011

	IC 12	IC 15 (consolidated)	BBV 02	BBV 09	BBV 10	BBV 14	Total
Long term	(860)	(1,187)	(484)	(17,070)	(25,271)	(20,863)	(65,735)
Short term	(27)	(7,115)	(21)	(654)	(1,058)	(500)	(9,375)
Financial Liabilities Total	**(887)**	**(8,302)**	**(505)**	**(17,724)**	**(26,329)**	**(21,363)**	**(75,110)**

[1)] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

The income situation for the equity-accounted participations for the period under review was as follows on a proportionate basis using the participation ratios on the respective balance sheet date:

Proportionate income situation for the "at equity" accounted associated companies 2012

in € thousand	IC 12	IC 15	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Fair Value REIT-AG's share	40.95%	38.94%	41.05%	25.17%	38.43%	45.12%	
Rental income	165	1,132	89	2,937	3,974	2,888	11,185
Income from operating and incidental costs	112	115	(1)	56	299	738	1,319
Real estate-related operating expenses	(281)	(312)	(34)	(200)	(885)	(1,112)	(2,824)
Net rental income	**(4)**	**935**	**54**	**2,793**	**3,388**	**2,514**	**9,680**
General administrative expenses	(15)	(50)	(9)	(117)	(163)	(227)	(581)
Other operating expenses and income (balance)	16	26	(1)	38	3	(35)	47
Valuation result	170	(419)	37	(3,193)	(3,449)	(85)	(6,939)
Operating result	**167**	**492**	**81**	**(479)**	**(221)**	**2,167**	**2,207**
Net interest expense	(34)	(403)	(28)	(739)	(1,505)	(539)	(3,248)
Economic result 2012	**133**	**89**	**53**	**(1,218)**	**(1,726)**	**1,628**	**(1,041)**

Proportionate income situation for the "at equity" accounted associated companies 2011 (adjusted)[1)]

in € thousand	IC 12	IC 15 (consolidated)	BBV 02	BBV 09	BBV 10	BBV 14	**Total**
Fair Value REIT-AG's share	40.34%	38.94%	41.05%	25.17%	38.43%	45.12%	
Rental income	181	1,158	89	2,987	3,786	2,842	11,043
Income from operating and incidental costs	113	109	11	61	267	717	1,278
Real estate-related operating expense	(168)	(255)	(101)	(238)	(845)	(1,063)	(2,670)
Net rental income	**126**	**1,012**	**(1)**	**2,810**	**3,208**	**2,496**	**9,651**
General administrative expenses	(15)	(52)	(16)	(127)	(172)	(215)	(597)
Other operating expenses and income (balance)	8	12	5	3	32	(157)	(97)
Valuation result	(190)	(12)	(107)	(774)	(1,647)	235	(2,495)
Adjustment in line with IAS 8	*1*	*10*	*—*	*(36)*	*(7)*	*(1)*	*(33)*
Operating result	**(70)**	**970**	**(119)**	**1,876**	**1,414**	**2,358**	**6,429**
Net interest expense	(42)	(401)	(26)	(694)	(1,518)	(986)	(3,667)
Economic result 2011	**(112)**	**569**	**(145)**	**1,182**	**(104)**	**1,372**	**2,762**

[1)] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

(7) Other Assets (non-current)

in € thousand	12/31/2012	12/31/2011
Non-financial assets		
Over coverage pension plan	6	17
Total other assets (non-current)	**6**	**17**

The Group took over an existing pension commitment by IC Fonds GmbH in favour of Mr. Frank Schaich by way of an agreement dated July 10, 2008. This results in a defined benefit commitment of the Company pursuant to IAS 19. A reinsurance policy has been concluded for this commitment. This has been pledged to the beneficiary and is thus to be netted with the present value of the obligation (DBO) as plan assets. Resulting actuarial profits or losses are recorded in profit or loss.

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

Pension commitment and plan assets

in € thousand	2012	2011	2010	2009	2008
Present value of the obligation					
Balance – start of year	**70**	**61**	**52**	**47**	**–**
Past service cost	3	3	3	2	3
Interest expense	4	3	3	3	2
Actuarial losses/(gains)	12	3	3	0	(3)
Balance – end of year	**89**	**70**	**61**	**52**	**47**
Fair value of plan assets					
Balance – start of year	**87**	**80**	**73**	**66**	**–**
Payments by employer	5	5	5	5	6
Expected income from plan assets	3	2	2	2	1
Balance – end of year	**95**	**87**	**80**	**73**	**66**
Over coverage pension plan	**6**	**17**	**19**	**21**	**19**

For 2012, employer payments of €5,200 to the pension plan are expected.

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

Pension expenses (income) in € thousand	2012	2011
Past service cost		
Carried under adminstrative expenses	3	3
Actuarial losses		
Carried under adminstrative expenses	12	3
Interest expense	4	3
Anticipated income for plan assets	(2)	(2)
Carried under financial result	2	1
Total pension expenses	**17**	**7**

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

The following actuarial assumptions have been made:

Actuarial assumptions in %	2012	2011
Discount rate	3.6	5.0
Anticipated income for plan assets	2.5	2.5

The Group paid contributions totalling €15,000 (2011: €12,000) to the statutory pension fund during the year under review. Further defined contribution payments in the Group totalled €16,000 (2011: €8,000).

(8) Non-current Assets Available for Sale

in € thousand	12/31/2012	12/31/2011
Retail property Frechen, Hubert-Prott-Str. 115 ("BBV 06")	–	1,100
Total non-current assets available for sale	**–**	**1,100**

The leasehold retail property in Frechen was sold by notarised contract of sale on November 17, 2011 at a purchase price of €1,100,000. The ownership together with all benefits and risks was transferred to the purchaser with the payment of the purchase price on February 20, 2012.

(9) Accounts receivable

in € thousand	12/31/2012	12/31/2011 adjusted[1]	01/01/2011 adjuted[1]
Rent receivables including settlement of incidental costs			
Undue	588	634	888
Overdue and not value adjusted			
Due since up to 30 days	374	286	139
Due since 30 to 90 days	120	51	134
Due since 90 to 360 days	99	147	49
Due since more than 360 days	217	104	52
Value-adjusted receivables	80	206	245
Total rent receivables	**1.478**	**1.428**	**1.507**
Value adjustments	(80)	(206)	(245)
Total trade receivables	**1.398**	**1.222**	**1.262**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

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

Development of individual write-downs in € thousand	2012	12/31/2011	01/01/2011
Balance – start of year	**206**	**245**	**217**
Allocation	29	73	82
Drawdown	(146)	(89)	(35)
Release	(9)	(23)	(19)
Balance – end of year	**80**	**206**	**245**

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

Rent receivables totalling €1,185,000 (2011: €817,000) have been pledged as collateral for bank loans.

(10) Income Tax Receivables

This relates to repayable withholding tax paid on interest income.

(11) Other Receivables and Assets

in € thousand	12/31/2012	12/31/2011 adjusted[1]	01.01.2011 adjusted[1]
Financial assets			
Accrued interest	–	12	1
Estimated receivables from a percentage lease	330	327	–
Deposits	–	250	–
Compensation payment for sale of properties (Direct investments)	561	–	–
Compensation payment for premature lease termination („IC 13“)	–	–	2,000
Various companies in the IC Group	–	–	107
Others	17	15	33
Total financial assets	**908**	**604**	**2,141**
Non-financial assets			
Accrued interest	81	98	163
VAT	117	82	–
Other	116	45	86
Total non-financial assets	**314**	**225**	**249**
Total other receivables and assets	**1,222**	**829**	**2.390**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

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

(12) Cash and Cash Equivalents

In the case of the subsidiary BBV 06, a current account credit has been pledged to the lending bank. The credit had increased to €2,360,000 (2011: €1,746,000) on the balance sheet date. All the fund’s current liabilities were settled via this account. Major renovations and similar expenditure are agreed with the bank in advance.

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

(13) Equity

Subscribed capital Subscribed capital comprises 9,406,882 no-par value bearer shares, unchanged year-on-year. All shares have been issued and fully paid in. On December 31, 2012, 9,325,572 (2011: 9,325,572 shares) of the issued shares were in circulation. Each share has a theoretical share of €5.00 in the subscribed capital. Shareholders are entitled to any dividends resolved, and have one vote per share in the General Meeting.

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

Reserve for changes in value The reserve for changes in value includes changes in the value of interest rate hedges recorded directly in equity if these fulfil the conditions for hedge accounting. Minority interests are deducted. In addition, this reserve includes the effect from changes in equity-accounted participations to the extent that these result from cash flow hedges from associated companies.

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

Treasury stock By resolution of the Annual General Meeting dated May 29, 2009, the Management Board is entitled to purchase own shares to the amount of up to 10% of the share capital until May 28, 2014. As part of this authorisation, the Company has purchased 81,310 shares over the previous years. Fair Value REIT-AG continued to hold approximately 0.86% of the share capital as of December 31, 2012.

Authorized capital According to Article 5 (5) of the Articles of Incorporation, the Management Board was authorised, with the permission of the Supervisory Board, to increase the share capital by €21,250,000 against cash or non-cash contributions by September 9, 2012. No use was made of this authorisation.

(14) Minority Interests

Development of minority interests

in € thousand	IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	Total
Balance as of January 1, 2010	1,169	1,098	1,508	368	4,246	6,907	15,296
Gains from cash flow hedges	–	–	–	–	–	76	76
Proportionate earnings – expense/(income)	(208)	(391)	101	187	157	(101)	(255)
Disbursements	–	–	(1)	(2)	(465)	(1)	(469)
Reclassifications (compensation)	(19)	–	(87)	–	(5)	(43)	(154)
Adjustment in line with IAS 8	*–*	*(13)*	*–*	*(16)*	*–*	*(82)*	*(111)*
Balance as of December 31, 2010 (adjusted)[1)]	**942**	**694**	**1,521**	**537**	**3,933**	**6,756**	**14,383**
Gains from cash flow hedges	–	–	–	–	–	143	143
Proportionate earnings – expense/(income)	(25)	71	61	312	(105)	576	890
Disbursements	(502)	–	(1)	(4)	(144)	(1)	(652)
Reclassifications (compensation)	–	–	–	–	(26)	(113)	(139)
Adjustment in line with IAS 8	*–*	*4*	*–*	*(44)*	*0*	*3*	*(37)*
Balance as of December 31, 2011 (adjusted)[1)]	**415**	**769**	**1,581**	**801**	**3,658**	**7,364**	**14,588**
Gains from cash flow hedges	–	–	–	–	–	32	32
Proportionate earnings – expense/(income)	(324)	44	16	421	440	645	1,244
Disbursements	–	–	–	(1)	(568)	(1)	(570)
Reclassification (compensation))	–	–	96	–	(8)	(81)	7
Balance as of December 31, 2012	**91**	**813**	**1,693**	**1,221**	**3,522**	**7,959**	**15,299**

[1)] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

(15) Financial Liabilities

in € thousand	12/31/2012	12/31/2011
Non-current liabilities		
Variable-interest bank borrowing	66,385	42,330
Fixed-interest bank borrowing	3,488	10,480
Total non-current liabilities	**69,873**	**52,810**
Current liabilities		
Variable-interest bank borrowing	12,715	37,065
Fixed-interest bank borrowing	396	1,152
Total current liabilities	**13,111**	**38,217**
Total financial liabilities	**82,984**	**91,027**

The bank loans bearing variable interest are based on EURIBOR plus a margin. These are hedged in the amount of €30,630,000 (2011: €40,407,000) with interest rate swaps, which mean that the variable interest rates can be swapped for fixed interest rates, with the result that all of the loans have fixed interest rates in economic terms. The interest rates for the non-hedged variable-interest bank loans were 3.0% on

average (2011: 4.2%) as of December 31, 2012. The weighted average interest rate for the fixed-interest bank loans (including the hedged variable-interest loans) totalled 5.7% as of December 31, 2012 (2011: 5.5%) p.a.

The loans are collateralized to a sum of €95,391,000 with mortgages, partially from the transfer of receivables from lease agreements. One loan, amounting to €4,996,000 (2011: €6,087,000) is collateralized by way of a pledge of the interests Fair Value REIT-AG holds in the IC/BBV real estate funds.

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

Remaining terms of non-current liabilities in € thousand	12/31/2012	12/31/2011
Between 1 and 2 years	22,314	2,468
Between 2 and 5 years	13,740	24,119
More than 5 years	33,819	26,223
Total non-current liabilities	**69,873**	**52,810**

Unscheduled repayments of €3,822,000 were made on liabilities to banks. Of this amount, €2,122,000 was attributable to Fair Value, €1,000,000 to BBV06 and €700,000 to IC13.

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

Fixed interest periods			12/31/2012			12/31/2011
in € thousand	Loans	Effects of interest rate swap	**Including interest rate swap**	Loans	Effects of interest rate swap	**Including interest rate swap**
6 months or less	79,299	(30,180)	49,119	86,351	(39,987)	46,364
6 to 12 months	199	450	649	443	9,744	10,187
1 to 5 years	3,486	29,170	32,656	4,233	4,020	8,253
More than 5 years	–	560	560	–	26,223	26,223
Total liabilities to banks	**82,984**	**–**	**82,984**	**91,027**	**–**	**91,027**

Capital Bank – GRAWE Group, AG, Graz (Austria) has replaced the financing for the participations in subsidiaries and associated companies acquired in 2007 from a loan granted at Westdeutsche ImmobilienBank AG, Mainz (WIB) with remaining capital of €4,996,000 as of the end of October 2012 ahead of time. In contrast to the previous agreement with Westdeutsche ImmobilienBank AG, financial key figures (so-called "covenants") are not taken into account in the newly granted loan. On the back of the new agreement with Capital Bank, there has been a shift in the maturity of the loans, as the loan agreement matures on June 30, 2015. An agreement on pro rata repayments was not concluded; the loan, however, can be repaid at any time before maturity.

The remaining loan at Westdeutsche ImmobilienBank AG of €28,634,000 (2011: €31,083,000) for financing the Sparkasse portfolio has to undergo a so-called LTV-test every second year from December 2009. Pursuant to this, the loan value may not exceed more than 75% of the market value of the property. Furthermore, the future net rental income must cover the debt service requirements by 110% ("debt service coverage ratio" – DSCR). If this level is not met, a pledged fixed deposit account must be established to cover the difference or a suitably large repayment must be made. The covenants for the loan were met on December 31, 2012.

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

(16) Derivative Financial Instruments

This relates to interest rate transactions (interest rate swaps and caps), the market value of which developed as follows:

Market value of derivative financial instruments

in € thousand	With hedge accounting	Without hedge accounting	Total
Balance as of January 1, 2011	**5,005**	**176**	**5,181**
Additions affecting income	–	(140)	(140)
Transfer at the expense of other result	852	–	852
Balance as of December 31, 2011	**5,857**	**36**	**5,893**
Additions affecting income/(reversal)	–	513	513
Transfer at the expense of other result	279	–	279
Balance as of December 31, 2012	**6,136**	**549**	**6,685**

An interest rate hedge was concluded in connection with a variable-interest loan agreed during 2008 at Westdeutsche ImmobilienBank AG in the original amount of €33,690,000. The transaction runs until June 29, 2018, as does the loan. The Group pays fixed interest of 4.94% of the respective amount at the start of the quarter, and receives a variable interest rate equivalent to the three-month EURIBOR set at the start of the quarter by the bank for the same amount. This totalled €30,630,000 as of December 31, 2012 (2011: €31,470,000). The interest rate swap fulfils the conditions for hedge accounting.

The changes in value are taken within the framework of other earnings to equity and are booked under the reserve for changes in value. Due to the unscheduled repayments as part of the sale of properties, on the balance sheet date there was an incongruity between the loan balance and the reference value of the swap totalling €1,996,000. The ineffective part of the hedge created in the past financial year was valued at €428,000 through profit or loss.

For the derivatives without a hedging relationship on the balance sheet, a negative market value of €121,000 (2011: €0) for a variable interest cap agreement is also included. This relates to the agreement of a "forward cap" concluded by the subsidiary BBV06 with a term running from July 2, 2012 to December 31, 2014. The risk should therefore be covered by part of a EURIBOR-related three-month variable interest rate loan if the EURIBOR exceeds 3.5%.

(17) Other Liabilities

in € thousand	12/31/2012	12/31/2011 adjusted[1]	01.01.2011 adjusted[1]
Non-current			
Financial liabilities			
Exited minority interests	90	35	46
Total non-current liabilities	**90**	**35**	**46**
Current			
Financial liabilities			
Exit minority interests	162	261	334
Interest payable	605	290	406
Supervisory Board remuneration	33	15	32
Deposits received	–	120	54
Various companies in the IC Group	23	–	6
Other	180	138	84
Non-financial liabilities			
Tax liabilities (value added tax)	109	41	236
Deferred income	144	29	86
Total current liabilities	**1,256**	**923**	**1,238**
Total other liabilities	**1,346**	**958**	**1,284**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

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

(18) Provisions

in € thousand	Personnel	Audit/ consulting costs	**Total**
Balance as of January 1, 2012	**30**	**220**	**250**
Additions	57	193	250
Availment	24	193	217
Reversal	2	13	15
Balance as of December 31, 2012	**61**	**207**	**268**

(19) Contingent Liabilities and Pending Litigation

As part of the sale of the office property Airport Office II, Düsseldorf, a guarantee exists with a limited term of five years for one rental agreement (expiry December 4, 2013), which is limited to €42,000.

In addition, as part of the sale the Company has assumed warranty obligations with regard to the ability to oncharge incidental costs. The guarantee lapses five years after the contract is concluded (expiry December 2013). The cost volume is estimated at €10,000.

The Company made a pledge to the purchaser of the Airport Office II property that it would use legal proceedings to make pecuniary claims against the general contractor of the property. As no out of court settlement has been reached, the Company filed a claim at Düsseldorf district court on June 13, 2009. The risk to the Company is restricted to the costs of the first instance and is estimated to amount to €15,000. There is no other pending litigation.

For associated companies, the Group is liable from the revival of liability as a limited partner within the meaning of Section 172 (4) of the HGB in the amount of €1,624,000 (2011: T€1,619,000).

(20) Leases

There are no finance leases. All rental agreements that the Group has concluded with tenants are classified as operating leases under IAS 17. The future minimum lease payments are shown in Note no. 5.

The office space in Munich and one car (2011: two cars) were leased during the year. Expense totalling €8,000 (2011: €14,000) was incurred for the car (2011: two cars). The minimum leasing payments payable until the time of the first possible termination are:

Minimum leasing payments

in € thousand	12/31/2012	12/31/2011
Within 1 year	17	16
Between 1 to five 5	17	–
Total minimum leasing payments	**34**	**16**

Notes to the Income Statement

(21) Net Rental Result

Classification of net rental result

in € thousand	Investment properties 2012	Non-current assets available-for sale 2012	Total 2012	Investment properties 2011	Non-current assets available-for sale 2011	Total 2011
Rental income	11,165	–	11,165	10,672	135	10,807
Income from operating and incidental costs	2,412	–	2,412	2,541	11	2,552
Leasehold payments	(7)	–	(7)	(25)	–	(25)
Real estate-related operating expenses						
Real estate that generated income	(5,185)	–	(5,185)	(4,527)	(53)	(4,580)
Total net rental result	**8,385**	**–**	**8,385**	**8,661**	**93**	**8,754**

(22) General Administrative Expenses

in € thousand	2012	2011
Personnel expenses	463	451
Office costs	34	51
Travel and vehicle expenses	41	39
Accounting	146	146
Stock market listing, general meeting and events	282	334
Valuations	125	113
Legal and consulting costs	286	249
Audit expenses	165	142
Remuneration (Supervisory and Advisory Boards, General Partner)	72	85
Fund management fees	316	289
Provision reversal of asset-management fee	115	113
Trustee fees	38	22
Other	100	66
Non-deductible VAT	195	210
Total general administrative expenses	**2.378**	**2.310**

(23) Other Operating Income and Expenses (Balance)

in € thousand	2012	2011
Income		
Various	125	99
Total income	**125**	**99**
Expenses		
(Additions to)/reversal of individual write-downs for receivables	(29)	(73)
Reversal of indidual write-downs for receivables	9	23
Other derecognition of receivables	(319)	(3)
Reimbursable costs	–	(41)
Other	(7)	(36)
Total expenses	**(346**	**(130)**
Total other operating income and expenses (balance)	**(221)**	**(31)**

(24) Earnings from the Sale of Investment Properties

in € thousand	2012	2011
Net income from the sale of investment properties (purchase prices)	5,211	3,175
Expenses in connection with the sale of investment properties		
Carrying amounts	(4,975)	(3,058)
Purchase costs	(185)	(92)
Total expenses in connection with the sale of investment properties	**(5,160)**	**(3,150)**
Earnings from the sale of investment properties	**51**	**25**

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

(25) Valuation Result

in € thousand	2012	2011 adjusted[1]
Valuation gains	3,814	2,357
Valuation losses	(2,863)	(2,047)
Reversal real estate related amortization	(933)	(48)
Total valuation result	**18**	**262**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

The valuation losses in the previous year resulted from the market valuation on the balance sheet date. This impacts eight directly-held properties and 10 properties at participations. There were valuation gains at 16 directly-held properties and seven properties at participations.

(26) Interest Expenses

in € thousand	2012	2011
Interests for loans and swaps	4,011	4,573
Changes in value of derivative financial instruments (as far as affecting net income)	513	(140)
Other	159	188
Total interest expenses	**4,683**	**4,621**

(27) Additional Information Regarding the Consolidated Income Statement

Personnel expenses

in € thousand	2012	2011
Salaries	415	401
Social security contributions	48	50
Total personnel expenses	**463**	**451**
thereof expenses for pension scheme	18	21

On average during the year, there were three employees including the Management Board (2011: three). As of December 31, 2012, the Company had a total of three employees including the Management Board.

Auditors' fees and services Fees were recorded as expenses for the following services by the auditor, BDO AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, for the consolidated financial statements:

in € thousand	2012	2011
Audits of the financial statements	165	142
Other services	–	12
Total auditor's fees and services	**165**	**154**

(28) Earnings per Share

Basic earnings per share are calculated as follows:

		2012	2011 adjusted[1]
Consolidated earnings	in € thousand	1,175	4,550
Divided by: Weighted average ordinary shares	in pieces	9,325,572	9,325,572
Earnings per share (basic/diluted)	in €	**0.13**	**0.49**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

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

Other Notes

(29) Financial Instruments and Financial Risk Management

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

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

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

Liabilities at amortised cost are all financial liabilities that are carried at their fair value less transaction costs when they are first recognised. As a rule they are measured at amortised cost in the following periods; differences between the payment amount and the repayment amount are distributed over the duration of the fixed-interest period using the effective interest method.

Financial liabilities at fair value affecting profit or loss are exclusively derivatives with a negative market value that are not mapped in hedge accounting.

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

Fair values of financial instruments

in € thousand	12/31/2012 Carrying amounts	12/31/2012 Fair values	12/31/2011 adjusted[1] Carrying amounts	12/31/2011 adjusted[1] Fair values
Assets				
Loans and receivables				
Non-current assets	–	–	–	–
Trade accounts receivable	1,398	1,398	1,222	1,222
Other receivables	1,222	1,222	829	829
Cash and cash equivalents	5,861	5,861	7,725	7,725
Total assets	**8,481**	**8,481**	**9,776**	**9,776**
Equity and liabilities				
Liabilities measured at amortized cost				
Minority interests	15,299	15,388	14,588	14,903
Financial liabilities	82,984	83,210	91,027	91,454
Trade payables	865	865	1,007	1,007
Other liabilities	1,256	1,256	923	894
Liabilities recognized at fair value through profit and loss				
Derivatives without hedge accounting	549	549	36	36
Liabilities that do not belong to the valuation categories of IAS 39				
Derivatives with hedge accounting	6,136	6,136	5,857	5,857
Total equity and liabilities	**107,089**	**107,404**	**113,438**	**114,151**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

Cash and cash equivalents, trade receivables and other receivables and liabilities mostly have short terms, with the result that the carrying amounts equal the fair values. The fair values of financial liabilities are identified as the present values of the cash flows associated with the liabilities based on the interest yield curve on the balance sheet date.

Net gains or losses from financial instruments

These are as follows:

in € thousand	2012	2011
Loans and receivables		
Other operating income	9	51
Other operating expenses	(348)	(73)
Loans and receivables, Total	**(339)**	**(22)**
Liabilities recognized at fair value through profit and loss liabilities		
Interest rate swaps without hedge accounting (interest expenses)	(513)	140
Net gains (losses)	**(852)**	**118**

The net result includes all other income and expense incurred in connection with the financial instruments in the respective valuation category. This relates, in particular, to results from subsequent valuation as well as gains/losses from disposal.

Financial risk factors The Group is subject to the following financial risks as a result of its activities: Market risks (interest rate risks), credit risks and liquidity risks. There are no currency risks. The Group's risk management focuses on the risks resulting from the financial markets and aims to keep their negative impact on its assets, financial position and results of operations as low as possible.

The Group's risk management is performed centrally at Group level based on the guidelines issued by the Management Board in close cooperation with the IC Immobilien Group's central financial department. This department acts as a service provider, identifying, measuring and hedging financial risks mainly for the Group's subsidiaries.

a) **Risks resulting from changes to interest rates** The Group has demand and fixed-term deposits. The interest rates for these deposits are based on the respective interest rates on the market.

The Group's interest rate risks primarily result from financial liabilities. In the case of variable-interest liabilities and resetting the conditions for fixed interest loans after the fixed-interest period has expired, the Group is exposed to the risk of higher interest payments (cash flow risks). In some cases, interest rate hedges (interest rate swaps or interest rate caps) have been concluded to hedge these risks.

There are interest rate risks from the valuation of the interest hedges concluded. These either impact equity or income depending on whether or not the conditions for hedge accounting have been met.

If the interest rates in the period under review had been one percentage point higher or lower, the consolidated earnings and equity would have been approx. €406,000 (2011: €146,000) lower or higher. This effect is based on the changed interest expense for variable-interest loans, less the impact of interest rate hedges and interest on bank balances.

Fixed-interest liabilities bear the risk of an increase in fair value. This risk neither impacts the balance sheet nor the income statement, as the financial liabilities are not measured at fair value through profit or loss but at amortised cost. However, in the event of a premature repayment of the liability (e.g., if the financed property is sold), this risk becomes more important. The Group does not hedge this risk.

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

b) **Credit risks** Credit risks result from receivables from tenants, deferred purchase price receivables, and investing cash and cash equivalents. The Group has guidelines that rental agreements are only concluded with parties who have a 1a credit rating. Creditworthiness is monitored on an on-going basis. The tenant structure is broad. During the 2012 financial year rental defaults amounted to 1.3% (2011: 0.2%) of rental income.

As a rule, the deferral of purchase price receivables is collateralized; legal ownership is only transferred upon full payment.

Derivative financial transactions and cash investments are only conducted with banks with impeccable credit ratings.

The maximum credit risk for each category of financial instrument is restricted to the carrying amounts of the financial assets carried on the balance sheet.

c) **Liquidity risks**

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

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

Maturities of liabilities	12/31/2012				12/31/2011 adjusted[1]			
in € thousand	due within 1 year	due between 1 and 2 years	due between 2 and 5 years	due after 5 years	due within 1 year	due between 1 and 2 years	due between 2 and 5 years	due after 5 years
Minority interests	—	—	—	15,299	—	—	—	14,588
Liabilities to banks	13,111	22,314	13,740	33,819	38,217	2,468	24,119	26,223
Derivative financial instruments	1,316	1,195	3,585	589	1,077	877	2,631	1,308
Provisions	268	—	—	—	250	—	—	—
Trade payables	865	—	—	—	1,007	—	—	—
Other liabilities	1,256	90	—	—	923	35	—	—
Total maturities	**16,816**	**23,599**	**17,325**	**49,707**	**41,474**	**3,380**	**26,750**	**42,119**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

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

Capital management The Group's capital management pursues several objectives: The primary objective is to maintain its financial substance, to ensure that liabilities including repayments can be serviced and to generate profit under commercial law, allowing dividends to be distributed.

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

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

Consolidated equity ratio		12/31/2012	12/31/2011 adjusted[1]	Adjustment[2]	12/31/2011
Equity	in € thousand	77,393	76,894	(578)	77,472
Total assets	in € thousand	184,840	190,617	(765)	191,382
Equity ratio	in %	**41.9**	**40.3**		**40.5**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)
[2] for the years 2010 und 2011

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

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

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

REIT equity ratio

in € thousand		12/31/2012	12/31/2011 adjusted[1]	Adjustment[2]	12/31/2011
Equity (consolidated balance sheet)		77,393	76,894	(578)	77,472
Minority interests		15,299	14,588	(148)	14,736
Equity within the meaning of Section 15 of the REIT Act		**92,692**	**91,482**	**(726)**	**92,208**
Immovable assets					
Investment property		126,672	129,127	–	129,127
Equity-accounted investments		49,469	50,336	(412)	50,748
Non-current assets available for sale		–	1,100	–	1,100
Total immovable assets		176,141	180,563	(412)	180,975
Equity ratio within the meaning of Section 15 of the REIT Act	in %	**52,6**	**50,7**		**51,0**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)
[2] for the years 2010 und 2011

(30) Segment Reporting

The Group holds real estate directly in Fair Value REIT-AG and in its subsidiaries. The Group's organisational and management structure is in line with these two forms of participation. As a result, there are two operational areas – "Direct Investments" and "Subsidiaries", whereby subsidiaries are reported individually. Alongside these, there are also minority participations in other real estate business partnerships, which cannot be assigned to one of these two segments. The Group operates exclusively in the geographic region of "Germany". The accounting and valuation methods in the reporting segments are identical to the Group's methods described in Notes no. 2a. In order to ensure clarity, the data about the segments is depicted both in a summarised form (operational area "Subsidiaries") and on the level of the individual fund.

Segment revenues (rental income including income from operating and incidental costs) and segment results are as follows:

Segment revenues and results

	2012		2011 adjusted[1]	
in € thousand	Segment revenues	Segment results	Segment revenues	Segment results
Direct investments	3,828	2,666	4,014	3,948
Subsidiaries	9,749	4,636	9,345	4,231
Segment revenues and results, total	**13,577**	**7,302**	**13,359**	**8,179**
Earnings from equity-accounted participations		1,209		3,225
Central administrative expenses and other		(1,447)		(1,479)
Net interest expenses		(4,647)		(4,522)
Minority interest in the result		(1,242)		(853)
Net income		**1,175**		**4,550**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

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

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

Rental revenue with main tenants

in € thousand	2012	2011
Main tenant 1 (Direct investments segment)	3,063	3,421
Main tenant 2 (Subsidiaries segment)	1,959	2,020
Other each under 10%	8,555	7,918
Total rental revenue	**13,577**	**13,359**

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

Revenues broken down by type of use

	2012		2011	
in € thousand	Direct investments	Subsidiaries	Direct investments	Subsidiaries
Office	3,828	2,948	4,014	2,989
Retail	—	5,219	—	4,852
Others	—	1,582	—	1,504
Total revenues	**3,828**	**9,749**	**4,014**	**9,345**

Segment earnings in both segments are calculated before taking into account central administrative costs, income from equity-accounted investments, net interest expense and the minority interest in the result. This figure is reported to the Group's key decision maker with regard to decisions on the allocation of resources to one segment and the assessment of its earnings strength.

Segment results include the following results from the valuation of investment properties and from their sale:

Results from the valuation and from sale of investment properties

	2012		2011 adjusted[1]	
in € thousand	Direct investments	Subsidiaries	Direct investments	Subsidiaries
Valuation gains	818	2,996	1,178	1,179
Valuation losses	(811)	(2,052)	(292)	(1,755)
Release of real estate-related accruals	*(3)*	*(930)*	*23*	*(71)*
Total Valuation result	**4**	**14**	**909**	**(647)**
Capital gains (losses)	63	(12)	99	(74)
Total	**67**	**2**	**1,008**	**(721)**

[1] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

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

Income statement by segments 2012

in € thousand	Direct investments FV AG	IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	Subsidiaries **Total**	Recon-ciliation	**Group**
Rental income	3,241	69	589	449	1,794	709	4,328	7,938	—	11,179
Income from operating and incidental costs	587	54	183	204	502	100	768	1,811	—	2,398
Segment revenue	**3,828**	**123**	**772**	**653**	**2,296**	**809**	**5,096**	**9,749**	**—**	**13,577**
Leasehold payments	—	—	—	—	—	—	(7)	(7)	—	(7)
Real estate-related operating expenses	(874)	(7)	(468)	(669)	(1,187)	(280)	(1,700)	(4,311)	—	(5,185)
Adminstrative expenses related to segment	(191)	(81)	(29)	(38)	(95)	(149)	(309)	(701)	(22)	(914)
Other operating expenses and income (balance)	(164)	(99)	(12)	(2)	26	4	(13)	(96)	39	(221)
Income from sale of investment properties	63	—	—	—	—	—	(12)	(12)	—	51
Valuation gains	818	—	50	560	1,240	610	536	2,996	—	3,814
Valuation losses	(814)	(650)	(78)	(36)	(898)	(85)	(1,235)	(2,982)	—	(3,796)
Segment profit	**2,666**	**(714)**	**235**	**468**	**1,382**	**909**	**2,356**	**4,636**	**17**	**7,319**
Central administration costs	(1,464)	—	—	—	—	—	—	—	—	(1,464)
Income from equity-accounted participations	2,445	—	—	—	—	—	—	—	(1,236)	1,209
Other income from participations	135	—	—	—	—	—	—	—	(135)	—
Net interest expenses	(2,748)	(26)	(79)	(80)	(540)	3	(1,180)	(1,902)	3	(4,647)
Minority interests	—	—	—	—	—	—	—	—	(1,242)	(1,242)
Income tax	—	—	—	—	—	—	—	—	—	—
Annual result 2012	**1,034**	**(740)**	**156**	**388**	**842**	**912**	**1,176**	**2,734**	**(2,593)**	**1,175**

Income statement by segments 2011 (adjusted)[1)]

in € thousand	Direct investments FV AG	IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	Subsidiaries Total	Recon-ciliation	Group
Rental income	3,228	131	548	446	1,690	661	4,103	7,579	—	10,807
Income from operating and incidental costs	786	41	182	317	536	113	577	1,766	—	2,552
Segment revenue	**4,014**	**172**	**730**	**763**	**2,226**	**774**	**4,680**	**9,345**	**—**	**13,359**
Leasehold payments	—	—	—	—	—	—	(25)	(25)	—	(25)
Real estate-related operating expenses	(842)	(32)	(495)	(383)	(921)	(204)	(1,703)	(3,738)	—	(4,580)
Adminstrative expenses related to segment	(201)	(31)	(34)	(40)	(90)	(138)	(302)	(635)	17	(819)
Other operating expenses and income (balance)	(31)	(45)	25	8	(5)	7	15	5	(25)	(51)
Income from sale of investment properties	99	(74)	—	—	—	—	—	(74)	—	25
Valuation gains	1,178	10	170	20	120	—	859	1,179	—	2,357
Valuation losses	(292)	—	—	—	(198)	(666)	(891)	(1,755)	—	(2,047)
Adjustment in line with IAS 8	*23*	—	*15*	—	*(87)*	—	*(1)*	*(71)*	—	*(48)*
Segment profit	**3,948**	—	**411**	**368**	**1,045**	**(227)**	**2,634**	**4,231**	**(8)**	**8,171**
Central administration costs	(1,471)	—	—	—	—	—	—	—	—	(1,471)
Income from equity-accounted participations	1,099	—	—	—	—	—	—	—	2,159	3,258
Adjustment in line with IAS 8	—	—	—	—	—	—	—	—	*(33)*	*(33)*
Other income from participations	810	—	—	—	—	—	—	—	(810)	—
Net interest expenses	(2,422)	(56)	(147)	(106)	(506)	4	(1,289)	(2,100)	—	(4,522)
Minority interests	—	—	—	—	—	—	—	—	(890)	(890)
Adjustment in line with IAS 8	—	—	—	—	—	—	—	—	*37*	*37*
Annual result 2011	**1,964**	**(56)**	**264**	**262**	**539**	**(223)**	**1,345**	**2,131**	**455**	**4,550**

1) Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

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

Segment assets and liabilities

in € thousand	12/31/2012 Assets	12/31/2012 Liabilities	12/31/2011 adjusted[1)] Assets	12/31/2011 adjusted[1)] Liabilities
Direct investments	45,904	1,140	47,339	381
Subsidiaries	89,307	1,315	92,761	1,805
Total segment assets/segment liabilities	**135,211**	**2,455**	**140,100**	**2,186**
Non-allocated assets/liabilities consolidation	49,629	104,992	50,517	111,537
Total Group assets/group liabilities	**184,840**	**107,447**	**190,617**	**113,723**

1) Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

The segments' assets primarily comprise investment properties, receivables and cash and cash equivalents. The assets of the "Subsidiaries" segment also include non-current assets available for sale (Note no. 9). The unallocated assets comprise the book values of the equity-accounted companies. Segment liabilities comprise operating liabilities. Financial liabilities, derivative financial instruments and minority interests are reported under non-allocated liabilities.

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

Assets and liabilities by segments 2012

in € thousand	Direkt-investitionen FV AG	Subsidiaries IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	**Total**	Recon-ciliation	**Group**
Intangible assets and property, plant and equipment	5	—	—	—	—	—	—	—	142	147
Investment property	**43,712**	**—**	**6,010**	**7,920**	**19,170**	**6,630**	**43,230**	**82,960**	**—**	**126,672**
Trade receivables	399	115	166	186	116	16	400	999	—	1,398
Income tax receivables	46	—	—	—	—	—	—	—	19	65
Other receivables and assets	744	23	9	—	97	41	374	544	(60)	1,228
Cash and cash equivalents	998	246	60	870	207	1,061	2,360	4,804	59	5,861
Subtotal segment assets	**45,904**	**384**	**6,245**	**8,976**	**19,590**	**7,748**	**46,364**	**89,307**	**160**	**135,371**
Participtation in subsidiaries	29,901	—	—	—	—	—	—	—	(29,901)	—
Equity-accounted participations	46,835	—	—	—	—	—	—	—	2,634	49,469
Total assets	**122,640**	**384**	**6,245**	**8,976**	**19,590**	**7,748**	**46,364**	**89,307**	**(27,107)**	**184,840**
Provisions	(167)	(11)	(9)	(8)	(13)	(14)	(37)	(92)	(9)	(268)
Trade payables	(323)	(119)	(14)	(25)	(119)	(84)	(181)	(542)	—	(865)
Other liabilities	(650)	(46)	(162)	(100)	(85)	(21)	(267)	(681)	(15)	(1,346)
Subtotal segment liabilities	**(1,140)**	**(176)**	**(185)**	**(133)**	**(217)**	**(119)**	**(485)**	**(1,315)**	**(24)**	**(2,479)**
Minority interests	—	—	—	—	—	—	—	—	(15,299)	(15,299)
Financial liabilities	(33,734)	—	(3,200)	(1,564)	(16,929)	—	(27,787)	(49,480)	230	(82,984)
Derivative financial instruments	(6,564)	—	—	—	—	—	(121)	(121)	—	(6,685)
Total liabilities	**(41,438)**	**(176)**	**(3,385)**	**(1,697)**	**(17,146)**	**(119)**	**(28,393)**	**(50,916)**	**(15,093)**	**(107,447)**
Net assets as of December 31, 2012	**81,202**	**208**	**2,860**	**7,279**	**2,444**	**7,629**	**17,971**	**38,391**	**(42,200)**	**77,393**

Overview of maturities of financial liabilities 2012

Long term	(32,775)	—	(2,971)	(1,316)	(13,273)	—	(19,538)	(37,098)	—	(69,873)
Short term	(959)	—	(229)	(248)	(3,656)	—	(8,249)	(12,382)	230	(13,111)
Financial liabilities	**(33,734)**	**—**	**(3,200)**	**(1,564)**	**(16,929)**	**—**	**(27,787)**	**(49,480)**	**230**	**(82,984)**

Assets and liabilities by segments 2011 (adjusted)[1)]

in € thousand	Direct investments FV AG	IC 01	IC 03	IC 07	IC 13	BBV 03	BBV 06	Subsidiaries Total	Recon-ciliation	Group
Intangible assets and property, plant and equipment	8	—	—	—	—	—	—	—	178	186
Investment property	**46,037**	**1,510**	**5,960**	**7,360**	**18,040**	**6,100**	**44,120**	**83,090**	**—**	**129,127**
Non-current assets held for sale	—	—	—	—	—	—	1,100	1,100	—	1,100
Trade receivables	423	127	69	215	168	21	261	861	—	1,284
Adjustment in line with IAS 8	*—*	*—*	*– 6*	*—*	*– 3*	*—*	*– 53*	*– 62*	*—*	*– 62*
Income tax receivables	70	—	—	—	—	—	—	—	5	75
Other receivables and assets	223	1	27	5	196	252	494	975	(61)	1,137
Adjustment in line with IAS 8	*—*	*—*	*(27)*	*—*	*(117)*	*—*	*(147)*	*(291)*	*—*	*(291)*
Cash and cash equivalents	578	225	94	1,283	2,020	1,713	1,753	7,088	59	7,725
Subtotal segment assets	**47,339**	**1,863**	**6,117**	**8,863**	**20,304**	**8,086**	**47,528**	**92,761**	**181**	**140,281**
Participation in subsidiaries	30,433	—	—	—	—	—	—	—	(30,433)	—
Equity-accounted participations	46,835	—	—	—	—	—	—	—	3,913	50,748
Adjustment in line with IAS 8	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*(412)*	*(412)*
Total assets	**124,607**	**1,863**	**6,117**	**8,863**	**20,304**	**8,086**	**47,528**	**92,761**	**(26,751)**	**190,617**
Provisions	(157)	(9)	(10)	(8)	(12)	(12)	(27)	(78)	(15)	(250)
Trade payables	(165)	(128)	(114)	(32)	(277)	(49)	(237)	(837)	(5)	(1,007)
Other liabilities	(98)	(55)	(49)	(90)	(192)	(64)	(440)	(890)	(9)	(997)
Adjustment in line with IAS 8	*23*	*—*	*—*	*—*	*—*	*—*	*16*	*16*	*—*	*39*
Subtotal segment liabilities	**(397)**	**(192)**	**(173)**	**(130)**	**(481)**	**(125)**	**(688)**	**(1,789)**	**(29)**	**(2,215)**
Minority interests	—	—	—	—	—	—	—	—	(14,736)	(14,736)
Adjustment in line with IAS 8	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*148*	*148*
Financial liabilities	(37,259)	(722)	(3,239)	(1,936)	(18,219)	—	(29,834)	(53,950)	182	(91,027)
Derivative financial instruments	(5,693)	—	—	—	—	—	(200)	(200)	—	(5,893)
Total liabilities	**(43,349)**	**(914)**	**(3,412)**	**(2,066)**	**(18,700)**	**(125)**	**(30,722)**	**(55,939)**	**(14,435)**	**(113,723)**
Net assets as of December 31, 2011[1)]	**81,258**	**949**	**2,705**	**6,797**	**1,604**	**7,961**	**16,806**	**36,822**	**(41,186)**	**76,894**

Overview of maturities of financial liabilities 2011

Long term	(30,243)	(684)	(3,019)	(1,144)	(17,720)	—	—	(22,567)	—	(52,810)
Short term	(7,016)	(38)	(220)	(792)	(499)	—	(29,834)	(31,383)	182	(38,217)
Financial liabilities	**(37,259)**	**(722)**	**(3,239)**	**(1,936)**	**(18,219)**	**—**	**(29,834)**	**(53,950)**	**182**	**(91,027)**

[1)] Year adjusted after voluntary change to the accounting method in line with IAS 8 (see Note 2b)

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

Investments and amortisation/depreciation by segments

in € thousand	2012 Capital expenditure	2012 Abschreibungen	2011 Capital expenditure	2011 Abschreibungen
Direct investments				
als Finanzanlagen gehaltene Immobilien	683	–	–	–
Intangible assets and property, plant and equipment	–	(38)	199	(22)
Total direct investments	**683**	**(38)**	**199**	**(22)**
Subsidiaries				
Investment property	12	–	1,484	–
Total subsidiaries	**12**	–	**1,484**	**–**
Total group investments and amortisation/depreciation	**695**	**(38)**	**1,683**	**(22)**

(31) Related Parties

Related companies – The Group's related companies are UniCredit S.p.A., Rome, which holds 32.41% of the voting rights in the Company and IC Immobilien Holding AG, with 18.09% of the voting rights, taking into account indirectly held shares.

Of the UniCredit S.p.A. and AMMS Komplementär GmbH respective voting rights of 32.41% pursuant to Section 22 (1) sentence 1 number 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), voting rights of 3% or more in Fair Value REIT AG are held by the following subsidiaries and companies (funds):

- UniCredit Bank AG (formerly Bayerische Hypo- und Vereinsbank AG "HVB")
- Wealth Management Capital Holding GmbH
- H.F.S. HYPO-Fondsbeteiligungen für Sachwerte GmbH
- WealthCap Real Estate Management GmbH
- H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG,
- H.F.S. Zweitmarkt Invest 2 GmbH & Co. KG,
- H.F.S. Zweitmarkt Invest 3 GmbH & Co. KG,
- H.F.S. Zweitmarkt Invest 4 GmbH & Co. KG,
- H.F.S. Zweitmarkt Invest 5 GmbH & Co. KG.

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

There is a close relationship to IC Immobilien Holding AG and its subsidiaries (IC Immobilien Service GmbH, IC Fonds GmbH and IC Beteiligungs-Treuhand GmbH) due to extensive business relationships and service contracts. Further related parties include the shareholders of IC Immobilien Holding AG, MIM Münchener Immobilien Management GmbH and Kienzle Vermögensverwaltung GmbH (up to May 2012). Dr. Oscar Kienzle, the Deputy Chairman of the Supervisory Board and Chairman of the Supervisory Board of IC Immobilien Holding AG, holds a major proportion of voting rights for these companies.

Financing Transactions with UniCredit Bank AG UniCredit Bank AG (formerly Bayerische Hypo- und Vereinsbank AG) acts as a lender to the Group. In addition, there are two interest rate swaps and a variable interest rate cap agreement with this bank (see Note no. 16). Interest expenses totalled €1,209,000 (2011: €2,266,000). As of December 31, 2012 there were liabilities from loans amounting to €27,900,000 (2011: €29,834,000) and liabilities from the interests rate swaps and variable interest rate cap agreement amounting to €121,000 (2011: €200,000). As of December 31, 2012, there were bank balances with UniCredit Bank AG totalling €3,420,000 (2011: €3,458,000); there was interest income from fixed term deposits and other balances totalling €11,000 (2011: €21,000).

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

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

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

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

The contract can be terminated with notice of six months required, on December 31, 2013. It extends by periods of one year in each case if it is not terminated with notice of six months to the end of the respective term of the contract by one of the contractual parties.

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

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

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

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

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

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

For the conclusion of residential and commercial rental agreements with unlimited duration, IC Immobilien Service GmbH will receive, in addition to cost reimbursement for advertisements etc., a fee equating to two months of rent, provided that no estate agent fees are incurred by Fair Value and IC Immobilien Service GmbH receives no remuneration from the tenant. The agency fees are offset if estate agents are involved in the transaction. In such cases, ICIS will still receive, at the minimum, a coordination fee equating to 50% of a monthly rent.

This remuneration is net plus the respective applicable VAT.

The agreement can be terminated by adhering to the notice period of six months as of December 31, 2013. It extends by periods of one year in each case if it is not terminated with notice of six months to the end of the respective term of the contract by one of the contractual parties.

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

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

Expenses and Income with IC Immobilien Group in € thousand	2012	2011
Service fees		
External management service (including fund administration)	438	485
Accounting	146	146
Property management fee	225	205
Trustee fees	116	113
Commission for arrangement of tenancy	377	86
Construction support	145	74
Other	—	1
Total expenses and income	**1,447**	**1,110**

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

Receivables and liabilities with IC Immobilien Group in € thousand	12/31/2012	12/31/2011
Liabilities from services	(62)	(45)
Total receivables and liabilities	**(62)**	**(45)**

Remuneration Payments for members of the Management Board

Remuneration payments IFRS in € thousand	2012	2011
Payments due at short term	250	229
Services rendered after termination of employment contract	12	11
Share-based appreciation rights	13	7
Total remuneration	**275**	**247**

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

Remuneration payments 2012 in € thousand	2012	2011
Performance-unrelated remuneration		
Fixed salary	212,168	209,000
Benefits in kind and other	18,253	12,036
Performance-related remuneration	32,436	14,921
Benefits according to Section 285 No. 9 HGB	**262,857**	**235,957**
Expenses for pension plan	12,352	10,803
Total	**275,209**	**246,760**

Effective as of October 1, 2012, a new employment contract was concluded to replace the employment contract dated August 17, 2007/September 11, 2007 in addition to the contract addendum from September 30, 2010.

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. (previously €209,000.00 p.a.) plus fringe benefits. The fringe benefits primarily relate to a pension contribution totalling 10% of the basic remuneration (previously double the highest compulsory employer contribution for jobs subject to compulsory social security contributions) and the provision of a car in the price class up to €50,000 net (previously €45,000 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% (previously 2%) of the Company's distributed dividend. The variable remuneration is paid subject to the discount of the share price in Xetra trading on the Frankfurt stock exchange at the consolidated balance sheet NAV either in cash or in virtual shares in Fair Value REIT-AG. The variable remuneration will be paid in virtual shares and not in cash to the amount of the percentage discount. The virtual shares can be exchanged for cash, no sooner than two years (previously four years) after they have been granted, at the price then valid in XETRA trading.
b) An additional cash bonus totalling 10% of the annual savings on company administration costs achieved is also paid (newly introduced). 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. The maximum total amount of the bonuses after a. and b. is 100% (previously 50%) of the fixed annual salary including specific fringe benefits (use of a company car and pension contributions).
c) For the year 2012, the bonuses after a. are pro rata temporis, calculated from October 1, 2012. The bonuses after b) relate to the full year 2012.
d) A newly introduced bonus totalling 0.2% of the positive change in the market capitalisation of the Company is also paid. The calculation of the compensation entitlement from these long-term components is made after four years by comparing the market capitalisation of the Company on October 1, 2012, and September 30, 2016. If the employee in question leaves the Management Board earlier than planned, the calculation and pay-out is made at the termination of the contract. The amount of this bonus component is limited to the annual basic compensation without fringe benefits plus the annual average of the variable compensation according to a. and b. when it is calculated.

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

Supervisory Board remuneration The members of the Supervisory Board were granted current payments totalling €27,000 (2011: €26,000) in the financial year 2012. 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.

(32) Events Occurring after the Balance Sheet Date

The Company is not aware of any events after the balance sheet date that have to be reported.

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

Most recently on January 15, 2013, the Management and Supervisory Boards issued the declaration of conformity within the meaning of Section 161 of the AktG. This declaration was made permanently accessible to shareholders on the Company's website.

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

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

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

Munich, March 26, 2013

Fair Value REIT-AG

Frank Schaich

Declaration by Legal Representative

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

Munich, March 26, 2013

Fair Value REIT-AG

Frank Schaich

Auditor's Opinion

We have audited the consolidated financial statements for Fair Value REIT-AG, Munich, comprising the balance sheet, statement of comprehensive income, income statement, statement of changes in shareholders' equity, cash flow statement and notes to the financial statements as well as the Group management report for the fiscal year from January 1, 2012 to December 31, 2012. The preparation of the consolidated financial statements and the consolidated management report in accordance with IFRSs, as they are to be applied in the EU, and the supplementary provisions of Section 315 a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) are the responsibility of the company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the annual consolidated financial statements and the consolidated management report.

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

Our audit led to no objections.

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

Duesseldorf, March 26, 2013

BDO AG Wirtschaftsprüfungsgesellschaft

Volger	Irlbeck
Wirtschaftsprüfer	Wirtschaftsprüfer

Compliance

Supervisory Board and Management Board

Supervisory Board

Prof. Dr. Heinz Rehkugler
(Chairman of the Supervisory Board)
Member of the Supervisory Board since 10/2007
Term of appointment due to run until the 2017 Annual General Meeting

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

Since 1977	University Professor
Since 2002	Deputy Chairman of the Supervisory Board of DIA Consulting AG, Freiburg

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

Dr. Oscar Kienzle
(Member of the Supervisory Board)
Member of the Supervisory Board since July 2007
Term of appointment due to run until the 2012 Annual General Meeting

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

10/2005 – 11/2012	Chairman of the Supervisory Board of Real Grundbesitz AG, Unterschleißheim
seit 07/2009	Management Board of the Günther Graf von Hardenberg Foundation, Baden-Baden
seit 09/2011	Chairman of the Supervisory Board of IC Immobilien Holding AG, Unterschleißheim

Dr. Oscar Kienzle (born 1947) is Chairman of the Supervisory Board of IC Immobilien Holding AG and founder of the IC GmbH. Until August 23, 2011, he was CEO of the IC Immobilien Holding AG. Before founding IC in 1988, Dr. Kienzle held various positions in the real estate sector of WestLB Group, lastly as Director of the WestLB Real Estate Group. Dr. Kienzle was a lawyer by profession. He completed a second degree in mathematics and macroeconomics with an MBA at Fontainebleau. He is a Fellow of the Royal Institute of Chartered Surveyors (FRICS).

Christian Hopfer
(Deputy Chairman of the Supervisory Board)
Member of the Supervisory Board since 7/2007
Term of appointment due to run until the 2017
Annual General Meeting

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

12/2007 – 11/2012	Management Board of Real Grundbesitz AG, Unterschleißheim
since 12/2012	Managing Director of Real Grundbesitz GmbH, Unterschleißheim

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

Management Board

Frank Schaich
CEO since September 17, 2007
Term of appointment due to run until September 30, 2016

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

Report of the Supervisory Board

Dear Shareholders,

The strategy for reinforcing the financial stability and earning strength of Fair Value REIT-AG pursued in the previous financial years, which has been welcomed and supported by the Supervisory Board, has proven itself to be correct and successful.

This is underlined by the improved equity ratio and FFO figures as well as the substantial increase in net income and therefore profit distribution.

The Supervisory Board supported the corresponding efforts of the Management Board and the employees by actively participating in strategic and operating planning.

Our aim is to continue to drive this positive development.

Monitoring of Management Activities and Cooperation with the Management Board

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

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

Six meetings of the Supervisory Board were held in the 2012 fiscal year. The Supervisory Board discussed in detail and approved the company's budget and planning as well as the plans for the Group. Discussions were regularly held in the Supervisory Board meetings regarding the revenue and income developments in the Group as well as the financial status and assets position, with particular consideration being given to the risk situation. Interim reports were also discussed.

Corporate Governance

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

The recommendations of the German Corporate Governance Code issued by the government commission were update in May 2012 and these were discussed in detail with the Management Board. In this context, the efficiency of the work of the Supervisory Board was also reviewed. The current declaration of compliance pursuant to § 161 of the AktG was submitted together with that of the Management Board on January 15, 2013 and has been published on the company's website.

The company management's declaration pursuant to § 289 a of the German Commercial Code (HGB) was submitted by the Management Board on January 22, 2013 and has been published on the company's website.

Extension of the Management Board contract

The Supervisory Board extended the contract of the sole Management Board member Frank Schaich by four years effective as of October 2012. The agreed remuneration is presented in the remuneration report. In particular, the guidelines of the Corporate Governance Code have been taken more strongly into account.

Review and Determination of Annual Accounts and Consolidated Financial Statement

The Consolidated Financial Statement prepared by the Management Board in accordance with the International Financial Reporting Standards (IFRS) and the Company Annual Accounts of Fair Value REIT-AG prepared by the Management Board in accordance with the HGB have both been audited by BDO AG Wirtschaftsprüfungsgesellschaft, Duesseldorf Branch, which was appointed by the Annual General Meeting on May 14, 2012. The auditor has issued an unqualified certificate for the Company Annual Accounts as well as for the Consolidated Financial Statement, including the respective management reports.

The Supervisory Board was provided with the accounts and statements for the 2012 fiscal year, including the respective management reports and the auditor's report in a timely manner to review these documents before covering this topic during its meeting on March 21, 2013. The auditors providing the certificate for the Annual Accounts reported about the results of the audit and were available for possible questions from the Supervisory Board.

There were no reasons for objections and the Supervisory Board therefore adopted the Annual Accounts of Fair Value REIT-AG on March 21, 2013. The Consolidated Financial Statements were approved in a meeting of the Supervisory Board on March 26, 2013.

Review in Accordance with German REIT Legislation

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

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

Munich, March 26, 2013

On behalf of the Supervisory Board

Prof. Dr. Heinz Rehkugler

Corporate Governance Report

The Management and Supervisory Boards of Fair Value REIT-AG attach great importance to the application of clear and efficient rules for the management and control of the business and to the recommendations of the German Corporate Governance Code. Both boards of Fair Value REIT-AG again have dealt with the latest version of the code during the 2012 fiscal year.

Corporate governance refers to good and responsible corporate management and control, with the ultimate aim of creating long-term added value. Guidelines have been drawn up for this and are summarized for German companies in the German Corporate Governance Code (GCGC), which was updated in May 15, 2012.

Management and control structure

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

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

Management Board compensation

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

The variable compensation components consist

a) of a dividend-based compensation equivalent to 4% of the dividend that the Company pays out. Such variable compensation shall be paid out either in cash or in virtual shares of Fair Value REIT-AG, depending on the discount of the share price in XETRA trading on the Frankfurt Stock Exchange to the balance-sheet NAV. The variable compensation shall be paid in virtual shares equivalent to the level of the percentage discount. In other words, it shall not be paid in cash. Not before two years after granting, the virtual shares are entitled to a cash payout at the then prevailing share price in XETRA trading.

b) of an additional cash bonus equivalent to 10% of the administration cost savings which the Company achieves in a given year. For the first contractual year (October 2012 until October 2013), the basis for this calculation shall be the level of administration costs in the 2011 fiscal year. For the following years, the initial amount shall be in each case adjusted by the percentage change in the NAV, whereby

c) the maximum total amount of bonuses pursuant to a) and b) shall amount to 100% of the annual base salary including certain additional benefits (company car and pension contributions). For the 2012 year, the bonus pursuant to a) shall be applied pro rata calculated from October 1, 2012. The bonus pursuant to b. shall relate to the full 2012 fiscal year.

d) also of a bonus equivalent to 0.2% of the positive change in the Company's market capitalisation. The calculation of the compensation attributable from this long-term component shall be performed after four years by comparing the Company's market capitalisations on October 1, 2012 and on September 30, 2016. If the Management Board leaves the Company earlier, such calculations and payments shall be performed at the end of the contract. The level of the bonus component shall be limited to one year's basic salary excluding additional benefits, plus the annual average of the variable compensation pursuant to a. and b) until the calculation.

Remuneration for the Supervisory Board

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

Directors' Dealings

During the 2012 fiscal year, Fair Value REIT-AG received reports regarding the following securities transactions on the part of members of the Management and the Supervisory Board or persons with a close relationship to these members as defined in § 15 WpHG (German Securities Trading Act):

Directors' Dealings 2012

Person obligated to report	Date of transaction	Transaction type	Number	Price per share in €	Volume in €
Dr. Oscar Kienzle	11/22/2012	Share purchase	2,500	4.30	10,750

Share ownership

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

Share ownership by members of the Management Board and Supervisory Board

Body	Number	in %
Management Board (Frank Schaich)	3,028	
Supervisory Board (Dr. Oscar Kienzle)	225,147	
Total	**228,175**	**2.43**

Transparency and disclosure of information

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

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

The company reports on a quarterly basis regarding business performance as well as about the financial status and earnings position. The general public is informed about the company's activities via the media. Information that could have a significant effect on the company's share price is released in the form of ad-hoc disclosures in accordance with legal provisions. Fair Value REIT-AG uses its website at www.fvreit.de to provide shareholders, investors and the general public with information.

Accounting and auditing

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

Declaration concerning the German Corporate Governance Code (GCGC)

The Management and Supervisory Boards of Fair Value REIT-AG issued the following declaration of conformity with the German Corporate Governance Code (Version dated May 15, 2012) within the meaning of section 161 of the AktG on January 15, 2013:

Fair Value REIT-AG's Management and Supervisory Boards welcome and support the German Corporate Governance Code and the objectives it pursues. Fair Value REIT-AG follows the recommendations of the German Corporate Governance Code in the version dated May 15, 2012 and will continue to do so in future with the following exceptions:

– **D&O insurance** The D&O insurance concluded for the Management and Supervisory Boards does not include a deductible for members of the Supervisory Board (Item 3.8 GCGC). The Company is of the opinion that the inclusion of a deductible is not necessary to urge the members of the supervisory board to a responsible behaviour as they are already obliged to a responsible behaviour in the best interest of the company qua their office and that an inclusion of a deductible may prevent potential suitable candidates from assuming the office as members of the supervisory board.

– **Number of Management Board Members** The Management Board currently only comprises one member (Item 4.2.1 GCGC). The Management and Supervisory Boards find this acceptable given the comparably low amount of investments under management.

– **Age limit for members of the Management and Supervisory Boards, Composition of the Supervisory Board** There is no age limit for members of the Managing and Supervisory Boards (Items 5.1.2 and 5.4.1 GCGC). The Company is of the opinion that the determination of an age limit is not appropriate as the Company shall also benefit from the knowledge and experience of older persons in the work of the Managing and Supervisory Boards. The Supervisory Board has not yet named specific targets for its composition and the recommendations to the shareholders' meeting for the election of the members of the Supervisory Board, which shall provide for diversity and in particular the appropriate representation of women (Item 5.4.1 GCGC), and the Supervisory Board has no plans yet to do so in the future as it is of the opinion that fixed quota regulations are not beneficial so that it will rather consider in the best interest of the Company mainly the professional competence, experience and integrity before other criteria will be considered.

– **Committees** In view of its low number of members, the Supervisory Board has not formed any committees (Item 5.3 GCGC).

Liabilities and Portfolio

Financial Liabilities in Detail

Financial liabilities Fair Value and subsidiaries
as of December 31, 2012

Fund	Object	Bank	Total book value according to IFRS [€ thousand]	Fixed until	Effectiv rate [%]	Bank-margin [%]	Derivative	LTV [%] Max.	LTV [%] Actual	DSCR [%] Min.	DSCR [%] Actual
FVAG	Partic. purchase	Capital Bank, GRAWE-Gruppe AG	(4,996)	6/30/2015	var.	5.00	–	–	–	–	–
FVAG	Portfolio	WIB Westdt. ImmobilienBank	(28,634)	6/30/2018	6.04	–	Swap	75	67	110	110
Total direct investments			**(33,630)**								
IC 07	Teltow	HSH Nordbank	(1,564)	12/31/2013	5.15	–	–	n/a	–	n/a	–
Total IC 07			**(1,564)**								
IC 03	Neuss	Deutsche Pfandbriefbank	(3,140)	10/31/2014	var.	1.60	–	n/a	–	n/a	–
Total IC 03			**(3,140)**								
BBV 06	Portfolio	HVB HypoVereinsbank	(27,900)	12/31/2014	var.	2.78	Cap	n/a	–	n/a	–
Total BBV 06			**(27,900)**								
IC 13	Potsdam	HSH Nordbank	(2,377)	10/31/2013	var.	2.50	–	n/a	–	n/a	–
IC 13	Neubrandenburg	HSH Nordbank	(9,032)	10/31/2013	var.	2.50	–	n/a	–	n/a	–
IC 13	Neubrandenburg	HSH Nordbank	(2,229)	12/31/2013	3.32	–	–	n/a	–	n/a	–
IC 13	Langenfeld	Corealcredit	(3,200)	2/28/2014	var.	2.50	–	n/a	–	n/a	–
Total IC 13			**(16,838)**								
Subtotal			**(83,072)**								
Reversal of market valuation difference and accrued loan processing fees			88								
Total Group			**(82.984)**								

Financial liabilities associated companies
as of December 31, 2012

Fund	Object	Bank	Total book value according to IFRS [€ thousand]	Fixed until	Effectiv rate [%]	Bank-margin [%]	Deriva-tive	LTV [%] Max.	LTV [%] Actual	DSCR [%] Min.	DSCR [%] Actual
BBV 14	Portfolio	DG Hypothekenbank	(46,300)	3/31/2016	var.	1.25	Cap	n/a	—	n/a	—
Total BBV 14			**(46,300)**								
IC 12	Chemnitz	WIB Westdt. Immobilienbank	(2,121)	9/15/2016	5.23	—	—	50	29	120	206
Total IC 12			**(2,121)**								
BBV 02	Erlangen	BBV Lebensversicherung	(153)	12/31/2013	5.06	—	—	n/a	—	n/a	—
BBV 02	Erlangen	BBV Lebensversicherung	(859)	12/31/2016	5.23	—	—	n/a	—	n/a	—
BBV 02	Erlangen	BBV Lebensversicherung	(124)	12/31/2016	5.23	—	—	n/a	—	n/a	—
Total BBV 02			**(1,136)**								
IC 15	Chemnitz	HSH Nordbank	(4,746)	11/30/2013	var.	2.50	—	n/a	—	n/a	—
IC 15	Quickborn[1]	Hypothekenbank Frankfurt AG	(8,090)	12/31/2012	5.10	—	—	n/a	—	n/a	—
IC 15	Dresden	HSH Nordbank	(2,936)	11/30/2013	var.	2.50	—	n/a	—	n/a	—
IC 15	Chemnitz-Passage	HVB HypoVereinsbank	(3,063)	12/31/2014	4.67	—	—	n/a	—	n/a	—
Total IC 15			**(18,835)**								
BBV 10	Eisenhüttenstadt	BBV Lebensversicherung	(24,175)	12/31/2013	4.50	—	—	n/a	—	n/a	—
BBV 10	Portfolio	HVB HypoVereinsbank	(41,271)	12/31/2013	6.21	—	Swap	n/a	—	n/a	—
Total BBV 10			**(65,446)**								
BBV 09	Portfolio	Deutsche Hypothekenbank	(67,820)	12/31/2013	6.48	—	Swap	n/a	—	n/a	—
Total BBV 09			**(67,820)**								
Subtotal			**(201.658)**								
Reversal of market valuation difference and accrued loan processing fees			90								
Total associated companies			**(201,568)**								
Fair Value's share			**(71,772)**								

[1] Replacement of the existing lender by the new lender Sparkasse Südholstein on February 22nd, 2013 (Interest rate 2.71% p.a., maturity January 30, 2018).

Method of Real Estate Valuation

Proceedings and Assumptions

As in the previous years, Frankfurt-based CB Richard Ellis GmbH (CBRE) was engaged to value Fair Value's directly and indirectly held properties as of December 31, 2012. CBRE is not a company regulated by a supervisory body, however it does employ publicly appointed, sworn experts, members of the Royal Institution of Chartered Surveyors (RICS) and real estate experts certified by HypZert GmbH in its Valuation division.

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

> *"The estimated amount for which an investment or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted know-ledgeably, prudently and without compulsion."*

In terms of concept and content, "market value" according to the definition by the Royal Institution of Chartered Surveyors (RICS) and "fair value" according to IFR and IAS 40 are comparable.

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

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

In so doing, after identifying all of the factors relevant for the valuation, the future cash flows, some of which are linked to forecasts, are aggregated on an accrual basis. The balance of the receipts and payments recorded is then discounted to a fixed point in time (valuation date) using the discount rate. In contrast to the German Ertragswertverfahren (income-based approach) according to the Immobilienwertermittlungsverordnung (ImmoWertV – German Real Estate Appraisal Directive), the cash flows are explicity quantified during the observed period and are not shown an annuity payments.

As the impace of future cash flows falls as a result of the discounting, and as the forecasting insecurity increases over the observed period, as a rule in the case of real estate investments the stabilized net investment income is capitalized over a ten-year period (detailed observation period) using a growthimplicit minimum interest rate (capitalization rate) and discounted to the valuation date.

The assumptions used in the valuation model reflect the average assumptions of the dominant investors on the market on the respective valuation date. These valuation parameters reflect the standard market expectations and the extrapolation of the analyzed past figures for the property to be valued or for one or several comparable properties.

CBRE estimated the valuation parameters as best possible using its best judgment, and these can be broken down into two groups.

The property-specific valuation parameters include, for example, rent for initial term and renewals, the probability of existing rental agreements being extended, vacancy periods and vacancy costs, no allocable incidental costs and capital expenditure expected by the owner, fitting and rental costs for initial and renewals as well as property and leasespecific overall interest on the capital tied up in the investment.

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

Volatile Markets

According to Guidance note 1 of the RICS Valuation Standards CBRE points out explicitly in its valuation reports as of January 15, 2013 and February 18, 2013, that against the background of the currently rapidly changing environment on global financial and national real estate markets the market value is a "snapshot" as of the balance sheet date, which reflects the market conditions valid on the reporting day. CBRE furthermore states that the market value should not be understood as a figure valid for a longer period of time but is subject to market related fluctuations.

Individual Property Information and Fair Value REIT-AG's Share according to Proportionate Interest

Portfolio
as of December 31, 2012

Address	Fund	Primary use	Year of construction	Last renovation/ modern-ization	Plot size [m²]	Market value 12/31/2011 [€ thousand]	Market value 12/31/2012 [€ thousand]	Change [%]	Discount rate 12/31/2012 [%]	Capitali-zation rate 12/31/2012 [%]	Lettable space [m²]
Direct investments											
Appen Hauptstr. 56 e/d	n/a	Office	1975	1995	4,320	245	244	(0.4)	6.80	6.30	212
Bad Bramstedt Bleeck 1	n/a	Office	1973	2006	3,873	1,150	1,190	3.5	6.90	6.40	997
Bad Segeberg Oldesloer Str. 24	n/a	Office	1982	2007	5,152	9,000	9,100	1.1	6.90	6.50	9,184
Barmstedt Koenigstr. 19–21	n/a	Office	1911	ongoing	2,842	1,390	1,400	0.7	7.00	6.50	1,264
Boostedt Bahnhofstr. 14	n/a	Office	1989	2005	1,006	127	126	(0.8)	6.50	6.00	114
Bornhöved Am alten Markt 9a	n/a	Office	1991	2005	873	669	665	(0.6)	6.70	6.20	664
Ellerbek Pinneberger Str. 155	n/a	Office	1985	2001	1,708	357	354	(0.8)	6.60	6.10	356
Geschendorf Dorfstraße 29	n/a	Office	1985	2006	1,154	238	239	0.4	6.80	6.30	316
Helgoland Friesenstr. 59	n/a	Office	1986	2000	194	559	561	0.4	6.50	6.00	488
Henstedt-Ulzburg Hamburger Str. 83	n/a	Office	1989	2004	1,219	1,090	1,100	0.9	6.80	6.40	1,005
Kaltenkirchen Holstenstr. 32	n/a	Office	1978	2005	1,893	1,850	1,870	1.1	7.25	6.75	1,581
Koelln-Reisiek Koellner Chaussee 27	n/a	Office	1990	2001	1,004	184	184	0.0	7.10	6.60	168
Leezen Hamburger Str. 40	n/a	Office	1989	2005	886	196	195	(0.5)	7.10	6.60	174
Neumuenster Ehndorfer Str. 153	n/a	Office	1971	2003	1,685	254	259	2.0	7.50	7.00	346
Neumuenster Kuhberg 11–13	n/a	Office	1989	2005	5,286	14,900	15,100	1.3	7.20	6.70	11,808
Neumuenster Roentgenstr. 118, 120	n/a	Office	1972	1998	2,481	278	282	1.4	7.50	7.00	534
Norderstedt Ulzburger Str. 363 d/e	n/a	Office	1994	2004	2,762	1,570	1,580	0.6	6.80	6.40	1,340
Norderstedt Ulzburger Str. 545/547	n/a	Office	1960	–	1,313	784	680	(13.3)	7.60	7.10	992
Pinneberg Damm 49	n/a	Office	1996	2007	1,383	2,320	2,710	16.8	6.80	6.30	1,718
Quickborn Kieler Str. 100	n/a	Office	1980	2002	1,625	1,560	1,570	0.6	6.60	6.10	1,309
Sparrieshoop Rosenstr. 15	n/a	Office	1961	1999	984	200	203	1.5	7.30	6.80	237
Tornesch Willy-Meyer-Str. 3–5	n/a	Office	1977	2003	970	628	631	0.5	6.80	6.30	657
Trappenkamp Am Markt 1	n/a	Office	1985	2005	1,190	663	659	(0.6)	6.60	6.10	787
Uetersen Wassermuehlenstr. 5	n/a	Office	2001	–	2,348	1,800	1,810	0.6	6.90	6.40	1,726
Wahlstedt Markt 1	n/a	Office	1975	2005	1,848	1,010	1,000	(1.0)	7.20	6.70	1,346
Subtotal direct investments					**49,999**	**43,022**	**43,712**	**1.6**			**39,321**

			Fair Value REIT-AG's share									
Vacancies [m²]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Participating interest [%]	Market value 12/31/2011 [€ thousand]	Market value 12/31/2012 [€ thousand]	Change [%]	Avg. secured remaining term of rental agreements [years]	Income based occupancy rate [%]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Contractual rental yield before costs [%]	Potential rental yield before costs [%]
–	21	21	100.00	245	244	(0.4)	5.0	100.0	21	21	8.4	8.4
–	85	85	100.00	1,150	1,190	3.5	11.8	100.0	85	85	7.1	7.1
358	624	650	100.00	9,000	9,100	1.1	10.7	95.9	624	650	6.9	7.1
–	98	98	100.00	1,390	1,400	0.7	11.4	100.0	98	98	7.0	7.0
–	11	11	100.00	127	126	(0.8)	5.0	100.0	11	11	8.8	8.8
–	54	54	100.00	669	665	(0.6)	4.6	100.0	54	54	8.2	8.2
–	27	27	100.00	357	354	(0.8)	4.2	100.0	27	27	7.6	7.6
–	21	21	100.00	238	239	0.4	3.9	100.0	21	21	8.8	8.8
14	36	38	100.00	559	561	0.4	10.6	96.1	36	38	6.4	6.7
–	76	76	100.00	1,090	1,100	0.9	13.0	100.0	76	76	6.9	6.9
–	130	130	100.00	1,850	1,870	1.1	12.9	100.0	130	130	7.0	7.0
–	16	16	100.00	184	184	0.0	5.0	100.0	16	16	8.9	8.9
–	17	17	100.00	196	195	(0.5)	5.0	100.0	17	17	8.7	8.7
–	25	25	100.00	254	259	2.0	3.8	97.6	25	25	9.5	9.7
95	1,007	1,016	100.00	14,900	15,100	1.3	12.6	99.0	1,007	1,016	6.7	6.7
–	30	30	100.00	278	282	1.4	4.4	100.0	30	30	10.7	10.7
43	110	112	100.00	1,570	1,580	0.6	11.3	98.6	110	112	7.0	7.1
196	66	69	100.00	784	680	(13.3)	1.1	94.3	66	69	9.6	10.2
764	110	208	100.00	2,320	2,710	16.8	10.7	53.1	110	208	4.1	7.7
–	106	106	100.00	1,560	1,570	0.6	13.0	100.0	106	106	6.8	6.8
–	18	18	100.00	200	203	1.5	3.4	100.0	18	18	8.9	8.9
–	60	60	100.00	628	631	0.5	3.2	100.0	60	60	9.5	9.5
78	52	57	100.00	663	659	(0.6)	4.4	90.9	52	57	7.8	8.6
–	131	131	100.00	1,800	1,810	0.6	10.5	100.0	131	131	7.3	7.3
198	76	96	100.00	1,010	1,000	(1.0)	4.5	78.9	76	96	7.6	9.6
1,746	**3,006**	**3,173**		**43,022**	**43,712**	**1.6**	**10.5**	**94.7**	**3,006**	**3,173**	**6.9**	**7.3**

Portfolio
as of December 31, 2012

Address	Fund	Primary use	Year of construction	Last renovation/ modern-ization	Plot size [m²]	Market value 12/31/2011 [€ thousand]	Market value 12/31/2012 [€ thousand]	Change [%]	Discount rate 12/31/2012 [%]	Capitali-zation rate 12/31/2012 [%]	Lettable space [m²]
Subsidiaries											
Teltow Rheinstr. 8	IC 07	Office	1995	—	5,324	7,360	7,920	7.6	7.25	6.50	9,731
Neuss Im Taubental 9–17	IC 03	Other	1990	—	19,428	5,960	6,010	0.8	9.10	8.60	12,064
Ahaus-Wuellen Andreasstr. 1	BBV 06	Retail	1990	—	5,513	1,090	1,080	(0.9)	8.00	7.30	1,496
Ahaus-Wuellen Andreasstr. 3–7	BBV 06	Retail	1973	—	13,036	3,730	3,690	(1.1)	7.75	7.40	3,915
Altenberge Marktplatz 3	BBV 06	Retail	1986	—	1,756	850	770	(9.4)	7.60	6.80	1,285
Emmerich Heerenbergerstr. 51	BBV 06	Retail	1987	—	4,314	820	660	(19.5)	9.10	8.60	1,415
Hanover Hinueberstr. 6	BBV 06	Other	1981	2006	3,204	19,300	19,600	1.6	7.00	6.30	19,460
Cologne Koehlstr. 8	BBV 06	Other	1982	—	40,591	9,280	8,600	(7.3)	8.75	8.20	23,626
Krefeld Gutenbergstr. 152/ St. Toeniser Str. 12	BBV 06	Retail	1990	—	8,417	4,240	4,070	(4.0)	7.75	7.25	4,575
Lippetal-Herzfeld Lippestr. 2	BBV 06	Retail	1990	—	3,155	1,610	1,570	(2.5)	7.50	7.10	1,452
Meschede Zeughausstr. 13	BBV 06	Retail	1989	—	1,673	450	460	2.2	7.10	6.70	1,095
Waltrop Bahnhofstr. 20 a–e	BBV 06	Retail	1989	—	1,742	2,750	2,730	(0.7)	7.70	7.10	2,124
Köln Marconistr. 4–8	BBV 03	Other	1990	—	13,924	3,170	3,780	19.2	8.20	7.70	9,640
Weyhe-Leeste Hauptstr. 51–55	BBV 03	Retail	1989	2005	11,248	2,930	2,850	(2.7)	7.75	7.25	3,141
Langenfeld Max-Planck-Ring 26/28	IC 13	Other	1996	—	14,727	6,360	7,530	18.4	8.50	7.90	10,940
Neubrandenburg Friedrich-Engels-Ring 52	IC 13	Office	1996	—	4,705	8,050	7,940	(1.4)	7.80	7.40	7,293
Potsdam Großbeerenstr. 231	IC 13	Office	1995	—	2,925	3,630	3,700	1.9	7.20	6.60	3,824
Subtotal subsidiaries					**155,682**	**81,580**	**82,960**	**1.7**			**117,075**
Total Group					**205,681**	**124,602**	**126,672**	**1.7**			**156,397**

			Fair Value REIT-AG's share									
Vacancies [m²]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Participating interest [%]	Market value 12/31/2011 [€ thousand]	Market value 12/31/2012 [€ thousand]	Change [%]	Avg. secured remaining term of rental agreements [years]	Income based occupancy rate [%]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Contractual rental yield before costs [%]	Potential rental yield before costs [%]
3,331	447	595	77.74	5,648	6,157	9.0	3.5	75.2	348	462	5.6	7.5
926	653	746	71.58	4,266	4,302	0.8	2.5	87.6	468	534	10.9	12.4
—	116	116	56.69	612	612	—	2.0	100.0	66	66	10.7	10.7
—	329	329	56.69	2,096	2,092	(0.2)	2.0	100.0	186	186	8.9	8.9
—	80	80	56.69	478	436	(8.6)	0.8	100.0	45	45	10.4	10.4
92	84	90	56.69	461	374	(18.8)	0.8	93.8	48	51	12.7	13.6
—	1,636	1,636	56.69	10,843	11,111	2.5	7.0	100.0	927	927	8.3	8.3
5,110	718	933	56.69	5,214	4,875	(6.5)	1.5	77.0	407	529	8.4	10.8
486	316	346	56.69	2,382	2,307	(3.1)	9.2	91.6	179	196	7.8	8.5
—	154	154	56.69	905	890	(1.6)	2.8	100.0	87	87	9.8	9.8
—	42	42	56.69	253	261	3.1	2.5	100.0	24	24	9.1	9.1
250	224	249	56.69	1,545	1,548	0.2	4.6	89.8	127	141	8.2	9.1
—	330	330	54.10	1,712	2,045	19.4	—	100.0	179	179	8.7	8.7
45	341	343	54.10	1,583	1,542	(2.6)	2.0	99.5	184	185	12.0	12.0
—	652	652	50.04	3,182	3,768	18.4	7.2	100.0	326	326	8.7	8.7
392	911	942	50.04	4,028	3,973	(1.4)	2.8	96.7	456	471	11.5	11.9
286	282	313	50.04	1,816	1,851	1.9	2.8	90.1	141	157	7.6	8.5
10,917	**7,316**	**7,894**		**47,023**	**48,144**	**2.4**	**4.1**	**91.9**	**4,199**	**4,567**	**8.7**	**9.5**
12,664	**10,322**	**11,068**										

Portfolio

as of December 31, 2012

Address	Fund	Primary use	Year of construction	Last renovation/ modern- ization	Plot size [m²]	Market value 12/31/2011 [€ thousand]	Market value 12/31/2012 [€ thousand]	Change [%]	Discount rate 12/31/2012 [%]	Capitali- zation rate 12/31/2012 [%]	Lettable space [m²]
Associated companies											
Berlin Carnotstr. 5–7	BBV 14	Office	1995	–	4,583	15,500	15,300	(1.3)	6.60	6.25	9,836
Dresden Nossener Bruecke 8–12	BBV 14	Office	1997	–	4,134	7,600	7,420	(2.4)	8.10	7.60	8,852
Rostock Kroepeliner Str. 26–28	BBV 14	Retail	1995	–	7,479	62,200	62,500	0.5	6.30	5.90	19,307
Erlangen Henkestr. 5	BBV 02	Retail	1984	–	6,350	1,380	1,470	6.5	8.00	7.50	2,770
Chemnitz Hartmannstr. 3a–7	IC 12	Office	1997	–	4,226	6,810	7,270	6.8	7.20	6.40	8,381
Chemnitz Heinrich-Lorenz-Str. 35	IC 15	Office	1998	–	4,718	4,160	4,000	(3.8)	7.50	7.00	5,845
Chemnitz Am alten Bad 1–7 Theaterstr. 34a	IC 15	Office	1997	–	3,246	6,130	6,000	(2.1)	6.50	6.10	5,110
Dresden Koenigsbruecker Str. 121a	IC 15	Other	1997	–	4,242	12,400	11,900	(4.0)	7.40	6.90	11,554
Quickborn Pascalkehre 15/15a	IC 15	Office	1997	–	9,129	13,900	13,700	(1.4)	6.90	6.50	10,570
Ahaus Zum Rotering 5–7	BBV 10	Retail	1989	–	3,884	1,620	1,590	(1.9)	8.50	8.00	2,054
Celle Vor den Fuhren 2	BBV 10	Retail	1992		21,076	11,700	11,300	(3.4)	8.20	7.70	10,611
Eisenhuettenstadt Nordpassage 1	BBV 10	Retail	1993	–	96,822	44,100	35,700	(19.0)	8.70	8.20	30,539
Genthin Altmaerker Str. 5	BBV 10	Retail	1998	–	3,153	660	780	18.2	7.75	7.25	1,275
Langen Robert-Bosch-Str. 11	BBV 10	Office	1994	–	6,003	15,400	15,200	(1.3)	7.70	7.20	13,657
Muenster Hammer Str. 455–459	BBV 10	Retail	1991	–	15,854	8,050	7,900	(1.9)	7.60	7.00	7,353
Osnabrueck Hannoversche Str. 39	BBV 10	Retail	1989	–	7,502	3,390	3,280	(3.2)	8.20	7.75	4,207
Rheda-Wiedenbrueck Klingelbrink 10	BBV 10	Retail	1991	–	2,455	2,750	2,690	(2.2)	7.15	6.70	2,235
Wittenberg Lerchenberg-str. 112/113, Annendorfer Str. 15/16	BBV 10	Retail	1994	–	20,482	20,300	20,700	2.0	7.00	6.50	14,710
Bad Salzungen Leimbacher Str. 97/99	BBV 09	Retail	1992	–	22,979	13,400	12,700	(5.2)	7.40	6.90	10,985
Eisenach Muehlhaeuser Str. 100	BBV 09	Retail	1994	–	44,175	45,300	44,200	(2.4)	7.65	6.95	37,400
Munich Putzbrunner Str. 71/73, Fritz-Erler-Str. 3	BBV 09	Office	1986	–	10,030	31,600	22,200	(29.7)	10.00	8.50	19,018
Naumburg Weissenfelser Str. 70	BBV 09	Retail	1993	–	20,517	19,600	18,600	(5.1)	7.60	7.20	15,180
Weilburg An der Backstania 1	BBV 09	Retail	1994	–	17,211	9,800	9,460	(3.5)	7.70	7.00	8,145
Subtotal associated companies					**340,250**	**357,750**	**335,860**	**(6.1)**			**259,594**
Total portfolio					**545,931**	**482,352**	**462,532**	**(4.1)**			**415,991**

			Fair Value REIT-AG's share									
Vacancies [m²]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Participating interest [%]	Market value 12/31/2011 [€ thousand]	Market value 12/31/2012 [€ thousand]	Change [%]	Avg. secured remaining term of rental agreements [years]	Income based occupancy rate [%]	Annualized contractual rent [€ thousand]	Annualized potential rent [€ thousand]	Contractual rental yield before costs [%]	Potential rental yield before costs [%]
88	1,258	1,269	45.12	6,993	6,903	(1.3)	2.8	99.1	567	573	8.2	8.3
32	725	741	45.12	3,429	3,348	(2.4)	1.3	97.9	327	334	9.8	10.0
612	4,390	4,478	45.12	28,063	28,199	0.5	4.8	98.0	1,981	2,020	7.0	7.2
—	218	218	41.39	566	608	7.4	3.5	100.0	90	90	14.8	14.8
1,891	464	613	40.95	2,747	2,977	8.4	3.2	75.8	190	251	6.4	8.4
40	460	461	39.08	1,620	1,563	(3.5)	2.9	99.6	180	180	11.5	11.5
827	374	460	39.08	2,387	2,345	(1.8)	1.7	81.3	146	180	6.2	7.7
—	904	904	39.08	4,828	4,650	(3.7)	16.5	100.0	353	353	7.6	7.6
—	1,141	1,146	39.08	5,413	5,354	(1.1)	4.2	99.6	446	448	8.3	8.4
—	142	142	38.43	623	611	(1.9)	1.9	100.0	55	55	9.0	9.0
—	978	978	38.43	4,497	4,343	(3.4)	8.1	100.0	376	376	8.7	8.7
599	4,243	4,481	38.43	16,950	13,721	(19.0)	2.5	94.7	1,631	1,722	11.9	12.6
138	75	84	38.43	254	300	18.2	5.0	89.4	29	32	9.6	10.7
6,245	810	1,464	38.43	5,919	5,842	(1.3)	2.2	55.3	311	563	5.3	9.6
—	716	716	38.43	3,094	3,036	(1.9)	6.1	100.0	275	275	9.1	9.1
—	302	302	38.43	1,303	1,261	(3.2)	1.7	100.0	116	116	9.2	9.2
300	201	223	38.43	1,057	1,034	(2.2)	4.8	90.3	77	86	7.5	8.3
872	1,645	1,712	38.43	7,802	7,956	2.0	8.3	96.1	632	658	7.9	8.3
—	962	962	25.17	3,373	3,196	(5.2)	9.1	100.0	242	242	7.6	7.6
—	3,485	3,485	25.17	11,401	11,125	(2.4)	11.6	100.0	877	877	7.9	7.9
—	4,391	4,391	25.17	7,953	5,587	(29.7)	1.0	100.0	1,105	1,105	19.8	19.8
—	1,743	1,743	25.17	4,933	4,681	(5.1)	5.8	100.0	439	439	9.4	9.4
—	839	839	25.17	2,467	2,381	(3.5)	5.3	100.0	211	211	8.9	8.9
11,645	**30,469**	**31,814**		**127,671**	**121,022**	**(5.2)**	**5.0**	**95.3**	**10,658**	**11,187**	**8.8**	**9.2**
24,308	**40,791**	**42,882**		**217,717**	**212,878**	**(2.2)**	**5.7**	**94.4**	**17,863**	**18,928**	**8.4**	**8.9**

Glossary

AktG Abbreviation for “Aktiengesetz” (German public limited Companies Act). This act regulates the rights and obligations of corporations limited by shares (German “Aktiengesellschaften” or “AGs”), limited partnerships by shares (“Kommanditgesellschaften auf Aktien” or “KGaAs”) and their shareholders.

At Equity Used in consolidation. “At equity” refers to a method of valuing equity interests in companies over which the group can exercise a significant influence (associated companies). When these companies are valued at equity, the associated company’s equity is only carried proportionately.

Asset Management Investment-oriented real estate asset management is the strategic, result-oriented investment management/value creation management of a real estate portfolio on individual property level in the interest of the property owner. This includes activities such as rentals, maintenance and also the disposition of properties.

Associated Company According to the provisions of the “Handelsgesetzbuch” (“HGB”– German Commercial Code), an associated company is significantly controlled by a group company which holds an interest in the associate. Associated companies are consolidated at equity within the meaning of Section 312 of HGB.

Capitalization Rate As is the case for the discount rate, the capitalization rate is also used to calculate the present value of future cash flows. In contrast to discounting, capitalization refers to the compounding of a future recurrent payment.

Cash Flow Cash flow is a key performance indicator (KPI) used to describe profits when analyzing a company. It provides information on the company’s financial strength. To derive the cash flow, the net profit is adjusted for noncash relevant earnings positions.

Closed-end Real Estate Funds A form of investing indirectly in real estate, which is defined by a fixed principal sum. After equity is completely placed, the fund is closed. Trading of participations in these real estate partnerships is possible via a secondary market to a limited extent.

Derivate This term stems from the Latin word “derivare” (to derive). A derivative refers to a financial instrument which is based on an underlying (e.g., equities, bonds, interest, commodities). The derivative comprises the right to buy or sell the underlying at a fixed price at a specific time in the future. The price of the derivative depends on the performance of the price of the underlying.

Designated Sponsor This term is used on the capital markets to refer to a financial services provider (mostly a bank or a securities trading bank). The function of a designated sponsor is to improve trading and pricing of security papers (such as shares) by providing additional liquidity. For this purpose, a designated sponsor offers bid and ask prices (both on the supply and the demand side) in electronic trading.

Discount Rate Discounting is a method in compound interest rate calculation. By discounting future cash flows through application of the discount rate and subsequent aggregation of the results their present value is determined.

EBIT Earnings before interest and taxes. EBIT shows a company’s operating results and is generally used to assess its earnings.

EPRA European Public Real Estate Association; aims at promoting transparency among publicly listed real estate companies by establishment of consistent standards.

EPRA Result Consolidated income determined according to recommendations of EPRA; adjusts the consolidated income according to IFRS for one-off effects (such as sales) as well as valuation changes of properties and financial derivatives; indicator for operative result of portfolio holders.

EPRA-NAV Net asset value determined according to recommendations of EPRA; adjusts the NAV shown on the balance sheet for valuation changes of financial derivatives as well as deferred taxes; indicator for the real estate related enterprise value of portfolio holders.

Exit Tax This relates to a tax benefit for profits from the sale of land and buildings to a REIT. The arrangement has a limited term through to December 31, 2009.

Fair Value This accounting term refers to the value of an asset (such as a property) at its current present value, which is based on the future discounted cash flows.

FFO Short for “funds from operations”. FFO indicates a real estate company’s earnings strength. The figure is calculated by adjusting the net income for the period by not liquidity-related positions, e.g. the valuation result (see consolidated cash flow statement).

Hedge Hedges are used to shelter certain items (e.g. interest or currencies) against fluctuations in their market value. These transactions aim to fix an economic price (e.g. an interest rate) at a fixed date in the future.

HGB Abbreviation for “Handelsgesetzbuch” (German Commercial Code or German GAAP). This act sets out core principles of German commercial law in a total of five books.

IFRS Abbreviation for “International Financial Reporting Standards”. This term refers to international accounting standards which comprise the standards issued by the International Accounting Standards Board (IASB), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). These regulations aim to ensure an internationally comparable, adequate presentation of a company’s actual financial position and results of operations.

Interest Rate Swap Swaps are derivatives which agree the swap of definite and fixed cash flows at a certain date in the future. In the case of an interest rate swap, the contracting parties undertake to pay a fixed or a variable interest rate for a specific underlying to the respective other contracting party. This mostly aims to hedge against the risk of changes in interest rates or to generate speculative profits.

Investor Relations Also known as IR. Describes the relationship, in particular the communication, with potential and current investors in a listed company. These activities aim to provide investors with up-to-date, comprehensive information.

NAV Short for “net asset value”. This KPI describes the actual enterprise value. Under IFRS regulations, the net asset value mostly corresponds to the balance sheet equity.

Potential Rent Potential rent describes the annual rent for an existing property which could currently be received. This is the total of all of the contractual annual rent and any vacancies at market rents adequate for the respective location and property.

Prime Standard Listing segment of Deutsche Börse AG, organized under civil law and subject to statutory regulation. Companies listed in this segment have to fulfill particularly high transparency requirements.

REIT Short for a “real estate investment trust”. The business purpose of a REIT is conducting activities relating to real estate. Under German law this includes, in particular, acquiring, managing and selling commercially used properties. In return for fulfilling the statutory requirements, no corporation or trade tax is paid at the REIT-company level. Instead, the shareholders are taxed to the extent that net income under the commercial code is disbursed as a dividend. In Germany, the corresponding tax rate has totaled 25% since the definitive withholding tax (“Abgeltungssteuer”) was introduced.

UPREIT Short for upstream-REIT. Refers to the exchange of participations in closed-end real estate funds for shares of a listed REIT. Although comparable concepts are widespread in the USA, Fair Value REIT-AG is the only company to date in Germany to use this business model.

WpHG Abbreviation for “Wertpapierhandelsgesetz” (German Securities Trading Act). The WpHG regulates trading in securities such as shares or bonds in Germany. The “Bundesanstalt für Finanzdienstleistungsaufsicht” (BaFin – German Financial Services Supervisory Authority) controls the upholding of this act.

XETRA Stands for exchange electronic trading. This refers to Deutsche Börse AG’s computer-assisted trading system for the spot market.

Financial Calendar and Imprint

Financial calendar

Fair Value REIT-AG

May 8, 2013	Interim Report 1st Quarter 2013
May 16, 2013	Annual General Meeting (Munich, Germany)
August 8, 2013	Semi-Annual Report 2013
November 7, 2013	Interim Report 1st to 3rd Quarter 2013
November 11, 2013	Presentation, German Equity Forum (Frankfurt/Main, Germany)

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Disclaimer

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

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