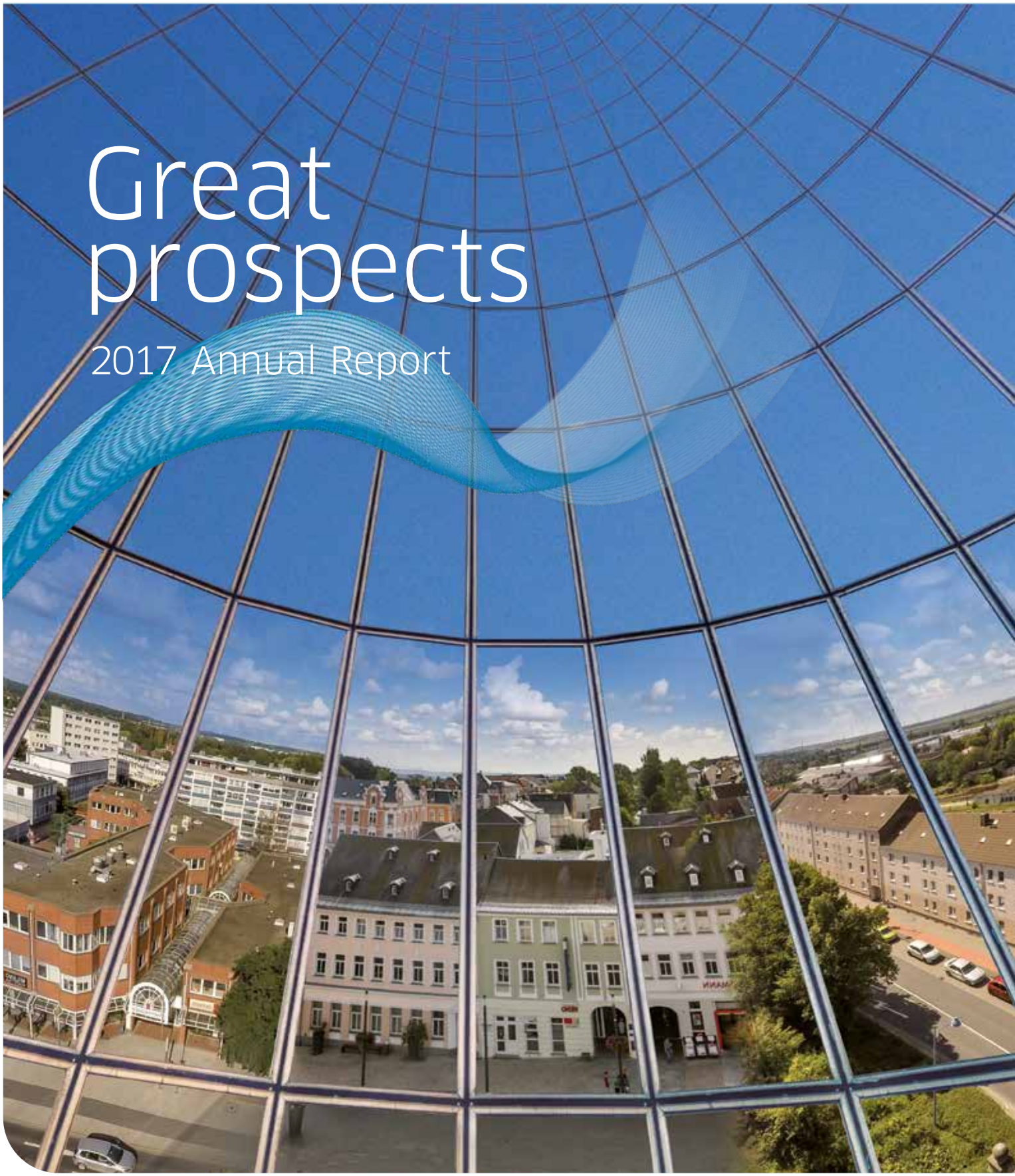
Great prospects

2017 Annual Report



FCR Immobilien

Table of key performance indicators

Important key performance indicators for FCR Immobilien AG as of December 31

in € thousand	2017	2016
Revenue incl. sales proceeds	16,391	12,129
EBITDA	4,928	3,109
EBIT	3,735	2,334
EBT	1,278	849
Consolidated net profit for the year	975	442

Selected key portfolio performance indicators for FCR Immobilien AG

	2017	2016
Number of properties/locations	41	18
Leasable floor space	140,000 m²	83,100 m²
Net rental income p.a.	€9.5 million	€5.5 million
Occupancy rate	88%	88%
Net potential rental income p.a.	€10.9 million	€6.3 million
WAULT (in years)	3.9	4.5
Portfolio net rental yield p.a. (ACTUAL)	14.1%	14.2%
Portfolio net rental yield p.a. (TARGET)	16.1%	17.3%

Contents

Dear Shareholders and Business Partners,

In 2017, FCR Immobilien AG once again enjoyed a highly dynamic development that continued the unbroken success of previous years. Our company achieved important growth milestones–not only in terms of operations, but also our company's positioning. In 2017, our revenues rose 35% to €16.39 million. This figure includes both current rental income as well as earnings from property sales. Rental income added up to roughly half of our total revenues, a result of the significant expansion of our property portfolio in the past year.

Even more positive than our revenue figures is the development of our earnings. Earnings before interest, taxes, depreciation and amortization (EBITDA) exhibited disproportionately strong growth, rising 59% to €4.93 million. This is the most important KPI for us, because it reveals the strengths of the company's earnings from its operational business. In this context, it must be highlighted that FCR Immobilien AG's financial reporting in 2017 once again followed the rules under the German Commercial Code (Handlesgesetzbuch/HGB). This means that appreciations in value due to rising prices are only reported as earnings once the properties have actually been sold. The figure of approximately €5 million thus results from rental income and value increases that have been realized as a result of property sales.

In 2017, the earnings before interest and tax (EBIT) improved by 60%, slightly surpassing the growth in EBITDA. Our earnings before tax (EBT) demonstrates how successful our interest management was as well in the past year. With a growth of more than 50%, the EBT amounted to €1.28 million.

The driver behind this development was the successful work with our property portfolio. By the end of the year, we had expanded our portfolio to 41 properties with a leasable floor space of roughly 140,000 m². At the end of 2016, our property portfolio was still comprised 18 properties with a leasable floor space of roughly 83,000 m². As part of our active asset management, the year 2017 also saw our company successfully selling five properties. This financial year is testament to our successful work on all of our three levels of value creation: the acquisition of properties at attractive prices, the development of our portfolio by means of asset management, and the profitable sale of properties.

We also achieved our target of significantly expanding our property portfolio significantly, which now has a market value we estimate at roughly €130 million as of the end of 2017. This was possible thanks to the corresponding expansion of our corporate structure that laid the foundations for our future growth. At the end of 2017, we employed 16 persons, up from an average of six employees in the previous year.

This strong growth period was also funded via corporate bonds. The 2016/2021 corporate bond offered from the end of September 2016 with a maximum issue volume of €15 million was successfully placed in full in 2017. At the end of 2017, we commenced with the necessary preparations for an additional bond. From January 31 to February 16, 2018, investors were offered to subscribe this new 2018/2023 corporate bond as part of a public offering. The interest rate of 6.0% was significantly lower than the previous bond's coupon. The lower interest rate demonstrates investors' positive view of FCR Immobilien AG's growth and its reputation on the capital market. Around €9 million were placed in the public offering. In light of the fact that we conducted the placement as an independent issue, this represents a huge success. The systematic approach of institutional investors by issuing houses only takes place at a later stage.. We also view this subscription success as confirmation and recognition of our positive business development and of the markedly improved perception of FCR Immobilien AG in the financial community.

We created the new bond primarily to serve the further expansion of our property portfolio. This makes it very clear that we aspire to continue on our profitable growth trajectory. Thanks to a network in the property industry developed over many years, our pipeline remains well-filled with interesting properties. We aim to continue taking optimum advantage of the market opportunities we see, and the new bond gives us further flexibility to do so.

The exceptional development of FCR Immobilien AG in the past year would never have been possible without the tireless efforts of our staff. I would like to take this opportunity to express my gratitude to them. I would also like to express my gratitude to our business partners for the trust they have placed in us. We look forward to our continuing cooperation. Last but not least, I would like to express my gratitude to you, our valued shareholders. I would be delighted to see you remain closely involved with your company, FCR Immobilien AG, on our ongoing journey.

Sincerely yours,

Falk Raudies, CEO
Munich, July 2018

Executive Board and Supervisory Board

FALK RAUDIES
Founder and CEO

- Successful business owner for over 20 years
- Longstanding experience in the valuation and purchase of real estate
- Many years of experience as managing director and CEO of several IT companies

DR. FRANZ-JOSEPH BUSSE
Chairman of the Supervisory Board

- Faculty member of the College of Business Administration at Munich University of Applied Sciences since 1982
- Teaching area: Banking and financial services, risk management
- Founder of the Munich-based INFINANZ Institut für Finanz- und Investitionsmanagement (advisory services for banks/financial service providers)
- Co-founder of FECIF (European Federation of Financial Advisers and Financial Intermediaries)

ARWED FISCHER
Member of the Supervisory Board

- Commercial management roles since 1988
- Member of the executive boards of listed companies (MDAX, SDAX) since 1994
- CFO of Patrizia Immobilien AG from 2008–2015
- Member of five supervisory and advisory boards

FRANK FLESCHENBERG
Member of the Supervisory Board

- CEO, Deutsche Gesellschaft für Grundbesitz AG, Leipzig
- Founder and president, EAGLES Charity Golf Club e.V.
- Committee member, Bundesvereinigung Kreditankauf und Servicing e.V.
- Former professional soccer player and Bundesliga manager

Report by the Supervisory Board to the General Meeting of FCR Immobilien AG

In the 2017 financial year, the Supervisory Board performed the duties incumbent on it under the law, the Articles of Association and the Rules of Procedure, continuously supervised the CEO, regularly advised the CEO with respect to the management of the company and examined the management's lawfulness, expediency and propriety on the basis of the documents presented by the CEO. During this period, we were at all times satisfied of said lawfulness, expediency and propriety. The CEO performed his information obligations and reported to us regularly, promptly and comprehensively, both verbally and in written form, regarding all questions relevant to the Group concerning strategy, planning, business development, risk situation and risk development.

In this financial year, four ordinary meetings of the Supervisory Board and one General Meeting were held, in which all members of the Supervisory Board participated, some over the telephone. During these meetings, the members of the Supervisory Board had sufficient opportunity to engage critically with the reports and proposed resolutions of the CEO and to contribute its own ideas at all times. The Supervisory Board was also able to gain an impression of business activities on site. Beyond the ordinary Supervisory Board meetings, decisions were also made by circular resolution following coordination over the telephone, especially with respect to new property acquisitions.

Key advisory points of the Supervisory Board

Discussions and decisions in Supervisory Board meetings revolved around projects and developments of particular importance, measures subject to approval, as well as the earnings development, financial position, corporate planning and business performance of FCR Immobilien Group.

The Supervisory Board examined the proposals made by the CEO and discussed all significant business transactions within the Supervisory Board on the basis of written and oral explanations.

The situation of the company and of FCR Immobilien Group was discussed with the CEO at all Supervisory Board meetings. During the Supervisory Board meetings, business transactions that require the approval of the Supervisory Board were also discussed.

For all new acquisitions, the CEO presented extensive documentation and detailed earnings, liquidity and financing plans on a five-year basis.

The Supervisory Board also discussed the plans for the 2018 financial year with the CEO. This also included the plausibility of the revenue and liquidity plans presented as well as an analysis of liabilities from lines of credit, loans and bonds, their conditions and maturities, and an assessment of earnings opportunities and risks. Further topics included the development of commercial property prices at secondary locations, expectations for interest rate trends and discussions about the development of new projects.

The Supervisory Board is satisfied that the CEO conducts the company's business matters properly and has taken all necessary measures. All processes are designed appropriately given the size of the company. This also applies to the controlling systems established by the CEO for the company and the FCR Immobilien Group about which the Supervisory Board was informed regularly. Alongside the finance department of FCR Immobilien AG, the controlling systems also encompass the subsidiaries' operating activities.

Members of the Executive Board and Supervisory Board

The Supervisory Board of FCR Immobilien AG was comprised of the following members in the 2017 financial year:

Dr. Franz-Joseph Busse (Chairman)
Arwed Fischer (Deputy Chairman)
Frank Fleschenberg

There were no other changes in the 2017 financial year. Due to its size of three members, the Supervisory Board did not form any committees. The composition of the Executive Board, with Mr. Falk Raudies as the sole member and CEO, remained unchanged in the 2017 financial year.

Audit of the Annual Financial Statements and the Consolidated Financial Statements

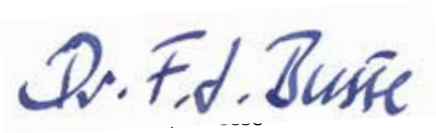
The auditor elected in the General Meeting on September 19, 2017 and contracted by the Supervisory Board, Ring-Treuhand GmbH & Co. KG auditors and tax consultants, Munich, audited the Financial Statements prepared by the CEO for the 2017 calendar year in accordance with the German Commercial Code as well as the Management Report of FCR Immobilien AG. The auditor issued an unqualified audit certificate. The Consolidated Financial Statements of FCR Immobilien AG for the 2017 financial year and the Group Management Report were also prepared on the basis of the rules under the German Commercial Code. The Consolidated Financial Statements and the Group Management Report also received an unqualified audit certificate.

The Supervisory Board received the certified reports on May 26, 2018. Auditor Martin Costa of Ring-Treuhand GmbH & Co. KG, auditors and tax consultants in Munich was available by telephone for questions regarding the audit of the Financial Statements and the Management Report as well as the Consolidated Financial Statements and the Group Management Report. The Supervisory Board approved the Financial Statements as of December 31, 2017 and the Consolidated Financial Statement as of December 31, 2017 by circular resolution. The Financial Statements are thereby adopted. The Supervisory Board declared its approval of the Management Report and the Group Management Report prepared by the Executive Board/CEO for the 2017 financial year by circular resolution.

Words of gratitude

The Supervisory Board would like to express its gratitude to the company's CEO, Mr. Falk Raudies, along with all employees of FCR Immobilien AG for their work in the past financial year.

Munich, June 12, 2018

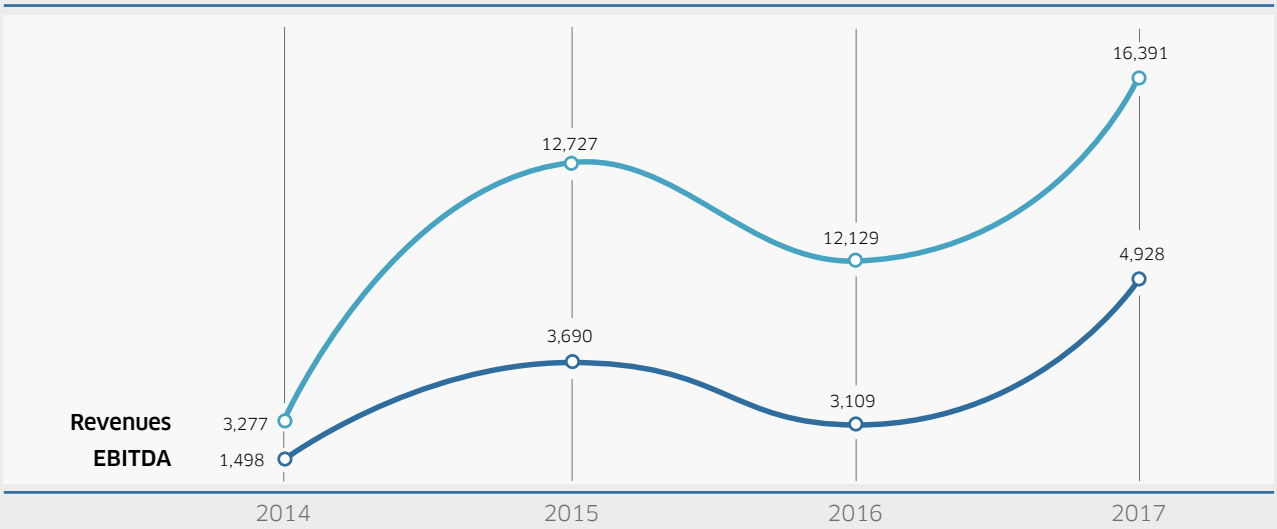


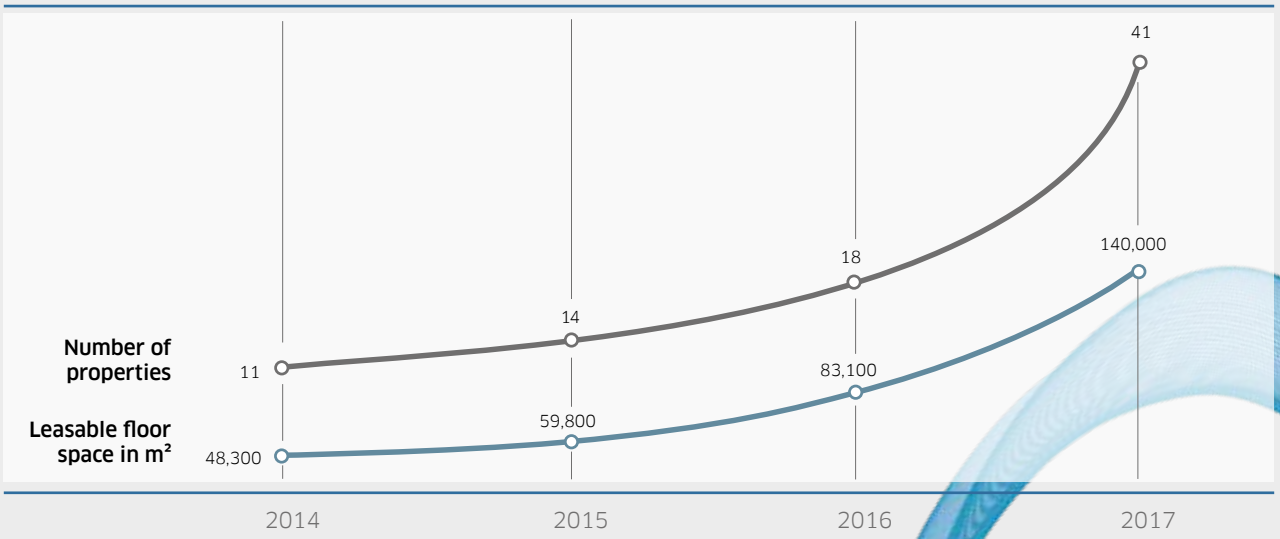
Chairman of the Supervisory Board

About FCR Immobilien AG

FCR Immobilien AG with registered office in Munich is an investor that has specialized in shopping centers and specialist retail centers in Germany. The company boasts longstanding experience and a successful track record. The focus of FCR Immobilien AG lies on commercial properties in promising secondary locations that provide above-average earning potential. Founded in 2004, the company draws its success both from acquiring properties at attractive conditions as well as from its value-creating asset management and the successful sale of optimized portfolio properties. FCR Immobilien AG also leverages its extensive industry expertise for complementary investments in other segments of the property market.

in € thousand





FCR Immobilien

We are a dynamic business

In our market, we move purposefully and powerfully with our eyes on the horizon–like a speedboat on the water. The expansion of our property portfolio from 18 to 41 properties as of December 31, 2017 highlights this extremely positive development. We have experiences many years of rapid growth and are a high-speed market player. At the same time, we are agile and flexible, and with our powerful acceleration we are capable of skillfully overtaking the competition–thus taking full advantage of market opportunities. In keeping pace with our growth, we are also expanding our corporate structure in a fast and targeted manner. Swiftness and flexibility are part of our inherent qualities–we buy properties at attractive prices, take advantage of strong momentum and will continue as a highly dynamic player on the market.

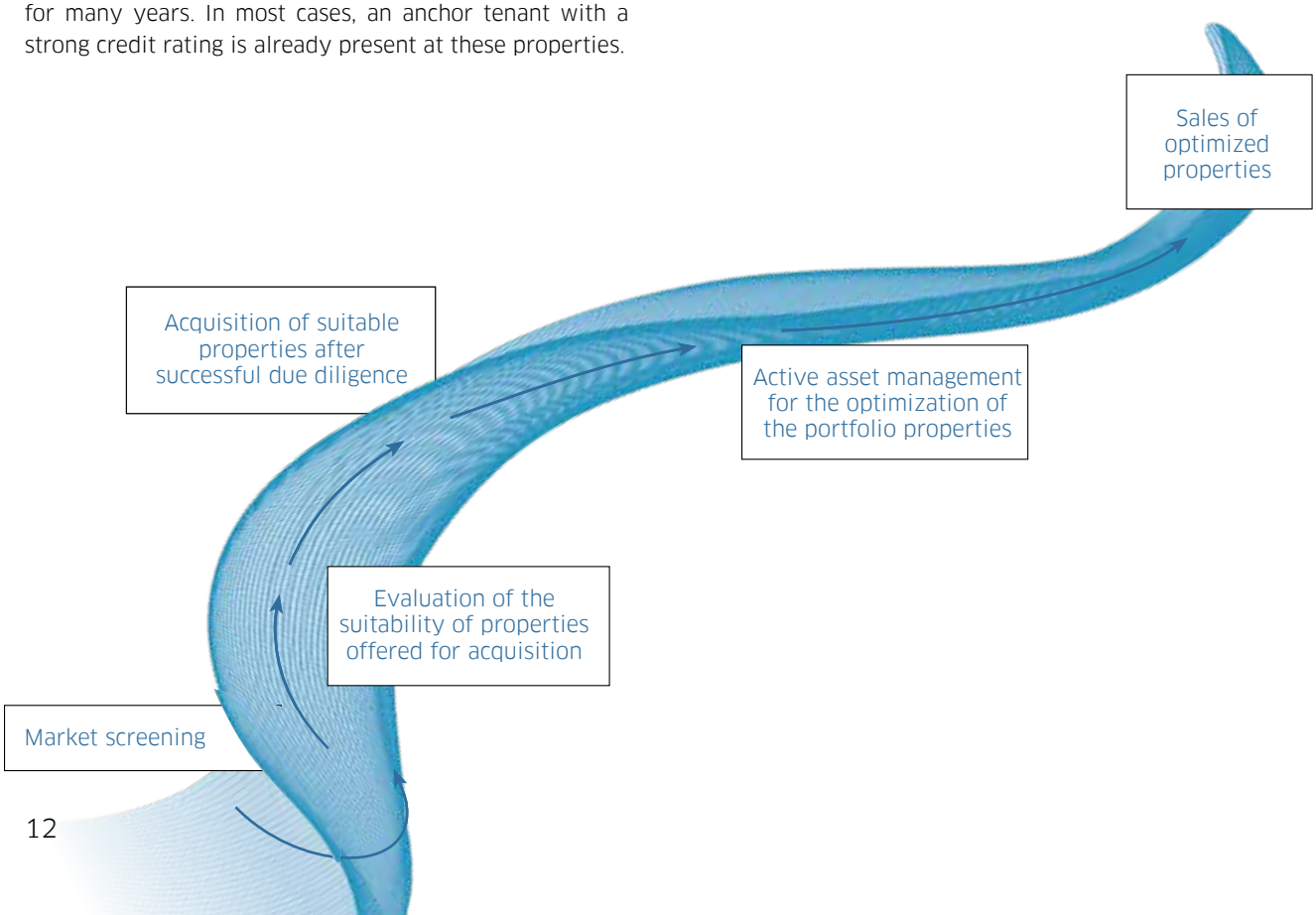
Strategy and business model

FCR Immobilien AG is an investor specializing in shopping centers and specialist retail centers across Germany. The business model rests on three pillars: The acquisition of properties at attractive prices, active asset management and the sale of optimized portfolio properties. The focus is on investments in attractive secondary locations. Alongside this focus on shopping centers and specialist retail centers, the company also leverages its extensive real estate expertise and exceptional industry network for complementary investments in other segments of the property market.

FCR Immobilien AG focuses on secondary locations because these typically offer above-average returns. Additionally, the company believes that the development of rental prices and property values in this area is more stable than at prime locations, where experience has shown that property markets respond more strongly to economic cycles. FCR Immobilien AG preferably acquires properties in extraordinary situations, such as insolvencies. As a rule, the investment for stand-alone properties lies between €1 and 20 million, and for property portfolios up to €50 million. Many of the acquired portfolio properties have been sustainably established at their micro locations for many years. In most cases, an anchor tenant with a strong credit rating is already present at these properties.

FCR Immobilien AG's active and experienced asset management assures the optimization of the property portfolio with the aim of generating sustainable value increases. As of December 31, 2017, the property portfolio of FCR Immobilien AG comprised 41 properties with a total leasable floor space of approximately 140,000 m². The regular rental income from the portfolio properties guarantee a stable cash flow for the company. FCR Immobilien AG secures additional potential returns through the sale of optimized properties. Due to accounting in accordance with the German Commercial Code rules, increases in property values—e.g. through successful asset management—only materialize once a property is sold. Until then, these gains remain on the balance sheet as silent reserves.

Typical property- and asset-management measures encompass the structural and economic substance of the properties. This includes, for example, structural modifications for improved usability or the optimization of tenant structures, lease terms and rental income. The sale of properties that have increased in value is an integral part of the proven business model FCR Immobilien AG has been pursuing for years.



FCR Immobilien AG once again continued its dynamic growth in the 2017 financial year. The property portfolio expanded significantly to 41 properties as of December 31, 2017–up from 18 properties in the year before. As of the end of 2017, the property portfolio had a value of approximately €130 million. The significant expansion of the property portfolio succeeded despite the sale of five properties during the reporting period. This demonstrates just how successful FCR Immobilien AG was in the acquisition of properties in the past year. As in the past, no compromises to the purchasing criteria aimed at facilitating the company's sustainable profitable development were made in 2017.

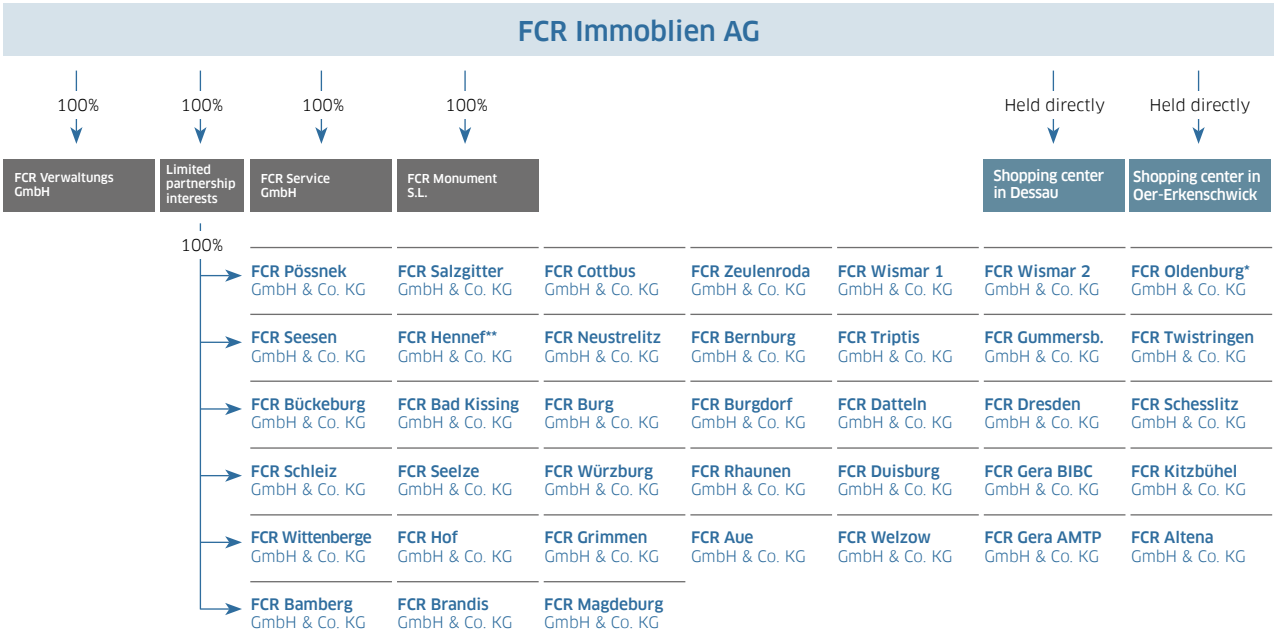
In line with the dynamic expansion of the property portfolio, FCR Immobilien AG also made the necessary changes to its corporate structure in 2017, last but not least in light of the company's planned further growth. The company's workforce increased by 167% to 16 employees in the past financial year.

Corporate structure

FCR Immobilien AG holds its properties either directly within the corporation or via subsidiaries in the form of limited partnerships with a limited liability company under German law as the general partner (a GmbH & Co. KG).

As of December 31, 2017, the corporate structure of the group with its 41 directly or indirectly held properties presented as follows:

Corporate structure of the FCR Group as of December 31, 2017



* Includes the property in Nienburg, Germany ** Includes the properties in Hennef and Frankenberg, Germany

FCR Immobilien

We stand for stability

Our business model rests on three stable pillars: we purchase at attractive conditions, use active and value-creating asset management, and successfully sell optimized properties. We invest in concrete gold. Our decisions are solidly anchored in our vast experience. Year after year, we generate stable, regular rental income from our constantly growing property portfolio. We purposefully focus our investments on secondary locations. These offer more stable development of rental prices and property values in the long run than prime locations, which are more strongly affected by economic cycles. In this way, we maintain a firm grip on our sustainable success.

Interview with the CEO, founder and majority shareholder of FCR Immobilien AG, Falk Raudies

FCR Immobilien AG significantly increased revenue and earnings in 2017. What were the drivers behind this substantial growth?

Falk Raudies: 2017 was a very successful financial year for us. This positive development was driven by all three pillars of our business model. We were again able to purchase properties at very attractive conditions through our excellent network, our asset management was successful, and we successfully sold five properties. But the numbers alone do not give justice to just how positive the company's overall development was in 2017.

What else shaped the development in 2017? How did FCR Immobilien AG develop in strategic terms?

Falk Raudies: In addition to the reported earnings from property sales, we also see clear price and value increases in our portfolio. However, since our accounting is based on the German Commercial Code, these will only materialize as earnings once the objects have been sold. But I also need to emphasize the following: FCR Immobilien AG has also developed very positively in strategic terms. We succeeded in further extending our networks and expanded our corporate structure and staff size in line with the demonstrated growth—but also because we want to keep growing.

So the 2018/2023 corporate bond is primarily a tool to support further portfolio growth?

Falk Raudies: The bond with a volume of up to €25 million is one building block in the financing structure of our portfolio. Together with equity and bank loans, which usually amount to 70–80% of our property financing, this allows us to continue significantly expanding our property portfolio. As I said, for continuing growth— meaning on top of our existing real estate portfolio, which I estimate to be worth around €130 million as of the close of 2017.

Shopping center in Zeulenroda

Is it still possible to acquire properties at favorable conditions?

Falk Raudies: In 2017, we demonstrated as much. But to do so, you really need good access to the market and obviously having the right network is important. We continue to be offered very interesting properties. We also intend to invest the funds from the bond without delay. Our market is huge. Going forward, we will continue our highly dynamic growth, which will allow us to significantly expand our property portfolio.

Will your focus remain on shopping centers and specialist retail centers?

Falk Raudies: In our view, this segment of the property market yields significantly above-average returns. We aim to take advantage of existing opportunities accordingly. But our industry know-how is much broader than that. Our expertise is in real estate—and not only commercial real estate. In other words, if we see interesting investment opportunities for FCR Immobilien AG in other segments of the property market, we seize these as well.

You are very active with social causes, is this something that is close to your heart?.

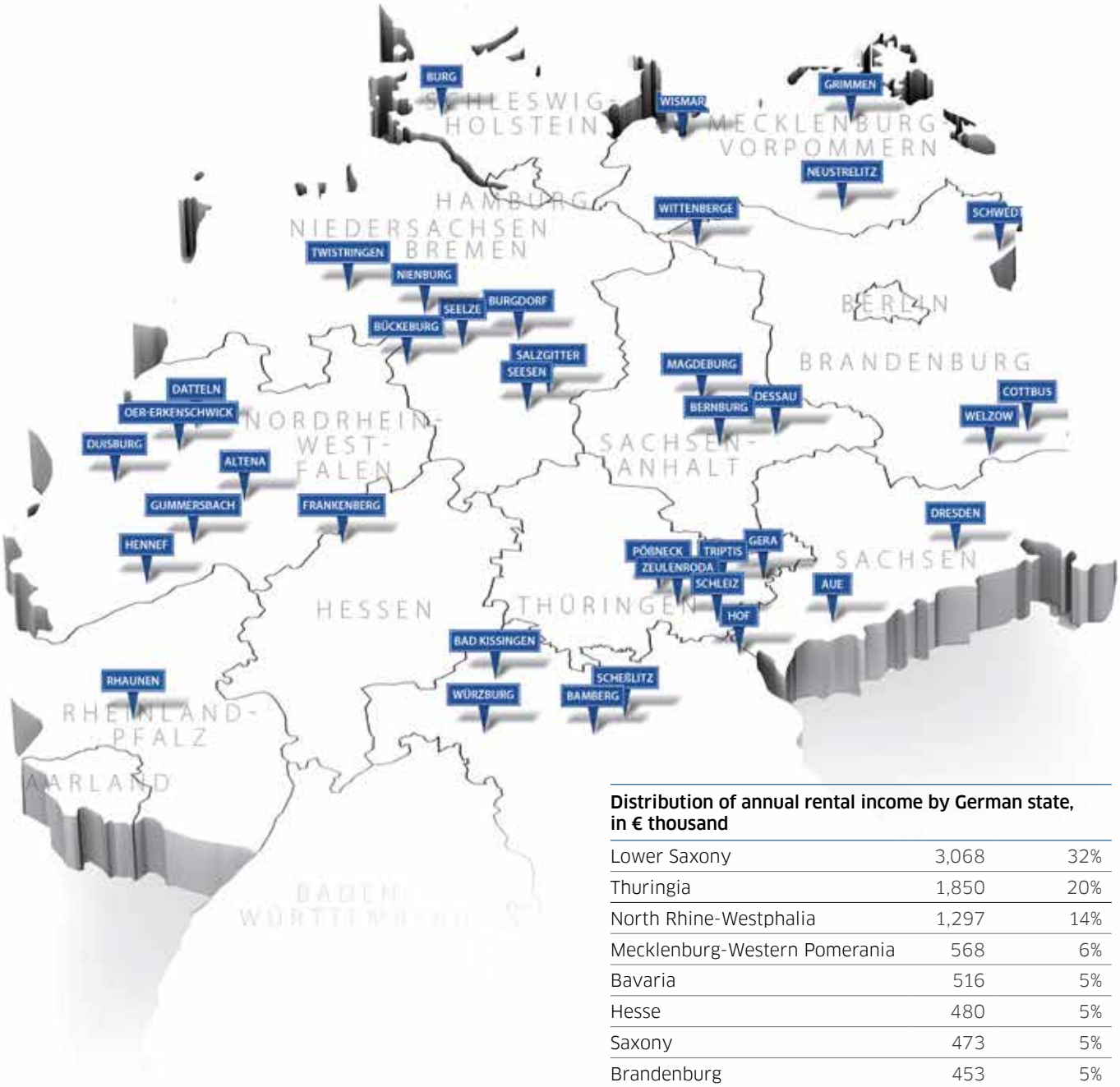
Falk Raudies: I believe that especially those enjoying success in business should not forget about their fellow humans. I have been involved in charity work for many years and am particularly proud of having been able to organize the first FCR Immobilien EAGLES Charity Golf Tournament in 2017. It was a great event that not only brought many well-known personalities together to have fun, but also amassed more than €110,000 for charitable causes. This money will benefit several charity organizations, going to projects such as enabling disadvantaged people to take a vacation and helping children who suffer from arthritis. Social commitment is and remains one of my passions.

FCR Immobilien

We stand for experience

We have been successful on the property market for many years. The FCR crew possesses unique know-how, longstanding experience in the real estate industry and a vast network. This is why we are offered attractive properties across all of Germany. From our headquarters in Munich, we have built a tremendously successful business in recent years and remain on a dynamic growth trajectory in our pursuit of further expanding and solidifying our market position. This is what all of us are working on every single day, and our success proves us right.

The portfolio of FCR Immobilien AG



Distribution of annual rental income by regions, in € million

West	5.64	60%
East	3.81	40%

Distribution of annual rental income by German state, in € thousand

Lower Saxony	3,068	32%
Thuringia	1,850	20%
North Rhine-Westphalia	1,297	14%
Mecklenburg-Western Pomerania	568	6%
Bavaria	516	5%
Hesse	480	5%
Saxony	473	5%
Brandenburg	453	5%
Saxony-Anhalt	355	4%
Rhineland-Palatinate	130	1%
Schleswig-Holstein	108	1%
Outside of Germany	150	2%

FCR Immobilien AG continues to grow. By expanding its property portfolio to a total of 41 properties as of December 31, 2017, the corporation demonstrated its continuing dynamic development. One year earlier, FCR held just 18 properties in its portfolio. The leasable floor space increased to approximately 140,000 m² from 83,000 m² in the year before. The market value of the portfolio properties amounted to roughly €130 million at the close of 2017. As of December 31, 2017, the actual net rental income from all 41 properties amounted to €9.5 million per year, which represents growth of 73%. At the end of 2017, the weighted total rental yield on the basis of purchase prices amounted to roughly 14.1 %. The weighted average unexpired lease terms (WAULT) was approximately 3.9 years as of December 31, 2017.

The company has specialized in retail properties in promising secondary locations, prioritizing properties in small and mid-size towns with populations of at least 10,000. The focus lies on extraordinary situations that allow FCR to acquire properties at attractive prices while achieving above-average returns. In general, investments in the acquisition of stand-alone properties amount to between €1 and 20 million, but the company also invests up to €50 million in property portfolio acquisitions. An anchor tenant with a strong credit rating is ideally already present on the property. While FCR Immobilien AG invests across Germany, the focus at the end of 2017 was on investments in western Germany. More than half of FCR tenants number among top German brands, including EDEKA, Netto, Hit and OBI.

FCR Immobilien AG also leverages its real estate knowledge and many years of industry expertise to complement its investment focus on shopping centers and specialist retail centers with investments in other property segments.

Mixed residential and commercial building in Altena
(North Rhine-Westphalia)

Year of construction	1979
Usable floor space (in m²)	12,000
Occupancy rate	46.7%
Main tenant	KiK
Net rental yield p.a.	11.8%

Specialist retail store in Aue
(Saxony)

Year of construction	2003
Usable floor space (in m²)	650
Occupancy rate	100%
Main tenant	Takko
Net rental yield p.a.	10.2%

Supermarket in Bad Kissingen
(Bavaria)

Year of construction	2005
Usable floor space (in m²)	1,037
Occupancy rate	100%
Main tenant	Net
Net rental yield p.a.	14.2%

Student residence in Bamberg
(Bavaria)

Project development	in progress
Usable floor space (in m²)	4,050

Residential building in Bernburg
(Saxony-Anhalt)

Year of construction	1957
Usable floor space (in m²)	2,086
Occupancy rate	94.4%
Net rental yield p.a.	10.2%

Supermarket in Brandis
(Saxony)

Year of construction	1994
Usable floor space (in m²)	2,220
Occupancy rate	100%
Main tenant	Norma
Net rental yield p.a.	12.6%

DIY store in Bückeburg
(Lower Saxony)

Year of construction	1993
Usable floor space (in m²)	4,980
Occupancy rate	100%
Main tenant	OBI
Net rental yield p.a.	12.2%

Specialist retail center in Burg
(Schleswig-Holstein)

Year of construction	1994
Usable floor space (in m²)	2,074
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	9.5%

Specialist retail center in Burgdorf
(Lower Saxony)

Year of construction	1962/1996
Usable floor space (in m²)	3,698
Occupancy rate	100%
Main tenant	Zimmermann
Net rental yield p.a.	9.8%

Shopping center in Cottbus
(Brandenburg)

Year of construction	1999
Usable floor space (in m²)	4,800
Occupancy rate	58.7%
Main tenant	REWE
Net rental yield p.a.	28.0%

Supermarket in Datteln
(North Rhine-Westphalia)

Year of construction	2006
Usable floor space (in m²)	1,037
Occupancy rate	96.5%
Main tenant	Net
Net rental yield p.a.	9.6%

Damaschke-Center in Dessau
(Saxony-Anhalt)

Year of construction	1992
Usable floor space (in m²)	3,750
Occupancy rate	80%
Main tenant	Aldi, KIK
Net rental yield p.a.	16.5%

Specialist retail center in Dresden
(Saxony)

Year of construction	1982
Usable floor space (in m²)	2,329
Occupancy rate	100%
Main tenant	Pfennigpfeiffer
Net rental yield p.a.	9.9%

Office and retail building in Duisburg
(North Rhine-Westphalia)

Project development	in progress

Garden center in Frankenberg
(Hesse)

Year of construction	1993
Usable floor space (in m²)	6,109
Occupancy rate	100%
Main tenant	Rheika-Delta
Net rental yield p.a.	24.7%

Shopping center in Gera (Amthor-Passage)
(Thuringia)

Year of construction	2000
Usable floor space (in m²)	7,898
Occupancy rate	71.1%
Main tenant	Intersport
Net rental yield p.a.	8.4%

Shopping center in Gera (Bieblach-Center)
(Thuringia)

Year of construction	1994
Usable floor space (in m²)	18,068
Occupancy rate	77.1%
Main tenant	Roller
Net rental yield p.a.	16.6%

Specialist retail center in Grimmen
(Saxony)

Year of construction	2000
Usable floor space (in m²)	2,045
Occupancy rate	100%
Main tenant	Norma
Net rental yield p.a.	15.6%

Shopping center in Gummersbach
(North Rhine-Westphalia)

Year of construction	1974
Usable floor space (in m²)	4,171
Occupancy rate	78.4%
Main tenant	Deichmann
Net rental yield p.a.	12.5%

Specialist retail store in Hennef
(North Rhine-Westphalia)

Year of construction	1977
Usable floor space (in m²)	3,949
Occupancy rate	96.8%
Main tenant	HIT
Net rental yield p.a.	21.3%

Specialist retail store in Hof
(Bavaria)

Year of construction	1992
Usable floor space (in m²)	928
Occupancy rate	100%
Main tenant	Takko
Net rental yield p.a.	13.1%

Hotel Kitzbühel
(Bavaria)

Year of construction	2008
Usable floor space (in m²)	768
Occupancy rate	100%
Main tenant	Suiten am Schloss
Net rental yield p.a.	2.9%

Shopping center in Magdeburg
(Brandenburg)

Year of construction	1979
Usable floor space (in m²)	2,750
Occupancy rate	77%
Main tenant	EDEKA
Net rental yield p.a.	16.4%

Shopping center in Neustrelitz
(Mecklenburg-Western Pomerania)

Year of construction	1963/2015
Usable floor space (in m²)	2,745
Occupancy rate	100%
Main tenant	Penny
Net rental yield p.a.	19.3%

Specialist retail center in Nienburg
(Lower Saxony)

Year of construction	1996
Usable floor space (in m²)	1,002
Occupancy rate	100%
Main tenant	Dänisches Bettenlager
Net rental yield p.a.	14.9%

Specialist retail store in Oer-Erkenschwick
(North Rhine-Westphalia)

Year of construction	1978
Usable floor space (in m²)	6,255
Occupancy rate	90.4%
Main tenant	T. Philipps
Net rental yield p.a.	12.1%

Specialist retail center in Pössneck
(Thuringia)

Year of construction	1992
Usable floor space (in m²)	7,564
Occupancy rate	100%
Main tenant	OBI
Net rental yield p.a.	13.4%

Supermarket in Rhaunen
(Rhineland-Palatinate)

Year of construction	2006
Usable floor space (in m²)	1,290
Occupancy rate	100%
Main tenant	Lidl
Net rental yield p.a.	13.2%

Shopping arcade in Salzgitter
(Lower Saxony)

Year of construction	1967/1985
Usable floor space (in m²)	8,612
Occupancy rate	92.1%
Main tenant	Rossmann
Net rental yield p.a.	14.8%

Supermarket in Schesslitz
(Bavaria)

Year of construction	2003
Usable floor space (in m²)	930
Occupancy rate	100%
Main tenant	Norma
Net rental yield p.a.	9.9%

Specialist retail center in Schleiz
(Thuringia)

Year of construction	1993
Usable floor space (in m²)	6,541
Occupancy rate	34.2%
Main tenant	KiK
Net rental yield p.a.	8.4%

Specialist retail center in Seelze
(Lower Saxony)

Year of construction	2007
Usable floor space (in m²)	3,661
Occupancy rate	91.5%
Main tenant	dm
Net rental yield p.a.	9.9%

Shopping center in Seesen
(Lower Saxony)

Year of construction	1982/2000
Usable floor space (in m²)	9,800
Occupancy rate	92.5%
Main tenant	EDEKA
Net rental yield p.a.	26.3%

Specialist retail center in Triptis
(Thuringia)

Year of construction	1996
Usable floor space (in m²)	1,050
Occupancy rate	100%
Main tenant	REWE
Net rental yield p.a.	11.6%

Supermarket in Twistringen
(Lower Saxony)

Year of construction	2004
Usable floor space (in m²)	965
Occupancy rate	100%
Main tenant	Net
Net rental yield p.a.	12.6%

Specialist retail center in Welzow
(Brandenburg)

Year of construction	1994
Usable floor space (in m²)	1,616
Occupancy rate	100%
Main tenant	Norma
Net rental yield p.a.	11.8%

Shopping center in Wismar (1)
(Mecklenburg-Western Pomerania)

Year of construction	1993
Usable floor space (in m²)	4,338
Occupancy rate	93.3%
Main tenant	Net
Net rental yield p.a.	12.3%

Shopping center in Wismar (2)
(Mecklenburg-Western Pomerania)

Year of construction	1999
Usable floor space (in m²)	3,799
Occupancy rate	37.5%
Main tenant	Various
Net rental yield p.a.	16.7%

Supermarket in Wittenberge
(Brandenburg)

Year of construction	1995
Usable floor space (in m²)	1,633
Occupancy rate	94.5%
Main tenant	Norma
Net rental yield p.a.	11.6%

Specialist retail center in Würzburg
(Bavaria)

Year of construction	2001
Usable floor space (in m²)	1,921
Occupancy rate	100%
Main tenant	Detlev Louis Motorrad
Net rental yield p.a.	10.1%

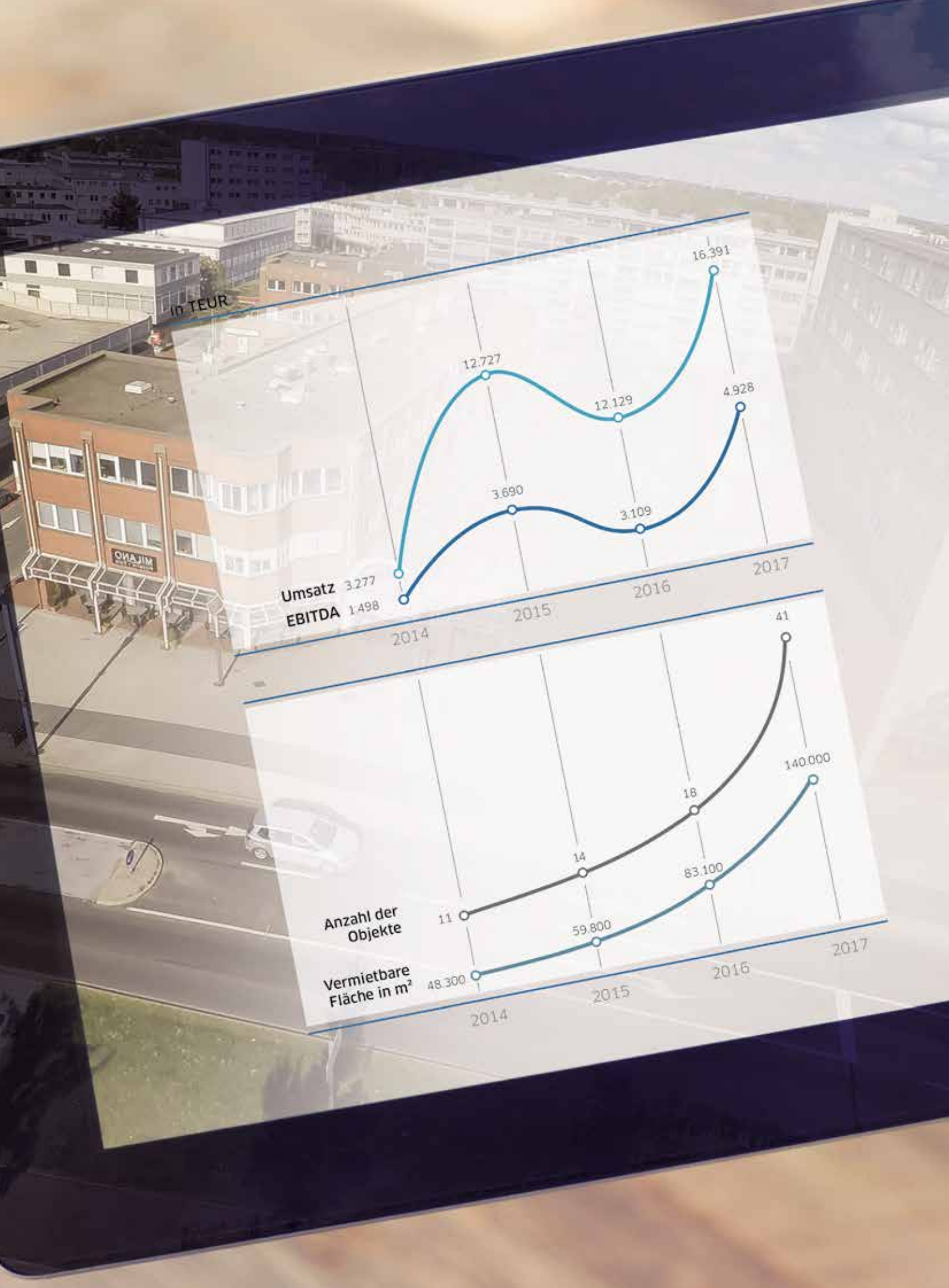
Shopping center in Zeulenroda
(Thuringia)

Year of construction	1900
Usable floor space (in m²)	5,448
Occupancy rate	68%
Main tenant	Rossmann
Net rental yield p.a.	17.3%

FCR Immobilien

We stand for profitability

Our business focuses on profitability. We not only identify the potentials in our properties– we also leverage them to achieve surplus returns on our sales. We stand for a profitable portfolio with well-known anchor tenants. Our company has been extremely profitable for many years. As an example, our earnings before interest, taxes, depreciation and amortization (EBITDA) have risen by an average of nearly 50% over the past three years. We see sustainable, profitable growth as a key success factor.


in TEUR
Umsatz
EBITDA
3.277
1.498
12.727
3.690
12.129
3.109
16.391
4.928
2014
2015
2016
2017
Anzahl der Objekte
Vermietbare Fläche in m²
11
48.300
14
59.800
18
83.100
41
140.000
2014
2015
2016
2017

Project developments–the Bamberg project

FCR Immobilien AG invests not only in shopping centers and specialist retail centers, but also in other segments of the property market. In doing so, the company relies on its extensive in-house real estate expertise to appraise the potential value of properties offered off-marked from within its network. This also applies to undeveloped land parcels. Following the appraisal of the property's potential, FCR Immobilien AG acquired a parcel in Bamberg that will host a student residence with a floor space of over 4,000 m². The planning prerequisites were put in place in 2017. Completion is planned for early 2020.

In total, the property will house 141 apartments in student-friendly sizes starting at 21 m². The facility is located near Bamberg University, with easy access to the city center. FCR Immobilien AG will handle both planning and project management. This will enable us to monitor the project on an ongoing basis, reducing project-related risk. As with other properties, FCR Immobilien AG will aim to engage regional companies for the construction works and thereby create additional value for the region. In the company's perspective, this selection of contractors will not only ensure high-quality work, but also help secure attractive terms.

Bamberg's population numbers nearly 76,000, making it the third largest city in the Upper Franconia region. With its historical city center unscathed by the World War II, the city not only combines tradition and culture, but also enjoys a sterling reputation as a university town. This is evident from the huge student population. Around 13,000 students are enrolled at the public University of Bamberg. This leads to high demand for suitable–and above all affordable–housing. The city's demographics thus offer interesting potential in the area of student apartments.

For the execution of the project, FCR Immobilien AG can draw on its many years of experience in the property market. In the past, the company has regularly acquired promising properties and projects outside of the commercial property segment and developed them to yield sustainable value. This includes a portfolio residential complex in Bernburg with a floor space of 2,085 m². FCR Immobilien is planning to also take advantage of investment opportunities in other segments of the property market in the future.

FCR Immobilien

Venturing off the beaten track

We are the specialist for commercial property in Germany. Thanks to our expertise and excellent industry network, we can also make targeted investments in other attractive segments of the property market. We take advantage of market opportunities in other European countries and skillfully expand our assets, e-g-in the hotel and residential property segments. We purposefully venture off the beaten track to take optimal advantage of the diverse opportunities availing themselves to us time and again on the property market.


AMBOM

FCR Immobilien AG on the capital market

Although FCR Immobilien AG is not a publicly listed company, the capital market is still an important financing instrument for the company. This includes the issue of corporate bonds as one building block for the financing and growth of FCR Immobilien AG. The 2016/2021 corporate bond with an issue volume of up to €15 million and an interest coupon of 7.1% was issued in September 2016and fully placed in September the year after. The bond's terms also include a listing on the Frankfurt Stock Exchange, which makes a fungible security available to investors. Following its full placement, the bond performed well on the exchange, and was quoted above 100% for the rest of the year. As of the end of 2017, the bond (SIN A2BPUC) was traded at 104.50%.

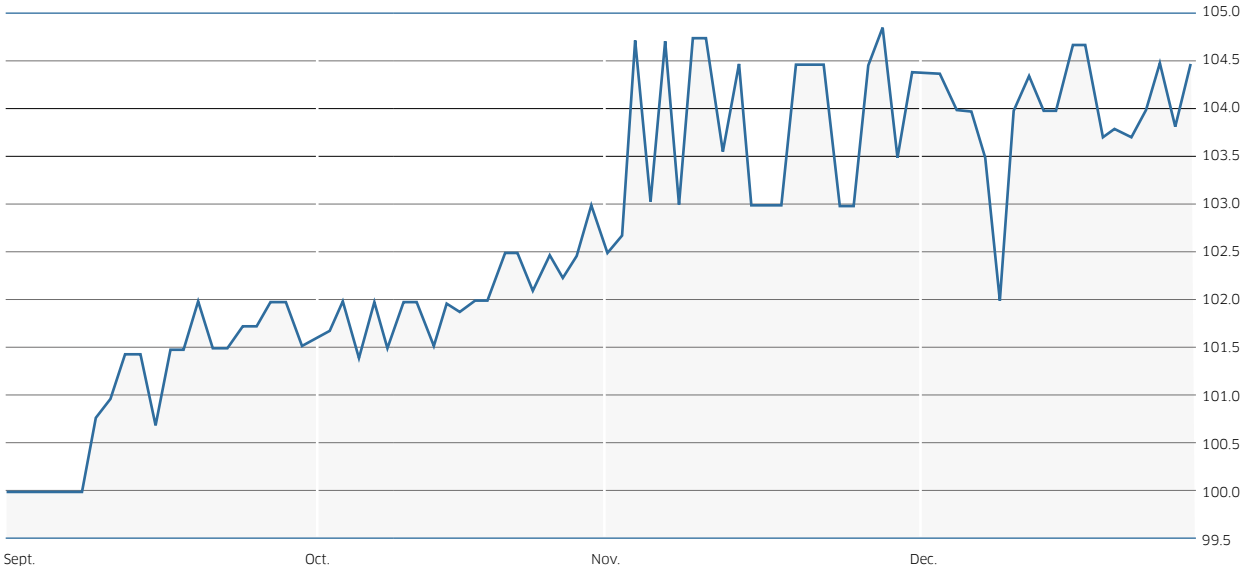
Thanks to the positive experiences on the capital market and with a view to the planned future growth, FCR Immobilien AG commenced preparations for a new corporate bond at the end of the reporting period.

FCR Immobilien AG already started to issue the 2018/2023 corporate bond, shortly after the end of the reporting period. The bond offers an interest rate of 6.0% and has a maturity of five years and an issue volume of up to €25 million. Approximately €9 million had already been placed in the public offering between January 31 and February 16, 2018. In light of the fact that the placement was a public offering conducted as an independent issue–i.e. without the involvement of a bank–this represents a major success. Following the public offering, institutional investors will be systematically approached for their interest in a private placement. Private investors continue to have the opportunity to subscribe to the bond (SIN A2G9G6) in a private placement available on the company's website, or to trade it on the Frankfurt exchange.

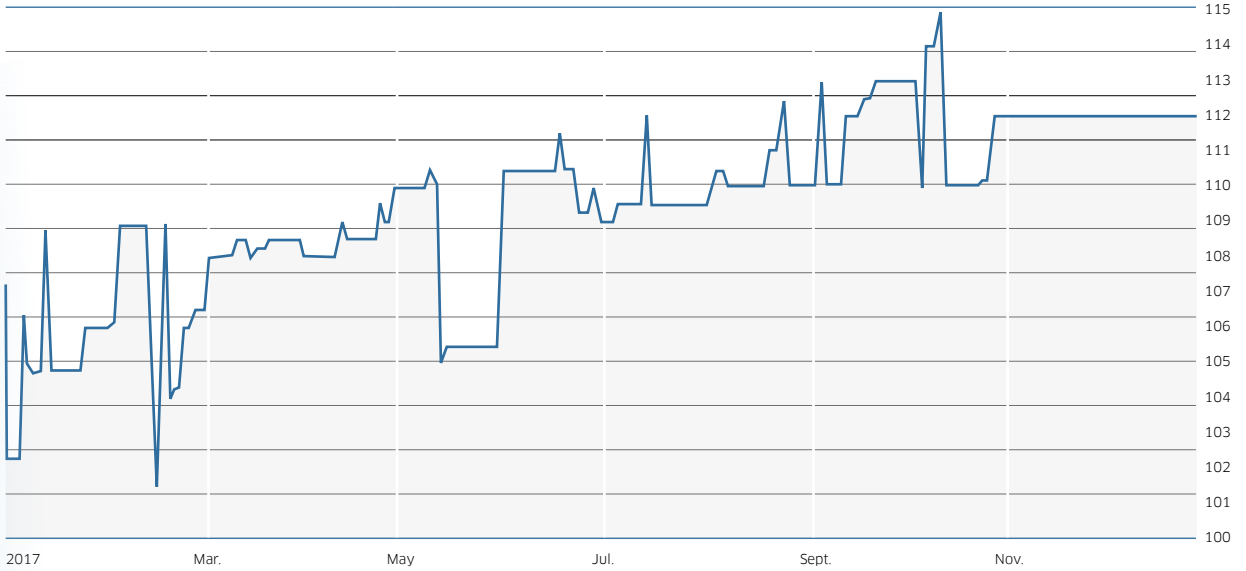
The bond is equipped with a comprehensive security package. In addition to hedging the bond with subordinate registered mortgages via a trustee, this includes protective rights for bondholders, such as the right of termination in the event of a change of control as well as a payout block over 50% of the annual net profit. FCR Immobilien AG has also committed to comprehensive transparency, with the goal of regularly informing bond creditors about the company's development. The proceeds from the issue primarily serve the expansion of the company's property portfolio.

The 2014/2019 corporate bond (SIN A1YC5F) with 8.0% interest is also listed on the stock exchange. This bond's issue volume amounts to €1.67 million.

Performance of the 2016/2021 corporate bond after full placement in September 2017:



Performance of the 2014/2019 corporate bond in the period from January 1–December 31, 2017:



Key data for the 2018/2023 bond

WKN / ISIN:	A2G9G6 / DE000A2G9G64
Issue volume (€):	Max. 25 million
Denomination (€):	1,000.00
Maturity:	5 years (ending February 20, 2023)
Interest coupon:	6.0% p.a.
Issue price	100.00% of the nominal amount per bond
Repayment amount (%):	100.00
Interest payment:	semiannual
First interest payment:	Aug. 20, 2018
Due date:	Feb. 20, 2023
Listing:	Open market (regulated unofficial market), Frankfurt Stock Exchange
Paying agency:	Baader Bank AG
Purpose:	Investment, expansion of property portfolio
Collateral security:	Registered mortgages (via trustee)

Key data for the 2016/2021 bond

WKN / ISIN:	A2BPUC / DE000A2BPUC4
Volume:	Max. €15 million, fully placed in September 2017
Interest coupon:	7.1% p.a.
Maturity:	5 years (ending October 18, 2021)
Listing:	Open market (regulated unofficial market), Frankfurt Stock Exchange
Collateral security:	Registered mortgages (via trustee)

Key data for the 2014/2019 bond:

WKN / ISIN:	A1YC5F / DE000A1YC5F0
Volume:	Max. €10 million
Interest coupon:	8.0% p.a. plus 3% p.a. fixed interest bonus on the nominal amount at maturity
Maturity:	5 years (May 1, 2019)
Listing:	Open market (regulated unofficial market), Frankfurt Stock Exchange
Collateral security:	Registered mortgages (via trustee)

Shopping arcade “Stadtpassage” in Salzgitter

FCR Immobilien

We stand for great prospects

Our company combines a dynamic performance with stability, experience and profitability and purposefully venture off the beaten track. We are successful because we also look from other perspectives. We successfully analyze, assess, acquire, optimize and sell property–in pursuit of one clear goal: to harness great prospects for our company. We will continue to align our business with these value in the years to come.


Agility
Stability
New directions
Great prospects
Experience
Profitability

Statement of Financial Position as of December 31, 2017

ASSETS

in €	December 31, 2017	Balance sheet date previous year
A. NON-CURRENT ASSETS		
I. Intangible assets		
1. purchased concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets	20,059.00	27,108.00
	20,059.00	**27,108.00**
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on third party land	62,758,679.73	31,573,210.19
2. Other assets, office and business equipment	337,978.80	42,113.00
3. Assets under construction	6,012,355.29	178,655.19
	69,109,013.82	**31,793,978.38**
III. Financial assets		
1. Shares in affiliated companies	0.00	25,000.00
2. Other lendings	2,709,192.72	1,705,763.11
	2,709,192.72	**1,730,763.11**
Total assets	**71,838,265.54**	**33,551,849.49**
B. CURRENT ASSETS	1,003,429.61	
I. Inventories		
1. Unfinished goods and products	247,695.55	237,565.55
	247,695.55	**237,565.55**
II. Receivables and other assets		
1. Trade receivables	1,757,913.80	5,238,802.16
2. Receivables from companies in which an interest is held	100,000.00	5,191.79
3. Other assets	1,020,862.07	498,691.21
	2,878,775.87	**5,742,685.16**
IV. Liquid funds, credit balances with banks	4,946,270.69	6,312,149.24
Total current assets	**8,072,742.11**	**12,292,399.95**
C. DEFERRED EXPENSES AND ACCRUED INCOME	235,553.63	224,673.15
	80,146,561.28	46,068,922.59

LIABILITIES AND EQUITY

in €	December 31, 2017	Balance sheet date previous year
A. EQUITY		
I. Subscribed capital	4,148,151.00	4,148,151.00
II. Capital reserve	288,273.58	288,273.58
III. Retained earnings		
1. Other retained earnings	100,487.63	23,627.86
	100,487.63	**23,627.86**
IV. Net profit or loss	2,368,607.41	1,470,709.67
	6,905,519.62	**5,930,762.11**
B. PROVISIONS	974,757.51	
1. Provisions for tax	435,294.96	805,330.84
2. Other Provisions	1,023,321.55	706,196.88
	1,458,616.51	**1,511,527.72**
D. LIABILITIES		
1. Bonds and debentures	20,676,000.00	9,311,000.00
2. Liabilities to banks	49,537,220.87	27,710,357.35
3. Liabilities to other lenders	0.00	477,200.00
4. Trade liabilities	591,659.54	449,490.21
5. Receivables from companies in which an interest is held	0.00	28,758.40
6. Other liabilities	958,026.64	649,826.80
	71,762,907.05	**38,626,632.76**
D. DEFERRED EXPENSES AND ACCRUED INCOME	19,518.10	0.00
	80,146,561.28	46,068,922.59

Statement of Profit and Loss and Comprehensive Income

for the Financial Year from January 1 to December 31, 2017

in €		2017	previous year
1. Revenues		16,390,719.20	12,129,466.93
2. Increase/reduction in inventories of finished and unfinished products		14,630.00	-256,685.00
3. Other operational income		205,500.21	273,197.21
4. Cost of materials			
a) Expenses for purchased services	-8,366,688.24		-6,681,540.38
		-8,366,688.24	-6,681,540.38
5. Personnel expenses			
a) Wages and salaries	-1,143,617.67		-671,292.31
b) Social security levies and expenses for retirement benefits and social support	-153,529.84		-67,816.13
		-1,297,147.51	**-739,108.44**
6. Amortization, depreciation and asset impairment			
a) on intangible assets classified as non-current assets and on property, plant and equipment	-1,137,487.26		-686,568.00
b) on non-current assets, to the extent they exceed the corporation's ordinary amortization, depreciation and asset impairment	-55,358.18		-88,442.70
		-1,192,845.44	**-775,010.70**
7. Other operational expenses		-2,019,426.51	-1,616,745.59
8. Other interest and similar income		643,708.88	85,894.29
9. Interest and similar expenses		-3,099,950.91	-1,570,278.26
10. Taxes on income and earnings		-301,556.13	-244,778.42
11. Earnings after taxes		**976,943.55**	**604,411.64**
12. Other taxes		-2,186.04	-42,790.57
13. due to a profit pooling, profit transfer or partial profit transfer agreement		0.00	-119,834.23
14. Profit or loss for the year		**974,757.51**	**441,786.84**
15. Transfer to the statutory retained earnings		-76,859.77	-23,627.86
16. Transfer to the other retained earnings		0.00	-541,388.22
17. Interim distributions		0.00	-296,296.52
18. Profit or loss carried forward		1,470,709.67	1,890,235.43
19. Net profit or loss		2,368,607.41	1,470,709.67

Notes to the Consolidated Financial Statements
as of December 31, 2017

(1) General information on the Consolidated Financial Statements

The Annual Financial Statements for the 2017 financial year were prepared voluntarily in accordance with the provisions of the German Commercial Code governing all businesses and the provisions stipulated in the Articles of Association. The accounting and measurement methods observe the general (Sections 246 – 256 German Commercial Code) rules on recognition and measurement specifically applying to corporations in the meaning of Sections 264 et. seq. German Commercial Code, the supplementary provisions of the entity type-specific law and the provisions stipulated in the Articles of Incorporation. As was the case in the previous year, the structure set out by the German ordinance on forms for structuring the annual Financial Statement of professional housing providers of September 22, 1970, most recently amended by the Ordinance dated May 25, 2009 (Federal Law Gazette I, p. 1102), was applied.

The total cost method was applied in the preparation of the Statement of Comprehensive Income.

The parent company's **registered office** is located in Munich, Germany. The company is registered in Munich under company number HRB 210430.

Nature of business activities – The corporate group's business model consists of the acquisition, active asset management and successful divestment of specialist retail centers and shopping centers in Germany and has allowed the company to establish itself as a specialist in commercial properties in secondary locations. On the one hand, the geographic location of these secondary locations offers potentials for above-average rental yields, on the other side they can also be characterized by a development of rental income and property values that is more stable than on property markets at prime locations that respond with more volatility to economic cycles.

The Group pursues an active property management to generate its income from the leasing of highly profitable portfolio properties, as well as from – after optimization of the portfolio properties – the disposal of selected commercial properties.

The Group had an average of 12.4 employees (FTE) over the year.

(2) Fundamental accounting and measurement methods

Consolidation scope and consolidation methods – The Annual Financial Statements incorporate FCR Immobilien AG and all of its subsidiaries. Subsidiaries are companies over which the parent company may exercise a direct or indirect controlling influence; this is usually associated with a majority of voting rights. The subsidiaries are included from the day on which the group obtains control until the day control is relinquished. Where a company is acquired, all assets, liabilities, deferrals and accruals and special items of the acquired company to be included in the Consolidated Financial Statements are incorporated at their attributable fair values as of the acquisition date.

The following companies were fully consolidated in the Consolidated Financial Statements:

Company	Interest held %	Total €
FCR Verwaltungs GmbH	100%	25,000.00
FCR Pössneck GmbH & Co. KG	100%	100.00
FCR Salzgitter GmbH & Co. KG	100%	100.00
FCR Cottbus GmbH & Co. KG	100%	100.00
FCR Zeulenroda GmbH & Co. KG	100%	100.00
FCR Wismar GmbH & Co. KG	100%	100.00
FCR Oldenburg GmbH & Co. KG	100%	100.00
FCR Wismar II GmbH & Co. KG	100%	100.00
FCR Seesen GmbH & Co. KG	100%	100.00
FCR Hennef GmbH & Co. KG	100%	100.00
FCR Neustrelitz GmbH & Co. KG	100%	100.00
FCR Bernburg GmbH & Co. KG	100%	100.00
FCR Triptis GmbH & Co. KG	100%	100.00
FCR Gummersbach GmbH & Co. KG	100%	100.00
FCR Twistringen GmbH & Co. KG	100%	100.00
FCR Bückeburg GmbH & Co. KG	100%	100.00
FCR Bad Kissingen GmbH & Co. KG	100%	100.00
FCR Burg GmbH & Co. KG	100%	100.00
FCR Burgdorf GmbH & Co. KG	100%	100.00
FCR Datteln GmbH & Co. KG	100%	100.00
FCR Dresden GmbH & Co. KG	100%	100.00
FCR Schesslitz GmbH & Co. KG	100%	100.00
FCR Schleiz GmbH & Co. KG	100%	100.00
FCR Seelze GmbH & Co. KG	100%	100.00
FCR Würzburg GmbH & Co. KG	100%	100.00
FCR Rhaunen GmbH & Co. KG	100%	100.00
FCR Duisburg GmbH & Co. KG	100%	100.00
FCR Wittenberge GmbH & Co. KG	100%	100.00
FCR Hof GmbH & Co. KG	100%	100.00
FCR Grimmen GmbH & Co. KG	100%	100.00
FCR Aue GmbH & Co. KG	100%	100.00
FCR Altena GmbH & Co. KG	100%	100.00
FCR Bamberg GmbH & Co. KG	100%	100.00
FCR Gera AMTP GmbH & Co. KG	100%	100.00
FCR Welzow GmbH & Co. KG	100%	100.00
FCR Gera BIBC GmbH & Co. KG	100%	100.00
FCR Magdeburg GmbH & Co. KG	100%	100.00
FCR Genthin GmbH & Co. KG	100%	100.00
FCR Brandis & Co. KG	100%	100.00
FCR Dessau-Heide GmbH & Co. KG	100%	100.00
FCR Glauchau GmbH & CO. limited partnership	100%	100.00
FCR Kitzbühel GmbH & Co. KG	100%	1,000.00

FCR Immobilien AG holds 100% of the shares in FCR Verwaltungs GmbH.

FCR Immobilien AG holds 100% of the respective general partner shares.

The general partner of the above companies in the legal form of a limited partnership with a limited liability company under German law (a GmbH & Co. KG) is FCR Verwaltungs GmbH with a capital share of 0% in each case. FCR Verwaltungs GmbH was included in the consolidation scope for the first time.

Within the scope of consolidation, intragroup receivables, liabilities, provisions as well as deferrals and accruals, revenues, expenses and income were offset against each other.

No interim profit eliminations took place.

There were no reportable differences from foreign currency translation.

Tax deferrals as a consequence of the application of harmonized accounting and measurement rules and the performance of consolidation measures were not necessary.

The same **measurement methods** as in the previous year were applied.

The **intangible assets** and **property, plant and equipment assets** were recognized at acquisition costs less schedule amortization using the straight-line method. An asset's amortization period is determined by its useful economic life.

Financial assets are recognized at acquisition costs. Impairments expected to permanently affect the value of participating interests are recognized in accordance with Section 253 (3) sentence 3 German Commercial Code.

The **receivables** and **other assets** are recognized at their nominal values. Identifiable risks are accounted for by the recognition of impairments. Unrecoverable receivables are written off.

The **credit balances with banks** are recognized at their nominal values.

Deferred expenses and accrued income was formed in the amount of payments made on account.

The **provisions** are measured at the settlement amount determined on the basis of sound commercial judgment.

The **liabilities** are recognized at their respective settlement amount.

Derivative financial instruments (interest swaps, currency futures and similar) have not been used by the company.

Recognition of income – Rental income is recognized in accordance with the lease period, refunds for prepaid CAM are recognized at the end of the year on the basis of estimations, later differences from the billed amounts are adjusted in the following year.

Accounting and measurement methods that changed from the previous year

There were no significant changes to the accounting and measurement methods used in the previous year. In order to present a better picture of the earnings position, amortization on buildings was not recognized as property management expenses in the item cost of materials as in the previous year, but together with the other amortization expenses, in the item amortization on property, plant and equipment. For reasons of clarity and to allow for a comparison, these positions were also reclassified in the previous year's accounts.

(3) Intangible assets

The intangible assets of €20,059.00 (previous year: €27,108.00) consist exclusively of computer software. The useful economic life is 3 years.

in €	Intangible assets
Acquisition costs	
As of January 1, 2017	46,545.31
Additions	9,919.85
Transfers	0.00
Disposals	0.00
As of December 31, 2017	**56,465.16**
Accumulative amortization	
As of January 1, 2017	19,437.31
Amortization	16,968.85
Disposals	0.00
As of December 31, 2017	**36,406.16**
Carrying amounts	
As of January 1, 2017	**27,108.00**
As of December 31, 2017	**20,059.00**

(4) Property, plant and equipment

As of the balance sheet date, the carrying value of property plant and equipment amounts to €69,109,013.82 (previous year: €31,793,978.38). €62,758,679.73 (previous year: €31,573,210.19) of this amount was attributable to land parcels.

Business and office equipment amounts to €337,978.80 (previous year: €42,113.00), the reported prepayments amount to €6,012,355.29 (previous year: €178,655.19). Scheduled depreciation is applied on the basis of the straight-line method over the typical useful economic life of 33 to 50 years (buildings) or 3 to 5 years (business and office equipment).

in €		Land, leasehold rights	Prepayments
Acquisition costs	Business and office equipment	and buildings	made
As of January 1, 2017	69,948.05	32,801,035.87	178,655.19
Additions	330,409.78	27,005,835.43	5,966,671.76
Transfers	36,512.32	8,319,989.82	45,683.53
Disposals	1,470.00	3,258,766.58	178,655.19
As of December 31, 2017	**435,400.15**	**64,868,094.54**	**6,012,355.29**
Accumulative amortization			
As of January 1, 2017	27,835.05	1,227,825.68	0.00
Amortization	66,567.20	1,053,951.21	0.00
Transfers	4,489.10	0.00	0.00
Disposals	1,470.00	172,362.08	0.00
As of December 31, 2017	**97,421.35**	**2,109,414.81**	**0.00**
Carrying amounts			
As of January 1, 2017	**42,113.00**	**31,573,210.19**	**178,655.19**
As of December 31, 2017	**337,978.80**	**62,758,679.73**	**6,012,355.29**

(5) Financial assets

FCR Immobilien AG holds 100% of the shares in FCR Verwaltungs GmbH, Munich. The shares have been included in the Consolidated Financial Statements for the first time after being recognized as participating interests in affiliated companies measured at acquisition costs in the previous year. This position additionally includes a loan advanced to an affiliated company and two loans advanced to other companies.

in €	Participating interests in affiliated companies	other lendings
Acquisition costs		
As of January 1, 2017	25,000.00	1,705,763.11
Additions	0.00	1,003,429.61
Transfers	0.00	0.00
Changes to the consolidation scope	25,000.00	0.00
Disposals	0.00	0.00
As of December 31, 2017	**0.00**	**2,709,192.72**
Accumulative amortization		
As of January 1, 2017	0.00	0.00
Amortization	0.00	0.00
Transfers	0.00	0.00
Disposals	0.00	0.00
As of December 31, 2017	**0.00**	**0.00**
Carrying amounts		
As of January 1, 2017	**25,000.00**	**1,705,763.11**
As of December 31, 2017	**0.00**	**2,709,192.72**

(6) Asset analysis

A summary of the non-current assets is presented in the consolidated asset analysis.

in €	Acquisition or production costs					
Non-current assets	as of: Dec. 31, 2016	Additions	Transfers	Change in consolidation scope	Disposals	as of: Dec. 31, 2017
I. Intangible assets						
1. purchased concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets	46,545.31	9,919.85	0.00	0.00	0.00	56,465.16
	46,545.31	**9,919.85**	**0.00**	**0.00**	**0.00**	**56,465.16**
II. Property, plant and equipment						
1. Land, leasehold rights and buildings, including buildings on third party land	32,801,035.87	35,325,825.25	0.00	0.00	3,258,766.58	64,868,513.76
2. Other assets, office and business equipment	69,948.05	366,922.10	0.00	0.00	1,470.00	435,400.15
3. Assets under construction	178,655.19	6,012,355.29	0.00	0.00	178,655.19	6,012,355.29
	33,049,639.11	**41,705,102.64**	**0.00**	**0.00**	**3,438,891.77**	**71,316,269.20**
III. Financial assets						
1. Shares in affiliated companies	25,000.00	0.00	0.00	25,000.00	0.00	0.00
2. Other lendings	1,705,763.11	1,003,429.61	0.00	0.00	0.00	2,709,192.72
	1,730,763.11	**1,003,429.61**	**0.00**	**25,000.00**	**0.00**	**2,709,192.72**
	34,826,947.53	42,718,452.10	0.00	25,000.00	3,438,891.77	74,081,927.08

	Amortization					Carrying amounts	
as of: Dec. 31, 2016	Additions	Transfers	Additions	Disposals	as of: Dec. 31, 2017	as of: Dec. 31, 2017	as of: Dec. 31, 2016
19,437.31	16,968.85	0.00	0.00	0.00	36,406.16	20,059.00	27,108.00
19,437.31	**16,968.85**	**0.00**	**0.00**	**0.00**	**36,406.16**	**20,059.00**	**27,108.00**
1,227,825.68	1,053,951.21	0.00	0.00	172,362.08	2,109,414.81	62,758,679.73	31,573,210.19
27,835.05	66,567.20	4,489.10	0.00	1,470.00	97,421.35	337,978.80	42,113.00
0.00	0.00	0.00	0.00	0.00	0.00	6,012,355.29	178,655.19
1,255,660.73	**1,120,518.41**	**4,489.10**	**0.00**	**173,832.08**	**2,206,836.16**	**69,109,013.82**	**31,793,978.38**
0.00	0.00	0.00	0.00	0.00	0.00	0.00	25,000.00
0.00	0.00	0.00	0.00	0.00	0.00	2,709,192.72	1,705,763.11
0.00	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**2,709,192.72**	**1,730,763.11**
1,275,098.04	1,137,487.26	4,489.10	0.00	173,832.08	2,243,242.32	71,838,265.54	33,551,849.49

(7) Inventories

This item concerns already incurred but not yet billed CAM from tenancies after deduction of the prepayments received from advance payments of CAM €247,695.55 (previous year €237,565.55).

(8) Trade receivables

The trade receivables of €1,757,913.80 (previous year: €5,238,802.16) party consist of outstanding rent payments from different tenants. As was the case in the previous year, these receivables all have a maturity of less than one year. They also consist of unpaid purchase prices owed to property buyers. As of the reporting date, these receivables were settled in full.

(9) Receivables from companies in which an interest is held

The reported receivable concerns an amount receivable from the unconsolidated FCR Center Management GmbH in an amount of €100,000.00. In the previous year, this concerned an amount receivable from the then unconsolidated FCR Verwaltungs GmbH (€5,191.79).

(10) Other assets

The other assets of €1,020,862.07 (previous year: €498,691.21) are essentially comprised of VAT (sales tax) receivables and offsetting accounts. The receivables have a maturity of less than one year.

(11) Liquid funds

The credit balances with banks consist of current account credit balances of €4,946,270.69 (previous year: €6,312,149.24).

(12) Deferrals and accruals

The deferral and accrual items with an amount of €235,553.63 (previous year: €224,673.15) concerned discounts that were capitalized pursuant to Section 250 (3) German Commercial Code as well as smaller prepayments that are economically attributable to the year 2018.

(13) Equity

The company's subscribed capital was unchanged from the previous year and amounted to €4,148,151.00, divided into 4,148.151 no-par ordinary shares. The capital reserve was also unchanged from the previous year and amounted to €288,273.58.

In € thousand

	Retained earnings	Net earnings available for appropriation	Equity Total
As of January 1, 2017	23,627.86	1,470,709.67	5,930,762.11
Net profit for the year	0.00	974,757.51	974,757.51
Additions	76,859.77	-76,859.77	0.00
As of December 31, 2017	**100,487.63**	**2,368,607.41**	**6,905,519.62**

(14) Provisions for tax

The provisions for tax concern provisions for corporation income tax for the financial years 2016 (€113,898.96) and 2017 (€321,396.00).

in €	as of: January 1, 2017	Utilization	Reversal	Additions	as of: December 31, 2017
Trade tax previous years	297,828.15	272,889.70	24,938.45	0.00	0.00
Corporation income tax previous years	393,603.73	393,603.73	0.00	0.00	0.00
Corporation income tax 2016	113,898.96	0.00	0.00	0.00	113,898.96
Corporation income tax 2017	0.00	0.00	0.00	321,396.00	321,396.00
As of December 31, 2017	**805,330.84**	**666,493.43**	**24,938.45**	**321,396.00**	**435,294.96**

(15) Other Provisions

The financial year's other provisions concern provisions for interest, for personnel expenses, for accrued leave entitlements, for retaining obligations and other provisions.

in €	as of: January 1, 2017	Utilization	Reversal	Additions	as of: December 31, 2017
Interest	335,711.00	201,464.75	0.00	415,584.47	549,830.72
Redevelopment Schwerin	117,084.06	67,775.85	49,308.21	0.00	0.00
Other Provisions	211,809.82	211,809.82	0.00	394,280.75	394,280.75
Provisions for personnel expenses	25,892.00	25,892.00	0.00	46,894.38	46,894.38
Provision for accrued leave entitlements	10,700.00	10,700.00	0.00	27,315.70	27,315.70
Provision for retention obligation	5,000.00	0.00	0.00	0.00	5,000.00
	706,196.88	**517,642.42**	**49,308.21**	**884,075.30**	**1,023,321.55**

(16) Bonds and debentures

The first corporate bond with an issue volume of €4 million (the "€4 million bond") was placed on the capital markets in July 2014. The security (WKN A12TW8/ISIN DE000A12TW80) with a term of 5 years was placed with an individual investor. The bond features annual interest payments at a fixed rate of 8% plus bonus interest of 3% p.a., which is also paid on an annual basis. As of the balance sheet date, the bond was recognized at €4 million (previous year: €4 million).

A second bond became available for subscription by institutional investors in May 2014 and was opened to private investors in May 2014 (the "€10 million bond"). The 5-year bond (WKN A1YC5F/DE000A1YC5F0) with an issue volume of €10 million also features an annual interest coupon of 8% plus bonus interest of 3% p.a. payable on maturity. The issue volume placed by the balance sheet date on December 31, 2017 amounts to €1,676,000.00 (previous year: €1,676,000.00).

There was a further bond available to both institutional as well as private investors, which is open for subscription from October 18, 2016 to October 18, 2017 (the "€15 million bond"). The 5-year bond (WKN A2BPUC/DE000A2BPUC4) with an issue volume of €15 million also features an annual interest coupon of 7.1%. The issue volume placed by the balance sheet date on December 31, 2017 amounts to €15,000,000.00 (previous year: €3,635,000.00).

(17) Liabilities to banks

The liabilities of banks amounted to €49,537,220.87 (previous year: €27,710,357.35). The properties financed with these liabilities are encumbered by first-ranking mortgages of €43,810,217.91 in favor of the financing banks.

The liabilities to banks include €6,464,440.48 million with a residual term of less than one year, €18,532,451.02 with a residual term of between 1 and 5 years, and €24,540,329.37 with a residual term of more than 5 years.

(18) Liabilities to other lenders

A liability to Athene Lebensversicherungs AG was reported in the previous year. This concerns an annuity-based property loan with a flexible target interest rate of 1.95% p.a. above the reference interest rate (6-months EURIBOR). The loan is secured by a mortgage and had a debit balance of €0.00 (previous year: €477,200.00) as of the reporting date.

(19) Trade liabilities

The liabilities of €591,659.54 (previous year: €449,490.21) fall due within one year and predominantly concern ongoing property-related expenses.

(20) Receivables from companies in which an interest is held

This item recognizes liabilities to the then unconsolidated company FCR Verwaltungs GmbH in the amount of €28,758.40. The liabilities concerned liability remunerations of the property holding companies. FCR Verwaltungs GmbH is now included in the consolidation scope.

(21) Other liabilities

This item reports liabilities of €958,026.64 (previous year: €649,826.80). They predominantly relate to tax liabilities from property acquisitions and VAT (sales tax) payables as well as other liabilities. The typical silent partnership was terminated in the previous year. Liabilities of €937,425.74 million have a residual term of less than one year, €20,600.26 have a residual term of between 1 and 5 years.

(22) Liabilities

The liabilities are shown in the following table and are listed with their total amounts and broken down by their residual terms (up to one year, between one and five years, more than five years). The liabilities to banks are collateralized by first-ranking mortgages of €43,810,217.91 in favor of the financing banks.

in €

Liability type	Total amount	of which with a residual term of		
		up to 1 year	1–5 years	more than 5 years
I. Liabilities to banks	49,537,220.87	6,464,440.48	18,532,451.02	24,540,329.37
II. Liabilities from bonds				
Bond A1YC5F	1,676,000.00	-	1,676,000.00	-
Bond A12TW8	4,000,000.00	-	4,000,000.00	-
Bond A2BPUC	15,000,000.00	-	15,000,000.00	-
III. Trade liabilities	591,659.54	591,659.54	-	-
VI. Other liabilities	958,026.64	937,426.38	20,600.26	-
Tax liabilities	741,424.12	741,424.12	-	-
Liabilities associated with social security	2,251.27	2,251.27	-	-
Total	**71,762,907.05**	**7,993,526.40**	**39,229,051.28**	**24,540,329.37**

(23) Disclosures concerning the Statement of Comprehensive Income

The revenues include rental income in the amount of €8,490,219.20 (previous year: €5,729,466.93) and proceeds from the sale of properties in the amount of €7,900,500.00 (previous year: €6,400,000.00).

Prepayments for CAM calculated as the balance between prepayments received from tenants and incurred operational expenses have been capitalized as work in progress in the inventories item.

The other operational income of €205,500.21 (previous year: €273,197.21) is essentially comprised of income from the reversal of specific value adjustments, insurance refunds, the reversal of provisions and other income.

Property-related expenses include the expenses for properties for sale in an amount of €3,258,766.58 (previous year: €4,510,514.98), property costs and other operational expenses of €5,107,921.66 (previous year: €2,171,025.40). The Statement of Comprehensive Income includes out-of-period expenses in an amount of €28,792.11. These expenses attributable to a different financial year result from expenses not recognized in the previous years.

The personnel expenses include wages and salaries of €1,143,617.67 (previous year: €671,292.31) and social expenses of €153,529.84 (previous year: €67,816.13).

Amortization on intangible non-current assets and property, plant and equipment including buildings amounted to €1,137,487.26 (previous year: €686,568.00) and to €55,358.18 (previous year: €88,442.70) for the current assets.

The other operational expenses of €2,019,426.51 (previous year: €1,616,745.59) are essentially comprised of occupancy costs, insurances, expenses for repairs and maintenance, vehicle expenses, advertising and travel expenses, purchased services and miscellaneous operational expenses.

The item other interest and similar income includes interest income from bonds in the amount of €539,082.04 (previous year: €23,858.26), interest income of €24,925.93 (previous year: €6,331.68) and interest income from related parties in the amount of €79,700.91(previous year: €55,704.35).

The item interest and similar expenses includes bond interest for the "€4 million bond" of €440,000.00 (previous year: €440,000.00), for the "€10 million bond" in the amount of €184,360.00 (previous year: €199,547.29), for the "€15 million bond" in the amount of €1,227,995.90 (previous year: €175,042.13), interest of the company in an amount of €96,083.60 (previous year: €204,692.15) and expenses similar to interest in an amount of €333,449.90 (previous year: €6,400.00), with the latter including two early repayment compensation payments to Deutsche Bank.

The interest expenses further includes interest paid by the property holding companies: Interest Pössneck €70,975.36 (previous year €73,883.93), interest Salzgitter €129,017.47 (previous year €136,040.04), interest Cottbus €18,676.04 (previous year €22,191.75), interest Zeulenroda €68,555.30 (previous year €58,419.72), interest Wismar €27,548.71 (previous year €16,481.15), Oldenburg €6,135.95 (previous year €114,243.82), interest Wismar II €0.50 (previous year €0.00), interest Seesen €127,788.43 (previous year €70,145.95), interest Hennef €101,811.32 (previous year €28,816.46), interest Neustrelitz €14,978.58 (previous year €2,211.22), interest Bernburg €0.00 (previous year €44.18), interest Triptis €12,801.03 (previous year €398.49), interest Gummersbach €17,197.12 (previous year €0.00), interest Twistringen €13,855.23 (previous year €0.00), interest Bückeburg €28,342.45 (previous year €0.00), interest Bad Kissingen €9,992.47 (previous year €0.00), interest Datteln €10,364.38 (previous year €0.00), interest Burgdorf €21,762.58 (previous year €0.00), interest Dresden €2,665.00 (previous year €0.00), interest Schesslitz €7,694.68 (previous year €0.00), interest Seelze €21,694.16 (previous year €0.00), interest Würzburg €14,888.27 (previous year €0.00), interest Rhaunen €4,596.15 (previous year €0.00), interest Wittenberge €2,223.33 (previous year €0.00), interest Hof €2,440.11 (previous year €0.00), interest Grimmen €4,669.85 (previous year €0.00), interest Aue €1,984.61 (previous year €0.00), interest Gera AMTP €1,088.89 (previous year €0.00), interest Welzow €2,485.87 (previous year €0.00), interest Gera BIBC €19,353.60 (previous year €0.00), interest Magdeburg €0.37 (previous year €0.00), interest Genthin €4.00 (previous year €0.00) and interest Kitzbühel €20,509.64 (previous year €0.00).

The interest expenses of FCR Verwaltungs GmbH include an amount of €572.56 in own interest and an amount of €31,387.50 interest of the affiliated property holding companies (in the previous year interest Dortmund €135,492.05, interest Regis-Breitingen €7,633.66 and interest Hoyerswerda €84.00).

Taxes on profits and earnings include corporation income tax of €323,873.22, of which €321,396.00 are attributable to FCR Immobilien AG and €2,477.22 to FCR Verwaltungs GmbH (previous year: €124,185.00), solidarity surcharge of €17,761.11, of which €17,676.81 are attributable to FCR Immobilien AG and €84.30 to FCR Verwaltungs GmbH (previous year: €6,830.35), trade tax €0.00 (previous year: €113,246.15), and capital gains tax of €1,294.41 (previous year: €516.92). This item also includes out-of-period taxes on profits and earnings in an amount of -€27,153.95 attributable to FCR Immoblien AG, -€131.17 attributable to FCR Verwaltungs GmbH and -€14,087.49 attributable to FCR Seesen GmbH & Co. KG, totaling -€41,372.61 (previous year: €18,201.00).

The other taxes include motor vehicle tax of €2,186.04 (previous year: €1,302.96), but no payments of back taxes (previous year: €41,487.61).

(24) Contingent liabilities and pending litigation

FCR Immobilien AG is liable to Volksbank eG Waltrop for the loan advanced to FCR Datteln GmbH & Co. KG with a letter of comfort for an amount of €400,000.00, to Volksbank eG Gera Rudolstadt for the loan advanced to FCR Wittenberge GmbH & Co. KG with a maximum guarantee for €640,000.00, to Bank 1 Saar eG for the loan advanced to FCR Rhaunen GmbH & Co. KG with a directly enforceable guarantee for €363,838.46, to Sparkasse Hannover for the loan advanced to FCR Burgdorf GmbH & Co. KG with an irrevocable guarantee for principal repayments of up to €2,136,217.80, and to Sparkasse Hannover for the loan advanced to FCR Seelze GmbH & Co. KG with an irrevocable guarantee for principal repayments of up to €2,780,934.72.

It is unlikely that the contingent liabilities will invoked. The liabilities secured by these contingent liabilities are collateralized by assets of a value that ordinarily exceeds the liability.

(25) Other financial liabilities

There are other financial liabilities in the amount of €143,000 p.a. in addition to the liabilities reported in the Statement of Financial Position. These liabilities include, in particular, tenancy agreements with annual payments of €77,000 and leasing contracts with annual payments of €66,000.

(26) Executive Board and Supervisory Board

CEO
Falk Raudies, businessman, Munich
The Supervisory Board has authorized Mr Falk Raudies to represent the company with sole power of representation.

Supervisory Board
Prof Dr Franz-Joseph Busse (Chairman), University Professor
Arwed Fischer, businessman
Frank Fleschenberg, businessman

The financial year's Chairman of the Supervisory Board was Prof Dr Franz-Joseph Busse. The financial year's Vice Chairman of the Supervisory Board was Arwed Fischer.

(27) Invocation of Section 264b HGB

The following domestic subsidiaries in the legal form of a partnership in the meaning of Section 264a German Commercial Code partially invoke the exemption provision pursuant to Section 264a German Commercial Code:

FCR Pössneck GmbH & Co. KG
FCR Salzgitter GmbH & Co. KG
FCR Cottbus GmbH & Co. KG
FCR Zeulenroda GmbH & Co. KG
FCR Wismar GmbH & Co. KG
FCR Oldenburg GmbH & Co. KG
FCR Wismar II GmbH & Co. KG
FCR Seesen GmbH & Co. KG
FCR Hennef GmbH & Co. KG
FCR Neustrelitz GmbH & Co. KG
FCR Bernburg GmbH & Co. KG
FCR Triptis GmbH & Co. KG
FCR Gummersbach GmbH & Co. KG
FCR Twistringen GmbH & Co. KG
FCR Bückeburg GmbH & Co. KG
FCR Bad Kissingen GmbH & Co. KG
FCR Burg GmbH & Co. KG
FCR Burgdorf GmbH & Co. KG
FCR Datteln GmbH & Co. KG
FCR Dresden GmbH & Co. KG
FCR Schesslitz GmbH & Co. KG
FCR Schleiz GmbH & Co. KG
FCR Seelze GmbH & Co. KG
FCR Würzburg GmbH & Co. KG
FCR Rhaunen GmbH & Co. KG
FCR Duisburg GmbH & Co. KG
FCR Wittenberge GmbH & Co. KG
FCR Hof GmbH & Co. KG
FCR Grimmen GmbH & Co. KG
FCR Aue GmbH & Co. KG
FCR Altena GmbH & Co. KG
FCR Bamberg GmbH & Co. KG
FCR Gera AMTP GmbH & Co. KG
FCR Welzow GmbH & Co. KG
FCR Gera BIBC GmbH & Co. KG
FCR Magdeburg GmbH & Co. KG
FCR Genthin GmbH & Co. KG
FCR Brandis & Co. KG
FCR Dessau-Heide GmbH & Co. KG
FCR Glauchau GmbH & CO. KG

(28) Events of special significance

The following events of material significance that may result in a different assessment of the company have occurred after the end of the financial year:

The company has issued a fourth bond. The bond is identified by securities identification number A2G9G6, has a volume of up to €25 million and an annual interest coupon of 6.0%. The bond has a term of five years and matures on February 20, 2023. The new bond was listed on the Frankfurt Stock Exchange on February 20, 2018.

Acquisitions / contracts made before a Notary Public from/in the year 2017 settled after the balance sheet date December 31, 2017. In detail:

Settlements in January 2018:

- Shopping Center in Gera (Thuringia).
  This property is located in the historic town center and has a retail floor space of around 7,900 m². The well-looked-after shopping center called "Amthor Passage" was constructed in the year 2000 and offers a broad mix of prominent chain stores and regional retailers. An active asset management is proposed to be employed to lease the current vacant floor space to retailers with strong credit ratings from the segments clothing, overstock stores and footwear. The occupancy rate is currently just under 60%. The property is located in a prime position within the pedestrian area of the so-called "Amthor quarter" in the city center of Gera. Gera nearly 100,000 inhabitants, Bamberg is the third largest city in Thuringia and has around 450,000 residents living within the catchment area. The shopping center's address is: Sorge 9 – 11, 07545 Gera.

- Local supplies center in Brandis (Saxony).
  This building from 1994 was modernized and extended in 2007 and has a retail floor space of more than 2,200 m². It generates an annual rental income of just under €200,000.
  In addition to food discounter Norma as the anchor tenant, long-term tenants include a cash-and-carry market for drinks and other retailers. The lease agreement with Norma expiring at the end of 2018 provides for the option to extend the lease term, which was exercised until 2023. The fully leased property sits on a parcel of just under 7,600 m², has a retail floor space of above 2,200 m² and offers more than 110 car parking spaces. The shopping center is located in the town of Brandis with a population of around 10,000, around 20 kilometers to the east of Leipzig. The address is: Braustrasse 34, 04821 Brandis.

- Construction of student apartments in Bamberg (Bavaria)
  This development project will construct 141 student apartments in an attractive location and also boast a hospitality area on ground level. The development is complements by an underground carpark and a separate fitness area.

  The property with a total floor space of more than 4,000 m² will be constructed as an energy-efficient building on a parcel of around 2,300 m² and is within walking distance from Bamberg's most popular shopping strip. It is within easy reach of Otto-Friedrich University of Bamberg and well connected to public transport. FCR Immobilien AG utilizes its extensive property know-how for the design and project implementation. In addition to it's key focus area of shopping centers and specialist retail centers, the company has been investing in residential property for many years. Completion of the student residence is planned for early 2020.

- Shopping center in Altena (North Rhine-Westphalia).
  This property has a total leasable floor space of 12,363 m² and is located in a central position at the entrance to the pedestrian area of Altena. Around 10,000 m² are earmarked for commercial use, more than 2,300 m² are occupied by 29 apartments. The Stapel-Center shopping center is currently undergoing repoisitioning. After renovations in 2015/16, the modernization of an area of 6,500 m² is now set to be completed and re-tenanted. Two smaller commercial spaces are still in shell condition. Once the pending fit-out is completed, these spaces will also be available for lease. With its experienced and active asset management, FCR Immobilien AG is planning to secure retailers with strong credit scores as new tenants in the short term. The property will generate a theoretical total rental income of around €280,000. It is located on a parcel of 7,300 m² and has an underground carpark with 190 spaces. There are an additional 13 car parking spaces on exterior grounds, some of which are used by the police. Altena is located to the south of Dortmund and has a population of around 18,000 with a catchment area of 40,000 residents. The address is: Am Stapel 10, 58762 Altena.

Settlements in February 2018:

- Shopping center in Magdeburg (Saxony-Anhalt).
  This property was fully renovated in 2000 and has a retail floor space of just under 3,000 m². There are also around 65 car parking spaces. The property's anchor tenant is food retailer EDEKA. It generates a total annual rental income of just under €200,000. The state capital of Magdeburg has a population of 230,000. The shopping center sits on a parcel of 6,000 m² and is located to the north of Magdeburg's city center in a large residential area. Townhouses and apartment houses have been constructed in a development area nearby. The property's address is: Cruciger Strasse 24, 39128 Magdeburg.

Sales after the balance sheet date December 31, 2017

FCR Group has sold three properties since the beginning of the year.

In detail:

- Shopping center in Wismar, Mecklenburg-Western Pomerania. This property was purchased in 2015 via the fully owned subsidiary FCR Wismar I GmbH & Co. KG. The building was constructed in 1993 on a parcel of around 5,500 m² and has a leasable floor space of around 4,400 m². There are also 80 car parking spaces. Food discounter Netto is the anchor tenant and located on ground level. Other retailers and a medical center are also tenants of the property.

- Specialist retail center in Dresden-Weissig. This property was sold via the fully owned subsidiary FCR Dresden GmbH & Co. KG. The company had been holding the building with a total floor space of around 2,300 m² and construction year 1982 since the second half-year of 2017. The fully leased property offers five generous retail units and has more than 98 car parking spaces.

- Shopping center in Twistringen, borough of Mörsen, Lower Saxony. This property was purchased in 2015 via the fully owned subsidiary FCR Twistringen GmbH & Co. KG. The building was constructed in 2004 on a parcel of around 5,600 m² and has a commercial floor space of around 1,000 m². The anchor tenant is food discounter Netto.

No further events of material significance occurred between the balance sheet date December 31, 2017 and the date of this supplementary report.

Munich, May 2, 2018

Falk Raudies
– for the Executive Board –

Group Management Report of FCR Immobilien Group
for the Financial Year 2017

1. Fundamental information about the Group

1.1 Business model

FCR Immobilien- und Vermögensverwaltungs GmbH & Co. KG was established in the year 2004 with the first property purchase. In the time since the year 2012, the company has continuously expanded its business activities and property portfolio. The company was transformed into a corporation limited by shares in 2013 with the objective of catering to the company's extended operational business model, broadening its capital base and facilitating access to the capital market.

The business model of FCR Immobilien Group consists of the acquisition, active asset management and successful sale of specialist retail centers and shopping centers in Germany. FCR Immobilien Group has positioned itself as a specialist for commercial properties in secondary locations. While the geographic location of these secondary locations offers potentials for above-average rental yields, they can also exhibit a more stable long-term development of rental income and property values than the property markets at prime locations that respond with more volatility to economic cycles. The acquisition of properties from other asset classes (e.g. office, residential, hotel, logistics, commercial properties) is also a possible option for FCR Immobilien Group.

FCR Immobilien Group pursues an active property management to generate its income from the leasing of highly profitable portfolio properties, as well as from - after optimization of the portfolio properties - the disposal of selected commercial properties.

As of the balance sheet date on December 31, 2017, FCR Immobilien Group's property portfolio was comprised of 41 properties with a leasable floor space of around 139.655,000 m².

1.1.1 Acquisition and investment strategy

FCR Immobilien Group typically invests in existing properties that are located in smaller and medium-sized towns, have sustainably established themselves over many years and that, via their tenant structure, supply everyday goods and services that are geared to the micro-location, for example discount food retailers or clothing chains.

FCR Immobilien Group further focuses its efforts on the acquisition of properties in extraordinary situations, e.g. insolvency assets, with the aim of generating rental yields that are significantly above average. FCR Immobilien Group scouts these attractive locations via the broad network the company has developed as a result of its longstanding expertise and contacts to banks, real estate companies, market intermediaries and investment companies.

1.1.2 Financing structure

The proportion financed via a bank loan that is secured by a first-ranking mortgage typically covers between 70% and 80% of the acquisition and completion costs. When the acquired properties are due for refinancing, FCR Immobilien Group aims to contract on the basis of loan agreements that contain a non-recourse clause. In these cases, FCR Immobilien Group makes its decision on short- or long-term bank loan finance on a case-by-case basis and in consideration of the planned period for which the property is to be held in FCR Group's portfolio.

As of the reporting date December 31, 2017, the weighted residual term of the fixed interest agreement was approx. 2 years with an average interest rate of 2.2% p.a.

The loan contracts usually take the form of annuity loans and in most cases provide for a high principal repayment rate. As if the reporting date December 31, 2017, the rate of principal repayment across the entire property portfolio of FCR Immobilien Group was around 7.8% p.a.

The bullet bonds maturing in 2019 and the ensuing liquidity outflow have been considered accordingly.

1.1.3 Active asset management and portfolio holding

FCR Immobilien Group's active asset management comprises - in addition to the generation of rental income - the use of suitable property and asset management activities to optimize the structural and commercial substance of the properties as well as the optimization of the tenant structure, rental income and lease terms.

1.1.4 Earnings model

FCR Immobilien Group generates its income to the largest extent from the letting of directly and indirectly held portfolio properties and the opportunistic sale of selected commercial properties. The interplay between these two operational income models also allows for positive synergy effects that, for example, result from the consolidation of important administration and management services and harnessing the benefits of economies of scale.

1.2 Structure of the corporate group

Since the former FCR Immobilien & Vermögensverwaltungs GmbH & Co. KG changed its name and legal form to the current FCR Immobilien AG in 2013, all properties acquired since the year 2014 are held in independent general partnerships (a "KG") with a limited liability company under German law (a "GmbH") as the limited partner. FCR Immobilien AG holds 100% of the respective general partner shares. The general partnerships with a limited liability company as the general partner are managed by the general partner (FCR Verwaltungs GmbH), which is also a fully owned subsidiary of FCR Immobilien AG. FCR Immobilien AG is the principal company and directly manages the commercial properties held in its portfolio. It holds 100% of the shares in the respective subsidiaries.

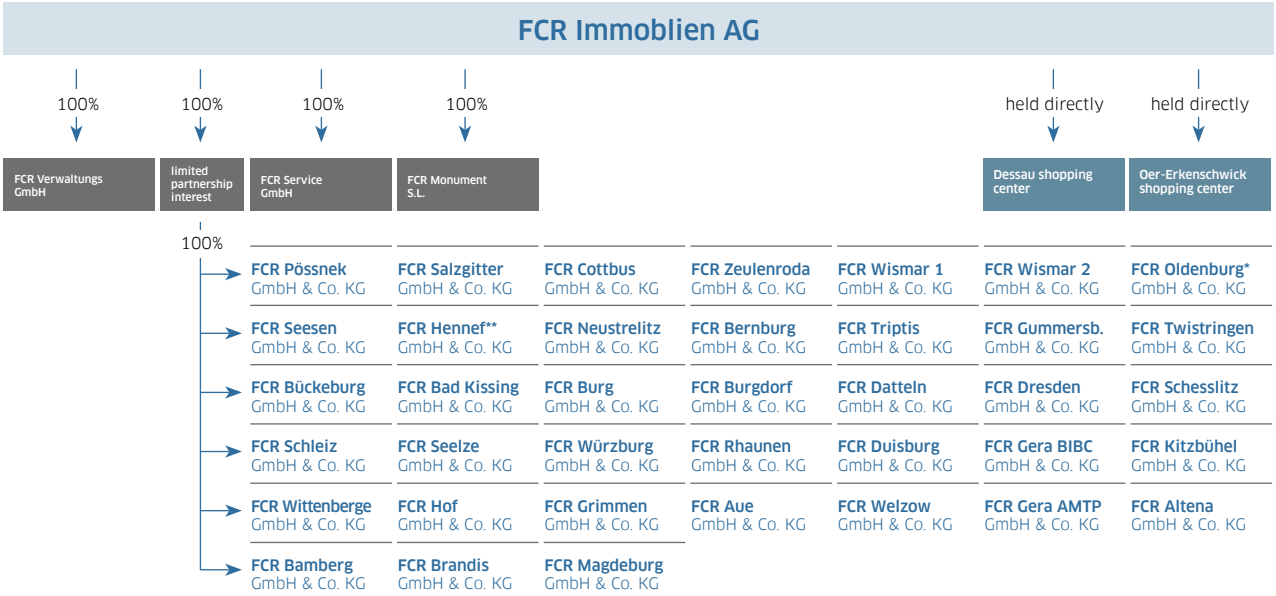
a) FCR Verwaltungs GmbH
FCR Verwaltungs GmbH is a fully owned subsidiary of FCR Immobilien AG. The subsidiary's business activities are limited to asset management.

b) FCR Service GmbH
FCR Service GmbH was formed in 2017 and is a fully owned subsidiary of FCR Immobilien AG. The company renders services associated with the acquisition, sale and administration of real property. It commenced its operational activities at the beginning of the 2018 financial year.

c) FCR Monument Investment S.L
FCR Monument Investment S.L was formed in 2017 and is a fully owned subsidiary of FCR Immobilien AG and is intended to hold properties in Spain. FCR Immobilien AG advanced a start-up loan in the amount of €100,000 in the 2017 financial year.

The corporate group's structure as of the balance sheet date on December 31, 2017 presents as follows:

Corporate structure of FCR Group as of December 31, 2017



* Includes the property in Nienburg, Germany ** Includes the property in Hennef and Frankenberg, Germany

1.3 Property portfolio as of December 31, 2017

1.3.1 Movements in the property portfolio 2017

At the beginning of the financial year, on January 1, 2017, the directly or indirectly held property portfolio of FCR Immobilien Group consisted of a total of 18 properties with a leasable total floor space of approx. 83,100 m².

28 additional properties with a lease space of 102,000 m² were acquired during the financial year, 5 other properties with a leasable floor space of approx. 12,700 m² were sold in the same year. This resulted in an expansion of the overall property portfolio of FCR Group by 90.000,000 m² to a total of 41 properties with a total leasable floor space of approx. 140,000 m²as of December 31, 2017.

New acquisitions:

Purchase contracts before a Notary Public were signed for the following 28 new properties in 2017 (in alphabetic order): Altena, Aue, Bad Kissingen, Bamberg, Brandis, Bückeburg, Burg, Burgdorf, Datteln, Detmold, Dresden, Duisburg, Gera Amthor-Passage, Gera BIBC, Grimmen, Gummersbach, Hof, Kitzbühel, Magdeburg, Rhaunen, Schesslitz, Schleiz, Seelze, Twistringen, Welzow, Wittenberge, Würzburg, Zeitz. All new acquisitions were integrated in the portfolio of FCR Group via separate property holding companies.

The total net rental income from the newly acquired properties amounted to €5.2 million p.a., while the total new investments - meaning the total purchase prices (excl. incidental acquisition expenses) amounted to €45.6 million.

Property sales:

The second earnings pillar of FCR Immobilien Group in addition to the generation of cash flows from rental income is the realization of silent reserves from the sale of selected portfolio properties.

FCR Group successfully sold a total of five properties in the 2017 financial year. The sale of the properties (in alphabetic order) in Detmold, Hoyerswerda, Regis-Breitingen, Schwedt and Zeitz returned a leasable floor space of 12.700,000 m² to the market.

The net rental income of the four sold properties amounted to €470,000 p.a., while their total sales price was €7.9 million.

Overview of portfolio movements 2017

	Number Properties	Usable floor space (in m²)	Net rental income (in €)	Transaction volume (in €)
Acquisitions 2017	28	102,000	5.2 Mio.	45.6 Mio.
Sales 2017	5	12,700	0.47 Mio.	7.9 Mio.
Net portfolio growth	23	89,300	4.73 Mio.	37.7 Mio.

The past financial year saw FCR Group's annual net rental income after adjustment for additions and disposals increase to €4.73 million.

The net investments, i.e. the balance of property additions and disposals, measured at purchase prices excluding incidental expenses amounted to €37.7 million.

1.3.2 Property portfolio as of December 31, 2017

As of December 12, 2017, the directly or indirectly held property portfolio of FCR Immobilien Group consisted of a total of 41 properties with a leasable total floor space of approx. 140,000 m².

The following table provides an overview of the most important key performance indicators for the directly and indirectly held properties as of December 31, 2017.

Number of properties/locations	41
Leasable floor space in m²	139,655
Net rental revenue (p.a.)*	€9.5 million
Occupancy rate	87.5%
Net target potential rent (p.a.)*	€10.9 million
Carrying value of properties as of December 31, 2017	€62.8 million
Portfolio net rental yield p.a. (ACTUAL)	14.1%
Portfolio net rental yield p.a. (TARGET)	16.1%

* The net rental revenue represents the rental income generated by the leased spaces. The potential net rental income relates to the properties' total floor space.

1.3.3 Detailed information on the property portfolio as of December 31, 2017
(properties listed in alphabetic order)

	Year of construction	Usable floor space (in m²)	Occupancy rate	Main tenant	Rental yield p.a.
Mixed residential and commercial building Altena (North Rhine-Westphalia)	1979	12,000	46.7%	KiK	11.8%
Specialist retail store in Aue (Saxony)	2003	650	100%	Takko	10.2%
Supermarket in Bad Kissingen (Bavaria)	2005	1,037	100%	Net	14.2%
Student residence in Bamberg (Bavaria)	Project development	4,050	–	–	–
Residential building in Bernburg (Saxony-Anhalt)	1957	2,086	94.4%	–	10.2%
Supermarket in Brandis (Saxony)	1994	2,220	100%	Norma	12.6%
Hardware store in Bückeburg (Lower Saxony)	1993	4,980	100%	OBI	12.2%
Specialist retail center in Burg (Schleswig-Holstein)	1994	2,074	100%	Jawoll	9.5%
Specialist retail center in Burgdorf (Lower Saxony)	1962/1996	3,698	100%	Zimmermann	9.8%
Shopping center in Cottbus (Brandenburg)	1999	4,800	58.7%	REWE	28.0%
Supermarket in Datteln (North Rhine-Westphalia)	2006	1,037	96.5%	Net	9.6%

	Year of construction	Usable floor space (in m²)	Occupancy rate	Main tenant	Rental yield p.a.
Damaschke-Center in Dessau (Saxony-Anhalt)	1992	3,750	80%	Aldi, KIK	16.5%
Specialist retail center in Dresden (Saxony)	1982	2,329	100%	Pfennigpfeiffer	9.9%
Office and retail building in Duisburg (Saxony)	Project development	–	–	–	–
Garden center in Frankenberg (Hesse)	1993	6,109	100%	Rheika-Delta	24.7%
Shopping center in Gera (Amthor-Passage) (Thuringia)	2000	7,898	71.1%	Intersport	8.4%
Shopping center in Gera (Bieblach-Center) (Thuringia)	1994	18,068	77.1%	Roller	16.6%
Specialist retail center in Grimmen (Saxony)	2000	2,045	100%	Norma	15.6%
Shopping center in Gummersbach (North Rhine-Westphalia)	1974	4,171	78.4%	Deichmann	12.5%
Specialist retail store in Hennef (North Rhine-Westphalia)	1977	3,949	96.8%	HIT	21.3%
Specialist retail store in Hof (Bavaria)	1992	928	100%	Takko	13.1%
Hotel Kitzbühel (Bavaria)	2008	768	100%	Suiten am Schloss	–
Shopping center in Magdeburg (Brandenburg)	1979	2,750	77%	Edeka	16.4%
Shopping center in Neustrelitz (Mecklenburg-Western Pomerania)	1963/2015	2,745	100%	Penny	19.3%
Specialist retail center in Nienburg (Lower Saxony)	1996	1,002	100%	Dänisches Bettenlager	14.9%
Specialist retail store in Oer-Erkenschwick (North Rhine-Westphalia)	1978	6,255	90.4%	T. Philipps	12.1%
Specialist retail center in Pössneck (Thuringia)	1992	7,564	100%	OBI	13.4%
Supermarket in Rhauen (Rhineland-Palatinate)	2006	1,290	100%	Lidl	13.2%
Shopping arcade Salzgitter (Lower Saxony)	1967/1985	8,612	92.1%	Rossmann	14.8%
Supermarket in Schesslitz (Bavaria)	2003	930	100%	Norma	9.9%
Specialist retail center in Schleiz (Thuringia)	1993	6,541	34.2%	KiK	8.4%
Specialist retail center in Seelze (Lower Saxony)	2007	3,661	91.5%	dm	9.9%
Shopping center in Seesen (Lower Saxony)	1982/2000	9,800	92.5%	Edeka	26.3%
Specialist retail center in Triptis (Thuringia)	1996	1,050	100%	REWE	11.6%
Supermarket in Twistringen (Lower Saxony)	2004	965	100%	Net	12.6%
Specialist retail center in Welzow (Brandenburg)	1994	1,616	100%	Norma	11.8%

	Year of construction	Usable floor space (in m²)	Occupancy rate	Main tenant	Rental yield p.a.
Shopping center in Wismar (1) (Mecklenburg-Western Pomerania)	1993	4,338	93.3%	Net	12.3%
Shopping center in Wismar (2) (Mecklenburg-Western Pomerania)	1999	3,799	37.5%	Various	16.7%
Supermarket in Wittenberge (Brandenburg)	1995	1,633	94.5%	Norma	11.6%
Specialist retail center in Würzburg (Bavaria)	2001	1,921	100%	Detlev Louis motorcycle shop	10.1%
Shopping center in Zeulenroda (Thuringia)	1900	5,448	68%	Rossmann	17.3%

A variety of measures aimed at improving the tenant and building structure of the portfolio properties were implemented in the reporting period. In addition to the usual regularly recurring substance-preserving activities, this included extensive modernization measures for a number of properties.

1.4 Corporate bodies, employees, personnel development

FCR Immobilien Group employed an average of 12.42 persons in the reporting period. An average of 8.33 persons were employed in the first quarter (January 1 -March 31, 2017), 11.67 persons in the second quarter (April 1 -June 30, 2017), 14.67 persons in the third quarter (July 1 -September 30, 2017), and 15.00 persons in the fourth quarter (October 1-December 31, 2017).

There were no changes to the Executive Board of FCR Immobilien AG during the reporting period. Mr Falk Raudies has been representing the company as sole Chief Executive Officer since its formation.

2. Economic Report

2.1 Fundamental macroeconomic conditions

According to recent calculations by the Federal Statistics Office (Destatis), the German sustained its positive development in the year 2017 and continued to grow for the eighth consecutive year. Initial calculations from Destatis show that the inflation-adjusted gross domestic product (GDP) increased by 2.2% over the previous year in2017. Germany's economic growth also picked up speed and surpassed the GDP growth of 1.9% in 2016 and 1.7% in 2015. Economic growth in 2017 was almost 1 percentage point above the average 10-year growth rate of 1.3%.

In the past year, the German economy was first and foremost driven by strong domestic demand. Private consumer spending increased by 2.0% after adjustment for inflation, while public consumption spending increased below-average by 1.4%. The increase was particularly strong for gross investments, which increased above-average by 3.0% over the previous year. Construction investments increased by 2.6%. The German economy once again demonstrated its export strength in 2017 and increased the inflation-adjusted exports of goods and services by 4.7% over the previous year. The economic upturn is supported by a broad foundation - virtually all economic sectors contributed to the positive development of the economy.

The robust condition of the German economy was also reflected in the structure of the persons in gainful employment. In the year 2017, almost 44.3 million persons in gainful employment at a workplace in Germany contributed to the economic growth. According to Destatis, this is the highest figure since the German reunification. In comparison to the previous year, the increase in persons in gainful employment corresponded to 1.5% or 638,000 persons. Destatis states that the increase in employment relationships with mandatory social insurance was the driver behind the strong increase in the number of persons in gainful employment. According to information from the Federal Statistics Office published in January, the inflow of migrants from foreign countries and the increased number of persons in gainful employment allowed for the compensation of age-related demographic effects.[1]

[1] The preceding five paragraphs refer to the Federal Statistics Office Bundesamt (Destatis), press release „Germany's economy continues strong growth in 2017", no. 11, January 11, 2018

The positive economic development also continued in Europe. According to estimations from the European Union Statistics Office (Eurostat), the third quarter saw the seasonally-adjusted GDP increasing by 0.6% over the previous quarter, both for the Eurozone with its 19 member states using the Euro as their currency, as well as in the EU28 countries. When compared to the previous year, the economy in the Eurozone and the EU28 exhibited a growth of 2.6%.[2]

2.2 Industry situation

2.2.1 Commercial property market in Germany

The commercial property market in Germany was in excellent condition in the past year 2017. Robust fundamental economic conditions, low interest rates and strong rental markets made for high demand on the market for commercial properties. In a current study, the experts from property consultancy firm Jones Lang LaSalle (JLL) believe that the European Central Bank will leave interest rates virtually untouched until at least mid/late 2019.

The attractiveness of commercial property was also reflected in the transaction volume, which reached another record high in 2017. According to JLL, the transaction volume amounted to around €56.8 billion - a plus of 7% over the previous year. The experts from JLL also found that the commercial property market was distinguished by a shortage of supply in the year 2017. This trend was particularly noticeable in the office property segment and resulted in investors increasingly scouting for suitable properties outside of the top-7 locations.

This segment nevertheless retained its position as the most popular asset class in 2017. Just under €25 billion of the total volume was attributable to transactions in the office property segment. With a share of 44%, it was on par with the previous year. Retail property came in on the second place. This segment's share in the total volume did however decline to just over 20%. JLL proposes that this was due to an increasingly critical disposition of investors with respect to this asset class in combination with lengthy sales processes. Logistics properties were once again in particular high demand in the year 2017. The transaction volume in the year 2017 amounted to approximately €8.7 billion or 15% of the total volume. Experts state that the strong demand was a particularly attributable to the continuous growth of the e-commerce segment, which is connected to the necessary trade logistics. According to the experts, mixed-use properties accounted for a share of 10%, other properties such as hotels or special-purpose properties accounted for 11% of the total transaction volume.

JLL recorded a slight increase in demand of 5% over the previous years for the top-7 locations. The hotspots Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart accounted for a total of €31 billion among them. The highest transaction volume of more than €7.7 billion was reported for Berlin, an increase of 56% over the previous year. Frankfurt with a volume of €7.1 billion followed suit and reported a particularly strong increase in the transaction volume in the final quarter of the year. Dusseldorf reported a transaction volume increase of 32% over the previous year, surpassed by Cologne with an increase of 41%. According to JLL, the other metropolitan areas experienced significant volume declines.

Acquisitions on the German commercial property market were in particular made by foreign investors in the year 2017. They accounted for almost half of the past year's total volume in this market and their activities exceeded the average of 45% for the past five years. In addition to investors from the USA and the United Kingdom, European and Asian investors were strengthening their position on the German commercial property market. According to JLL, they accounted for a share of around 10% in the total volume.

For the year 2018, the experts from JLL are forecasting a continuation of the economic boom on the property market on the back of sustained positive fundamental economic conditions, which in turn supports the rental markets.[3]

2.2.2 Retail properties

According to the experts from CBRE, the market for German retail properties continued to be particularly interesting. The latest results from the EMEA Investor Intentions Survey 2017 conducted by CBRE show that the stable fundamental conditions and the exceptionally positive image continue to make the German retail property market the most attractive market for investments by foreign and domestic investors. The high demand resulted in a further shortening of the supply in the retail segment. The brick-and-mortar retail segment overall is subject to structural changes that were, among other factors, triggered by the dynamic growth of online shopping. CBRE believes that the rents in top-rated cities as well as in B- and C-rated towns will continue to be under pressure.[4]

[2] Eurostat, press release „Eurozone and EU 28 with 0.6% growth", no. 186/2017 dated December 7, 2017
[3] The preceding six paragraphs refers to the study by ones Lang Lasalle (JLL), investment market overview - Q4, January 2018
[4] CBRE, Real Estate Market Outlook Germany 2018

According to a recent study by property consultancy firm Colliers International, the transaction volume for retail properties was €12 billion in the year 2017 and thereby one of the best results in the past couple of years. Even though the record-breaking year 2015 with a volume of €16 billion was not matched, the transaction volume in 2017 was still 35% above the long-term average. The share in the total investment volume of the commercial property market was above 20%. According to Colliers, transaction activities were particularly strong in the fourth quarter of the year. The final quarter of the year alone accounted for around one third of the year's total volume.

In 2017, the German retail property market was also distinguished by sales of individual portfolio properties rather than mega-deals. The total share of portfolio transactions increased to 63%, which corresponds to a share of €7.5 billion in the total volume of the retail segment.

According to Colliers, investors were already laying their focus on specialist retail stores and specialist retail centers in the year 2016. This trend continued and further strengthened in the financial year 2017. In the retail property segment, specialist retail stores and specialist retail centers were the most popular asset class among investors. This asset class highlighted investors' high demand, with a share of 38% in the retail segment's total transaction volume. The recent Colliers study shows that investors value the attractive yields of specialist retail stores as well as their cash flows resulting from a lower crisis susceptibility.

The geographic shift in the transactions - away from the seven investment hotspots - was, among other factors, owed to the high demand for specialist retail centers. According to Colliers International, around 75% of the total transaction volume in the retail segment was invested outside of the top-7 locations in the year 2017.

The prime yields continued to decline slightly, even though the dynamic weakened as a result of the already existing price levels. According to estimations by Colliers International, the margin for commercial buildings in prime locations in the top-7 locations stood at 70 base points. The yield was 3.2% in Hamburg and 3.1% in Stuttgart. Munich and Frankfurt had the lowest yields with 2.8% in each case. Dusseldorf and Cologne offered the highest returns with a yield of 3.5%. The yields for shopping centers were relatively stable and trended within a range of 3.8 to 4.8%. Only specialist retail stores and specialist retail centers returned yields that were higher than in the scenarios described above. Specialist retail stores generated yields of about 5% at all top-7 locations. According to information from Colliers International, specialist retail centers already fell short of this prime yield.

The experts continue to be optimistic for the year 2018 and forecast the robust fundamental economic conditions to boost the German retail property market, which makes an investment volume of significantly more than €10 billion a realistic scenario. Colliers International states that this is however subject to products being available on the market.[5]

2.2.3 Earnings position

FCR Immobilien Group generated revenues of €16.39 million (previous year: approx. €12.13 million) in the past financial year. The increase was attributable to higher rental income and the sale of one property held by FCR Immobilien AG and six properties held by the Group's separate property holding companies. The grand total of revenues, inventory changes and other operational income results in FCR Immobilien Group generating a total turnover and operating income of €16.61 million, which clearly exceeded the previous year with €12.14 million.

The expenses for purchased goods and services, i.e. the property-related expenses, the property management expenses, amortization of properties and the expenses for properties for sale increased from €6.68 million in the previous year to €8.37 million in the reporting year. The increase is predominantly attributable to the property sales in the year 2017.

As a result of the expansion of the property portfolio and business activities, personnel expenses increased from €0.74 million to €1.3 million. Amortizations on property, plant and equipment rose to €1.14 million (previous year: €0.69 million). The financial year's other operational expenses amounted to €2.02 million (previous year: €1.62 million).

Interest expenses to increased from €1.57 million to €3.1 million. This amount is based on the financial liabilities resulting from the issue of the €15 million bond. The financial result was -€2.46 million (previous year: -€1.48 million).

FCR Immobilien Group generated total earnings before taxes of €1.28 million (previous year: €0.85 million). This increase is, as described above, also attributable to the non-recurring effect of the property sales in 2017.

[5] The preceding five paragraphs refer to Colliers International, press release from January 9, 2018

After deduction of taxes, FCR Immobilien Group generated a total net profit for the year of €0.97 million (previous year: €0.44 million). The last remaining silent partnership was already terminated at the end of 2016.

2.2.4 Net asset and financial position

Additional acquisitions of properties by the Group's independent property holding companies resulted in an increase of FCR Immobilien Group's property, plant and equipment assets to €69.11 million as pf December 31, 2017 (previous year: €31.79 million). The non-current assets are to the largest extent comprised of the properties held in the portfolio of FCR Immobilien Group.

The Group's current assets decreased from €12.29 million to €8.07 million as of the balance sheet date December 31, 2017. The decrease is essentially attributable to lower receivables from the sale of properties that had already been settled on the reporting date. As of the balance sheet date, FCR Group had liquid funds of €4.95 million (previous year: €6.31 million).

Deferred expenses and accrued income in the amount of €0.24 million (previous year: €0.22 million) were capitalized outside of current and non-current assets. The total assets increased by approx. €34.08 million or approx. 74% from €46.07 million to now €80.15 million. On the liabilities and equity side of the balance sheet, liabilities increased from €38.63 million to now €71.76 million, first and foremost due to bond liabilities in a total amount of €20.68 million (previous year: €9.3 million) and higher bank liabilities associated with the financing of the acquired properties in an amount of €49.54 million (previous year: €27.71 million).

The provisions for tax in the amount of €0.44 million (previous year: €0.8 million) include provisions for corporation income tax. The other provisions in the total amount of €1.02 million (previous year: €0.71 million) include, inter alia, provisions for interest payments from loan liabilities.

The equity of FCR Immobilien Group amounted to €6.88 million (previous year: €5.93 million) as of the balance sheet date.

The equity ratio of FCR Immobilien Group fell slightly from 12.9% to 8.6% as of December 31, 2017. This is the result of the higher net assets, which resulted predominantly from new acquisitions made by newly formed investment companies.

3. Report on opportunities, risk and outlook

3.1 Report on opportunities

FCR Immobilien Group is confident to utilize the current positive market environment to achieve a further and sustainable improvement of its net asset and earnings position.
Due to the good economic situation in Germany and the favorable refinancing terms, the Executive Board expects the sales prices for specialist retail and shopping centers to continue their upward trend, driving the continued increase the value of the property portfolio in combination with constantly low acquisition prices achieved as a result of the excellent network of FCR Immobilien Group.

3.2 Report on risks

The business activities of FCR Immobilien Group are exposed to a number of different risks. The Group deliberately tolerates some of these risks with the aim of exploiting the opportunities awaiting on the property market. The Executive Board minimizes potential risks by continuously monitoring essential risk parameters that, if necessary, allow it to rapidly implement any necessary counter-measures.

FCR Immobilien Group has, for example, developed a project calculation system and a revenue and liquidity planning system that allow it to identify potential risks that could have a negative effect on the company's future development and thereby jeopardize the continued existence of the company. The system is geared to the currently small size of the company with its flat hierarchy.

In this organizational structure, important functions associated with the early detection of risks are assumed directly by the Executive Board. The risk management system employed by FCR Immobilien Group is adequate and developed continuously in line with market requirements. There are currently no known risks that could potentially jeopardize the Group's continued existence.

The constantly monitored parameters include data on the occupancy rate, vacancy rate, rental arrears, interest expenses and structure of liabilities, development of liquid funds, rental income and administrative expenses.

The essential risks that could potentially have negative effects on the FCR Immobilien Group's net asset, financial and earnings position are outlined in the following. It must be noted that the list is not exhaustive. Currently unknown risks or risks assessed as immaterial could also impact on the business activities of FCR Immobilien Group.

3.2.1 Risks from property acquisitions

Risks stemming from investment activities and property selection:
The business activities of FCR Immobilien Group are based on the acquisition of suitable commercial properties at reasonable prices and terms. Additional competitors entering the target market of FCR Immobilien Group could potentially result in rising transaction prices and falling initial rental yields.

Due diligence:
The company accurately and prudently analyzes and calculates all investments before entering into legally binding contracts. Misjudgments, unforeseen problems and unidentified risks may however still adversely affect the development of investments in real property assets. Another risk factor are documents from the previous owner that turn out to be flawed or incomplete.

3.2.2 Risks associated with the property portfolio

During the period FCR Immobilien Group holds properties in its portfolio, the company may be exposed to risks caused by external factors, e.g. changes in traffic connections social structures or construction work at the location that negatively affect the property and cause a decline in rental income or the market/sales value of the concerned properties. Another area of risk are higher than expected maintenance and other management expenses.

Leasing:
As a property holding real estate company, FCR Immobilien Group is exposed to the lease risks that are typical for this type of business, e.g. rental arrears, rent reductions and associated higher vacancy costs. There is also the risk of untenanted periods after the previous tenant has vacated the premises. All tenancy agreements are further exposed to the risk of not being renewed by the current tenant and delays in securing a new tenancy.

Property management:
There is the risk of incurring unexpected expenses for repairs, maintenance measures or works to modernize the properties.

Risks stemming from property valuation:
The development of the values of the properties held in the company's portfolio directly and indirectly influences the goodwill of FCR Immobilien Group and has significant effects on the company's non-current assets, balance sheet structure and terms of finance (see debt capital).

FCR Immobilien Group does not carry out annual revaluations of its property assets on the basis of external accredited property valuers. The indicative value of the property assets is either appraised on the basis of bank valuations prepared for refinancing purposes, in some instances on the basis of concrete purchase price offers made by potential buyers, or on the basis of internal market value appraisals. The values determined in this way are therefore not precise, but should rather be understood as approximations. They may change significantly over time due to external influences (e.g. location / micro-location, fundamental economic conditions, interest environment, demand situation) or internal changes (e.g. tenant structure, tenant creditworthiness, residual lease terms etc.). Negative influences may significantly impair the value of a property.

Risks stemming from development, renovation and remediation measures:

The performance of own development or renovation measures may give rise to the risk of having to absorb unplanned cost increases. Delayed completion of construction works may in turn result in the postponement of tenancy start dates.

Risk of contaminations and structural defects:
FCR Immobilien Group bears the risk that the land owned by it contains contaminations with hazardous substances and that it may be held liable by public authorities or private persons for the removal of these contaminations. FCR Immobilien Group has limited legal recourse to evade this type of liability. The company counters possible interferences by employing its extensive market expertise before purchasing properties, if necessary with the help of expert investigation reports. No risks of this nature are known from today's perspective.

3.2.3 Financial risks

Risks from financing activities:
To continue its growth trajectory and further expansion of its property assets, FCR Immobilien Group depends on an adequate inflow of additional equity or debt capital. If capital cannot be procured, investments in additional properties can only be financed to a limited extent from the operational cash flow or the sale of portfolio properties.

Economic risks:
There is the fundamental risk that changes in the fundamental macroeconomic conditions entail adverse effects for the real estate industry. Since the business model of FCR Immobilien Group strongly depends on economic developments, a long-lasting recession would entail a significant negative effect on FCR Immobilien Group's net asset, financial and earnings position. There is also the risk that fiscal measures taken on the political stage, such as an increase in the property transfer tax, negatively impact on the profitability of real estate transactions.

Debt capital risk:
To implement its business model and growth strategy, FCR Immobilien Group requires extensive financial resources that are used to invest in the acquisition of properties. Should the company, at some point in the future, find itself unable to secure debt capital financing at all or only at reasonable terms, this would have extremely negative implications for the business model pursued by FCR Immobilien Group.

Refinancing risk:
There is the risk that the company fails in securing subsequent financing arrangements or loan term extensions, or that it is only able to secure them at unfavorable terms. The same applies to new finance arrangements in connection with the acquisition of additional real estate assets.

Risks from the breach of financial covenants:

There is the risk of a decline in rental income and/or the properties' market values. This could result in a deteriorated loan-to-value ratio ("LTV"), debt service coverage ratio ("DSCR") or capacity to service loans. As a consequence, FCR Immobilien Group could be required to provide additional surety in the form of collateral or additional repayments on the principal amounts of loans.

Interest rate risk:
Depending on the planned period for which a property is held in the company's portfolio, the company enters into loan agreements with either short, medium or long terms. There is the fundamental risk of an interest rate increase after expiry of the fixed interest period. Due to the currently low interest rate environment, high compensation payments to lenders may be incurred if loans are repaid before their maturity, e.g. when a property is sold.

Liquidity:
There is the risk that FCR Immobilien Group's liquidity becomes insufficient to satisfy its ongoing obligations at some point during the year.

3.2.4 Risks from property sales

Market risk:
The sale of real estate assets from FCR Immobilien Group's holdings is subject to the potential risk of falling sales prices, misjudgments with respect to the properties' market values resulting from negative changes concerning the location. Another risk lies in increasing refinancing costs that diminish the attractiveness and reduce the sales prices for commercial properties.

Warranty risk:
There is also the risk that property purchasers assert extensive warranty claims that may result in a subsequent adjustment of the sales prices or a rescission of the purchase contract.

3.2.5 Strategic and other risks

Strategic risks are essentially related to misjudgments of the business model. Other strategic risks result from unexpected changes in market and environmental conditions with negative effects on the company's earnings and competitive position.

Liability:
There is a liability risk with respect to material and title defects in the letting and disposal of properties and property holding companies.
Litigation risks:
There is the risk that FCR Immobilien Group becomes involved in legal disputes with tenants, buyers and vendors of properties, or shareholders.

Personnel risks:
FCR Immobilien Group is exposed to the risk of loosing its CEO or employees, or finding itself unable to replace departing employees with adequately qualified personnel. As its founder, the CEO Falk Raudies has made a significant contribution to the success and development of FCR Immobilien Group. In the event Mr Raudies is presented from working for an extended period due to unforeseen circumstances, this could potentially have direct negative implications for the net asset, financial and earnings position of FCR Immobilien Group.
Risks related to information technology:
Important data could be lost irrecoverably from FCR Immobilien Group's IT networks or intercepted by unauthorized third parties. Both situations could potentially result in costs and ultimately in financial damages.

3.3 Outlook on the development of the corporation limited by shares

3.3.1 Development of the retail property market in Germany

Macroeconomic environment:
2018 is expected to be another year of significant growth for the German economy. According to research by the Ifo Institute, Germany's economy is set to grow by 2.6% in the year 2018 - after 2.2% in 2017. The growth is supported by a record level of employment,
rising wages as well as increased investment activities of companies. Market research Institute GfK nevertheless warrants against potential risks, e.g. a protectionist approach by the USA with respect to the US trade policy, or lengthy Brexit negotiations. Over the course of the year, these events have the potential to negatively affect the consumption climate. [6]

Industry development:
According to property consultancy firm CBRE, the fundamental conditions for the year 2018 continue to be positive and are, among other factors, supported by the low interest rate policy pursued by the European Central Bank and the robust overall condition of the economy in Germany and Europe. CBRE further expects the good performance of the user markets to create a positive atmosphere among investors. After a transaction volume of around €56.8 billion for the overall commercial property market in 2017, the experts from CBRE expect the positive trend resulting from high investor demand to continue. The only limiting factor is seen in the current shortage of product, which is particularly noticeable in the core segment. As a consequence, management-intensive investment properties automatically move into the focus of investors. CBRE believes that investors from Asia will further drive the transaction volume. This investor group currently accounts for a share of just above 10% in the total transaction volume. Because the German property market is the most important target market for Japanese in addition to the USA and the United Kingdom, CBRE is in particular highlighting investors from Japan.

For the year 2018, CBRE is forecasting a dynamic investment activity at B-rated locations and regional centers with an attractive price-yield mix that is proposed to once again strengthen in comparison to the previous year. These markets outside of the Metropolitan centers have so far been dominated by domestic investors, but CBRE sees foreign investors becoming increasingly active in these markets. The high excess demand will continue to diminish yields, albeit at a slower speed. According to the experts, the yields in the metropolitan areas - with the exception of Munich and Berlin - appear to have bottomed out. Significantly declined yields are however noticeable in the specialist retail store segment, while the yields for shopping centers remained stable for now. The experts are nevertheless optimistic and believe that 2018 will once again offer high potentials for investors on the retail property market .[7]

3.3.2 Outlook for FCR Immobilien Group

We believe that the highly profitable property portfolio and strong management team allow FCR Immobilien Group AG to achieve a very good position to continue the company's successful development over the past years in the upcoming years 2018 and 2019. For the year 2018, we also expect another clearly positive result and a further increase in revenues. In 2017, the property portfolio generated an annual net rental income of around €9.5 million. This is proposed to be increased further by the planned acquisition of additional properties.
The properties are also financed by the issue of bonds. To facilitate its further growth, FCR has started to issue another bond with a volume of up to €25 million in early 2018.

[6] Reuters, press release „Germany's economy is booming – Ifo index at record high", January 25, 2018
[7] The preceding three paragraphs refer to CBRE, Real Estate Market Outlook Germany 2018

Due to the fact that the property market continues to be in a very robust condition, we are planning to use current and potential liquidity to acquire additional properties and significantly expand our portfolio. Further transactions are on the brink of being finalized and a number of other property acquisitions are being prepared. Given our well-filled "property pipeline", we are confident that we will continue to meet the ambitious earnings targets we have set for ourselves in the future, and that we will continue to generate above-average returns for our investors.

Munich, May 02, 2018
FCR Immobilien Group

Falk Raudies
CEO

Consolidated Cash Flow Statement

In € thousand		2017	previous year
	Profit or loss for the period (consolidated net profit/loss incl. other shareholders' share in the profit/loss)	**975**	**442**
+/-	Amortization/write-ups on non-current assets	1,137	687
+/-	Increase/reduction of provisions	317	177
+/-	Loss/gain from the disposal of non-current assets	-4,642	-1,920
-/+	Increase/reduction of inventories, trade receivables and other assets not classified as investment or financing activity	2,854	-4,713
+/-	Increase/reduction of inventories, trade liabilities and other liabilities not classified as investment or financing activity	-37	995
+/-	Interest expenses/interest income	2,456	1,484
+/-	Expenses/income from taxes on profits and earnings	-370	245
	Rounding	0	0
=	**Cash flow from operating**	**2,690**	**-2,603**
-	Withdrawals for investments into intangible non-current assets	-10	-38
+	Deposits from disposals of property, plant and equipment assets	7,901	6,400
-	Withdrawals for investments into property, plant and equipment	-41,705	-15,145
-	Withdrawals for investments into financial assets	-1,003	-638
+	Reduction of financial assets resulting from a difference in the consolidation scope	25	0
+	Interest received	644	86
	Rounding	0	-1
=	**Cash flow from investment activities**	**-34,148**	**-9,336**
+	Deposits from equity capital contributions by shareholders of the parent company	0	2,963
+	Deposits from the issue of bonds and assumption of (financial) loans	33,192	13,159
-	Interest paid	-3,100	-1,570
-	Dividend payments to shareholders of the parent company	0	-3,259
	Rounding	0	-1
=	**Cash flow from financing activities**	**30,092**	**11,292**
	Changes in cash and cash equivalents	**-1,366**	**-647**
	Cash and cash equivalents as of January 1	**6,312**	**6,959**
	Cash and cash equivalents as of December 31	4,946	6,312

Audit certificate issued by the auditor of the financial statements

Attn. FCR Immobilien AG, Munich

We have audited the Consolidated Financial Statements prepared by FCR Immobilien AG, consisting of the balance sheet, income statement, notes, and cash flow statement, and the Group Management Report for the financial year from January 1, 2017 to December 31, 2017. The preparation of the Consolidated Financial Statements and the Group Management Report in accordance with German commercial law and supplementary provisions of the articles of association is the responsibility of the legal representatives of the company. It is our responsibility to express an opinion on the Consolidated Financial Statements and the Group Management Report based on our audit.

We have carried out our audit of the Consolidated Financial Statements in accordance with Section 317 German Commercial Code and in observance of the German principles of proper auditing of financial statements promulgated by the German Institute of Public Auditors (IDW). Those standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of the assets, financial and earnings position in the Consolidated Financial Statements in accordance with generally accepted accounting principles and in the Group Management Report are detected with reasonable assurance. Familiarity with the business activities and the economic and legal environment of the Group as well as expectations as to possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and the Group Management Report are primarily examined on a random basis as part of the overall audit. The audit includes assessing the Annual Financial Statements of the companies included in Consolidated Financial Statements, the determination of companies to be included in the consolidation group, the applied accounting and consolidation principles, and significant estimates made by the legal representatives. It also includes assessing the overall presentation of the Consolidated Financial Statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections.

Based on the findings of our audit, it is our opinion that the Consolidated Financial Statements comply with the statutory regulations and supplementary provisions of the articles of association and thus provide a true and fair view of the assets, financial and earnings position of the Group in accordance with generally accepted accounting principles. This Group Management Report is consistent with the Consolidated Financial Statements, complies with the statutory requirements, provides a suitable overall understanding of the Group's position, and accurately portrays the opportunities and risks associated with the future development.

Munich, May 14, 2018

RING – TREUHAND GMBH & Co. KG
Auditing company
Tax consultancy

COSTA
Auditor

MÜLLER
Auditor

Legal notice

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