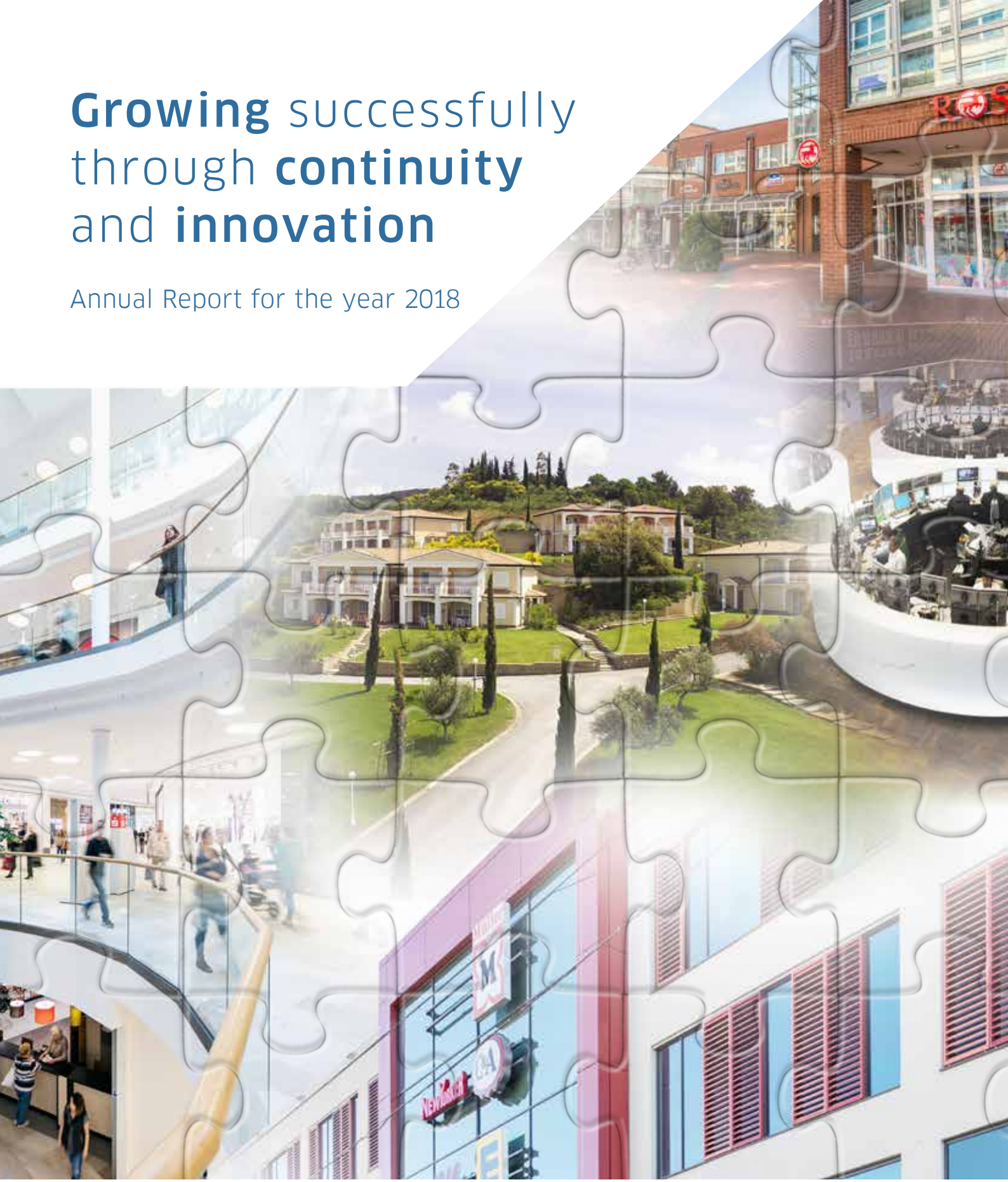
Growing successfully through **continuity** and **innovation**

Annual Report for the year 2018



FCR Immobilien

Table of key performance indicators

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

in € thousand	2018	2017	2016
Revenue incl. sales proceeds	37,185	16,391	12,129
EBITDA	10,087	4,928	3,109
EBIT	7,390	3,735	2,334
EBT	2,977	1,278	849
Consolidated net profit for the year	1,423	975	442

Selected key performance indicators of FCR Immobilien AG

	2018	2017	2016
Number of properties/locations	58	41	18
Leasable floor space	248,000 m²	175,000 m²	83,100 m²
Net rental income p.a.	€14.8 million	€9.5 million	€5.5 million
Occupancy rate	85%	88%	88%
Net potential rental income p.a.	€17.7 million	€10.9 million	€6.3 million
WAULT (in years)	5.5	3.9	4.5
Portfolio net rental yield p.a. (ACTUAL)	9.7%	14.1%	14.2%
Portfolio net rental yield p.a. (TARGET)	11.5%	16.1%	17.3%

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Dear Shareholders and Business Partners,

2018 was a special year for FCR Immobilien AG. In terms of business performance, we continued the unbroken success of recent years. We remain on a very dynamic and profitable growth course. Accordingly, we continued the significant expansion of our corporate structures in 2018 in order to leverage the potential that we see in our portfolio and in the market.

This past financial year, we succeeded in raising our revenues comprised of rental income and profits from the sale of optimized properties to over €37 million. This represents an increase of more than 120% compared to the previous year and is a clear indicator of the strong growth that we have been experiencing for a number of years. Our focus, however, is not only on growth, but also on remaining profitable and efficient at the same time. We are pleased to report to you, our shareholders, that precisely this profitability is evident in our earnings before interest, tax and depreciation and amortization (EBITDA). which increased by approximately 106% to around €10.1 million. This is a new all-time record. It is important to note that we continue to report under the German Commercial Code rules. This means that the increase in the value of our properties does not materialize in our earnings until the properties are sold. In terms of our earnings before interest and taxes (EBIT), we are also seeing growth of 100% to approximately €7.4 million—a very positive development.

In 2018, we continued actively developing our portfolio and succeeded in expanding it considerably. The acquisition of new properties, the optimization of portfolio properties and successful sales are the drivers behind our dynamic growth. We acquired a total of 26 properties in 2018, enabling us to close the year with a portfolio of 58 attractive properties. Despite the sale of nine optimized properties, our portfolio's total leasable floor space increased to 248,000 m². As of the end of 2018, we appraised our portfolio at a market value of over €250 million.

In 2017, we held 41 portfolio properties with a leasable floor space of roughly 175,000 m². The successful expansion of our portfolio clearly shows that we remain in a position to acquire attractive properties at favorable conditions. We believe that the property market remains fully intact in our segment. Those familiar with us know that we harness innovative ideas. For example, we have developed software that uses artificial intelligence to help us scout the property market for attractive investments and supports our asset management. In short, nothing stands in the way of our continuing growth trajectory. Our corporate structures are already designed for continued growth. At the end of 2018, FCR Group had an average of 44 employees. This is a leap from 12 employees in the previous year.

One very special event for FCR Immobilien AG was our IPO in the Scale segment of the Frankfurt Stock Exchange in November 2018. That summer, we had already conducted a preparatory capital measure to increase the public float to over 20%. This is a prerequisite for being listed in the Scale segment. We purposefully chose this segment because it places exceptional transparency requirements on issuers, and because we have been committed to open communication with the capital market for many years. The actual listing of the FCR share took place in November. Opening ourselves up to the capital market in terms of stocks had been very important to us for quite some time. The listing on the stock exchange further enhanced the perception of FCR Immobilien AG in the property market, and it has also made us more flexible on the capital side. Bonds have been among the tools we have used to finance our growth in the past. This is another arena in which FCR Immobilien AG succeeded in scoring a major success in 2018.

We were able to raise a gross amount of €25 million for FCR Immobilien AG's further growth through the issue of our 2018/2023 corporate bond. Issued in January, the bond was already fully placed in September in the follow-up to the public offer. It is important to note that we were largely able to accomplish this as an independent issue, without turning to an investment bank for help with placement. This represents a major success for us and shows both how well we are already perceived on the capital market and that our profitable business model is being acknowledged. In 2018, FCR Immobilien AG not only achieved tremendous growth in operations, but also created the foundation for continuing to harness future market opportunities in the best possible way.

The success of our company would not have been possible without the tireless efforts of our employees, who work every day to help FCR Immobilien AG grow. I would like take this opportunity to express my most heartfelt gratitude to them. I would also like to thank our business partners for their trust and cooperation. We look forward to the same committed collaboration with you in the future. Last but not least, I would like to express my gratitude to you, our investors. I am delighted that you have accompanied FCR Immobilien AG on our successful journey thus far, and I would be honored to have you on board in the future.

Sincerely yours,

Falk Raudies, CEO
Munich, May 2019

Executive Board/CEO and Supervisory Board

FALK RAUDIES
Founder and CEO

- Successful business owner for over 25 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 the 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 2018 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 appropriateness on the basis of the documents presented by the CEO. During this period, we were at all times satisfied of said lawfulness, expediency and appropriateness. 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. We were 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 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 persuaded that the CEO has conducted the company's business matters properly and that he 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 FCR Immobilien Group about which the Supervisory Board was regularly informed. 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 2018 financial year:

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

There were no other changes in the 2018 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 CEO and sole member, remained unchanged in the 2018 financial year.

Audit of the Annual and Consolidated Financial Statements

The auditor elected in the 2018 General Meeting and commissioned by the Supervisory Board, Ring-Treuhand GmbH & Co. KG auditors and tax consultants, Munich, audited the Annual Financial Statements, which were prepared by the CEO for the 2018 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 2018 financial year and the Group Management Report were also prepared on the basis of the German Commercial Code. The Consolidated Financial Statements and the Group Management Report also received an unqualified audit certificate.

Auditor Markus Renkl of Ring-Treuhand GmbH & Co. KG, auditors and tax consultants, Munich participated in a meeting of the Supervisory Board and reported on the audit of the Annual Financial Statements and the Management Report as well as the Consolidated Financial Statements and the Group Management Report and answered all questions. The Supervisory Board approved the Annual Financial Statements as of December 31, 2018 and the Consolidated Financial Statements on December 31, 2018 by circular resolution. The Annual Financial Statements are thereby adopted. The Supervisory Board declared its approval of the Management Report and the Group Management Report from the Executive Board/CEO for the 2018 financial year.

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, May 14, 2019

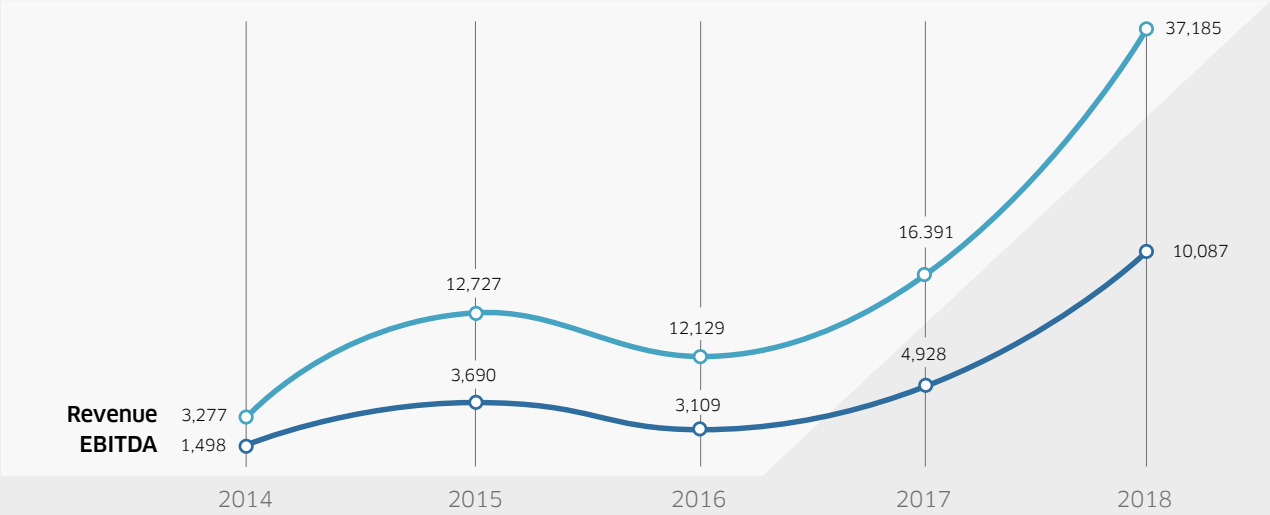
Dr. Franz-Joseph Busse
Chairman of the Supervisory Board

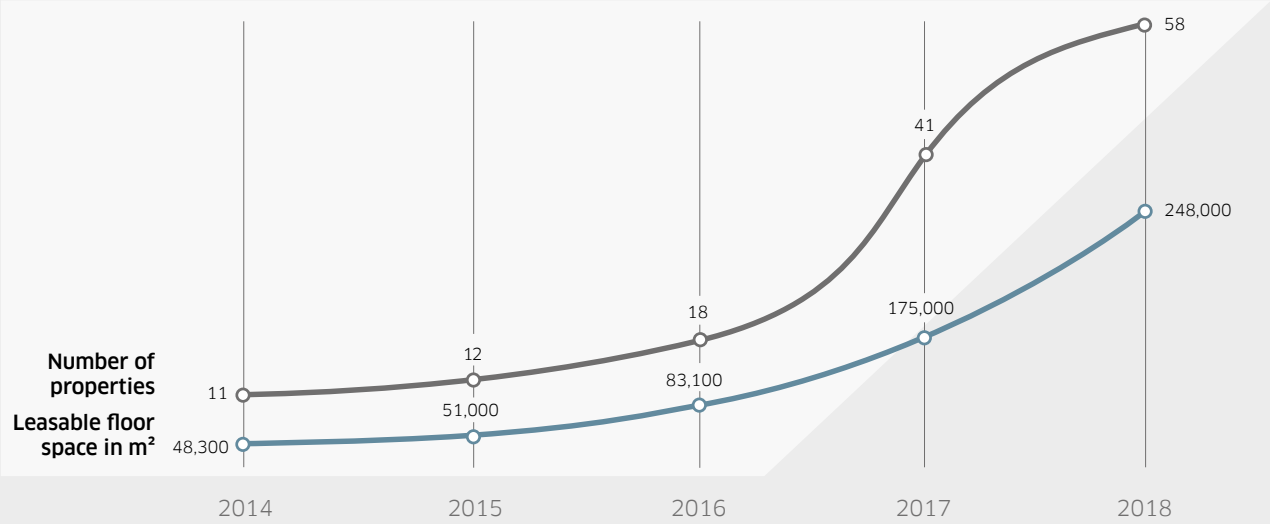
About FCR Immobilien AG

FCR Immobilien AG is a dynamically growing, listed real estate investor specializing in shopping centers and specialist retail centers in Germany.

The company's core business is commercial property in attractive secondary locations that offer above-average earning potential. FCR Immobilien AG has excellent networks in the property market and purchases properties at favorable conditions, enhances their value through targeted asset management measures and then secures returns from the sale of optimized properties. The company has enjoyed a successful track record for many years. As a complementary activity, FCR Immobilien AG also makes use of opportunities that arise to invest in other asset classes of the property market.

in € thousand





Our promise is our success: dynamic growth

Our company has been a highly dynamic market player for many years. We acquire, optimize and sell properties– and we are very successful at it. Between 2014 and 2018, our property portfolio showed an average annual growth of over 50%. We aim to keep growing and are constantly solidifying our very good market position.

FCR Immobilien

Strategy and business model

The success of FCR Immobilien AG lies in the acquisition of properties at favorable prices, value-creating asset management and the profitable sale of optimized properties. Our strategy is clearly defined. We focus on properties from the asset class commercial property: shopping centers and specialist retail centers in attractive secondary locations. Thanks to our longstanding experience and expertise in the property industry, FCR Immobilien AG also makes individual complementary investments in other areas of the real estate market such as the hotel, office, residential and logistics segments.

Why secondary locations?

Our experience and expertise have shown that properties in attractive secondary locations generate higher returns than those in top locations. Additionally, we believe that these market locations offer more stable long-term value and rent growth than, for example, properties in prime locations. The latter are also much more dependent on economic cycles than the secondary locations preferred by FCR Immobilien AG. FCR primarily acquires properties in extraordinary situations, e.g. insolvency assets. Before making an investment, FCR Immobilien AG examines the essential conditions a property should meet at its location. First initially examine, for example, whether a specialist retail store or shopping center has already been established at the respective location for several years and if it plays an essential role in supplying the local population. We also prefer properties that already have an anchor tenant with a string credit rating. As a rule, FCR Immobilien AG invests in individual properties worth between €1 and 50 million. In the case of portfolio acquisitions, we may invest up to €50 million. Artificial intelligence supports us with property acquisition and valuation by learning and evaluating key performance indicators (KPIs). The substantial growth of our property portfolio to 58 properties at the end of 2018—despite successful sales—reflects the efficiency of our business model. As in the past, no compromises to the purchasing criteria were made in 2018.

The core of our value creation: property acquisitions at attractive prices, active asset management and the sale of optimized portfolio properties

In addition to acquiring properties at attractive prices, the active and experienced asset management also plays a key role in the FCR Immobilien AG business model. We use targeted measures to leverage the potential of our properties at their respective locations. Typical property- and asset-management measures encompass the structural and economic substance of the properties. We not only optimize tenant structures and leases, but also lease terms. For as long as FCR Immobilien AG holds properties in its portfolio, they constantly generate rental income that is then available to the company as cash flow. In the past financial year, FCR Immobilien AG increased its annual net rental income to nearly €15 million. At the close of 2018, the company portfolio held a total of 58 properties. 26 of them were purchased in 2018 alone.

The sale of optimized portfolio properties is the third pillar of FCR Immobilien AG's value creation strategy. The sale of properties allows the company to generate attractive additional earnings that can be reinvested in its further expansion. In the past financial year, FCR Immobilien AG successfully sold nine properties.

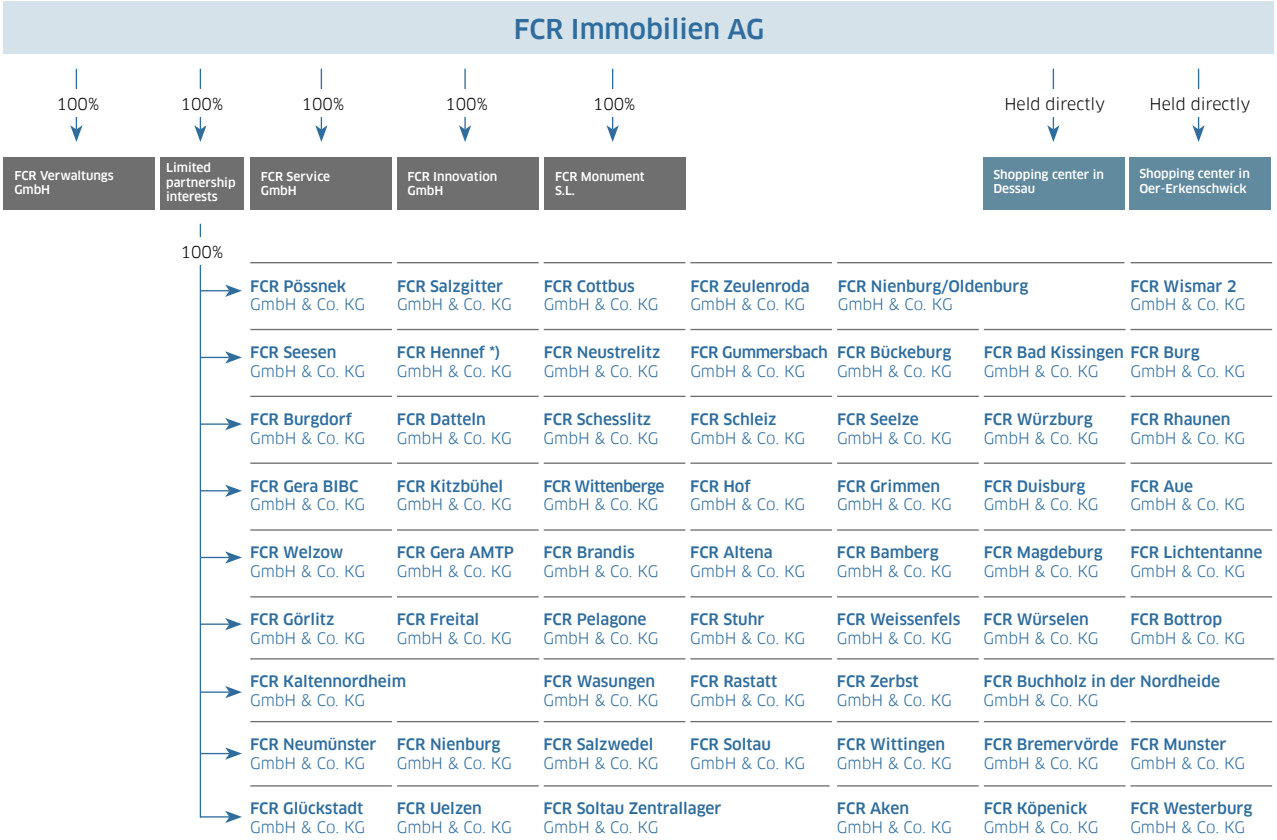
2018 was another a very successful and profitable year for FCR Immobilien AG. In order to keep up with the company's dynamic growth, the corporate structure was further expanded. The 2018 financial year saw FCR Group's workforce grow from 12 to an average 44 employees.

Corporate structure

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

As of December 31, 2018, the corporate structure of the group with its 58 directly or indirectly held properties presented as follows:

Corporate structure of the FCR Group as of December 31, 2018

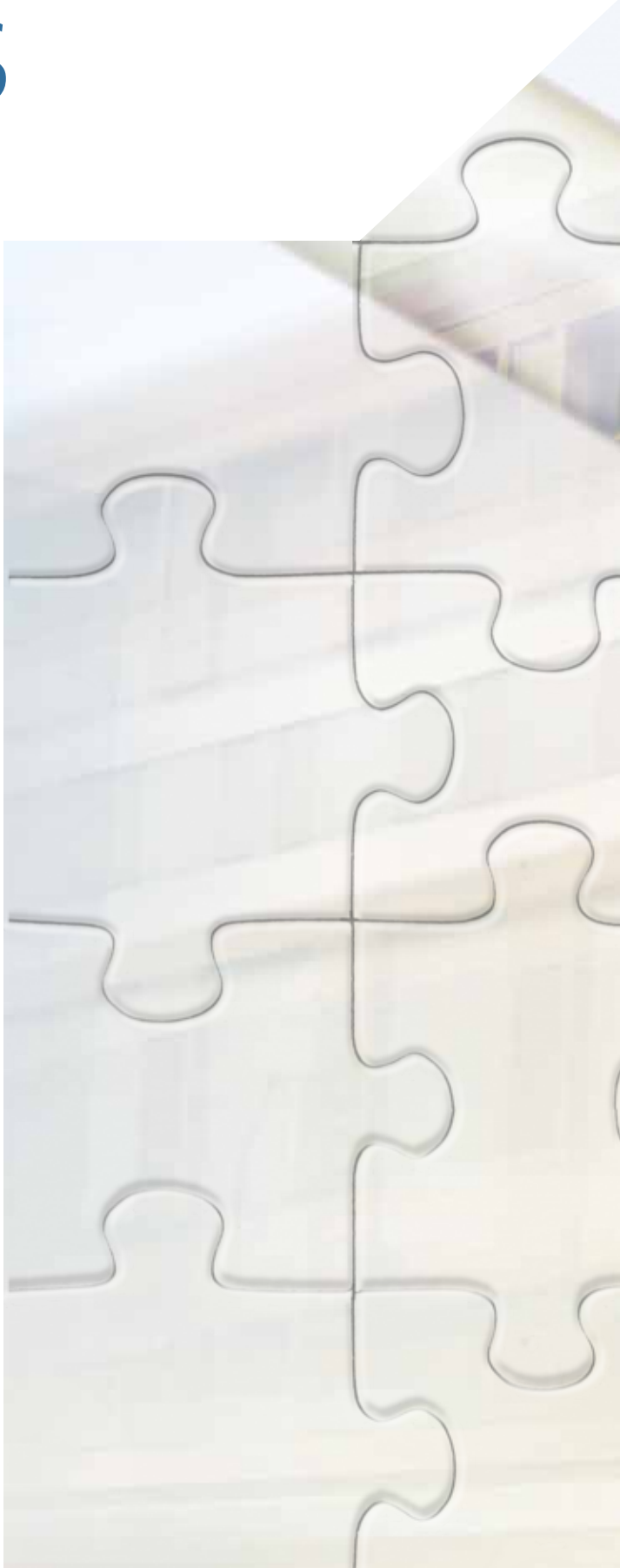


*) Includes the properties in Hennef and Frankenberg

Our promise is our success:

stable throughout all phases

Our stability is more than just a claim we make. For many years, we have been generating stable and regular cash flows in the form of constant rental income, which we combine with steady revenues from the sale of optimized properties. Our strategic focus enables us to quickly respond to changes in the market. This makes us a stable player on the market.



FCR Immobilien

Interview with the CEO

Falk Raudies

FCR Immobilien AG's focus is on shopping centers and specialist retail centers in Germany. Is the market still attractive?

Falk Raudies: Absolutely. We still see considerable potential in our market. Fundamentally speaking, nearly all segments of the German property market are fully intact. This means that we have ideal conditions. I also don't see anything changing in the foreseeable future, such as an abrupt change in interest rate policy. We acquired 26 properties in the last financial year alone. Our company been on a highly dynamic and profitable growth trajectory for many years, and we aim to keep growing in the future. In order to be able to take timely advantage of opportunities in other areas, we make complementary investments in other market segments, and we are also internationalizing our business step by step.

What does that mean exactly? And which asset classes are best suited for this endeavor?

We possess in-depth real estate expertise and have a very broad network. This means that we are already acquiring selected properties in other segments, such as the hotel, office, residential or logistics segments, provided we can generate attractive earnings and the properties meet our purchasing criteria. For example, we purchased two hotels, one in Italy and one in Austria, and are currently working on a residential project for student apartments in Bamberg. But I would like to once again emphasize: shopping centers and specialist retail centers are our core business–we can make opportune investments in other areas because of our experience and expertise. But we are very careful about the properties we add to our portfolio.

In the past year, you also purchased a couple of larger properties or even portfolios. Should this kind of investment be expected more often in the future?

These kinds of properties, such as the Schlossgalerie in Rastatt we acquired last year, which has about 22,000 m² of leasable space, are naturally part of our focus as well. To give an idea of what we evaluate on a daily basis: every month, we receive and evaluate over 300 property offers. This usually leaves between three and six properties that we examine in further detail during an on-site inspection. In most cases, we end up purchasing one or two of these properties. We are constantly in touch with potential property sellers. Our pipeline is well-filled. And obviously we would like to keep buying properties like the one in Rastatt, or even larger portfolios.

What is your overall assessment of the past year? Are you satisfied?

We look back on 2018 as a very successful year that we can be more than satisfied with. As planned, we continued to successfully expand our property portfolio. As of the end of 2018, our portfolio consisted of 58 attractive properties after 41 properties the previous year. We also successfully sold nine properties in 2018. Our profitable and efficient work is also evident in our operational performance. In the past financial year, our EBITDA rose by over 100% to €10.1 million. As another example, we were able to more than double our revenue to over €37 million.

Apart from the property business, you are passionate about serving social causes. What exactly do you do?

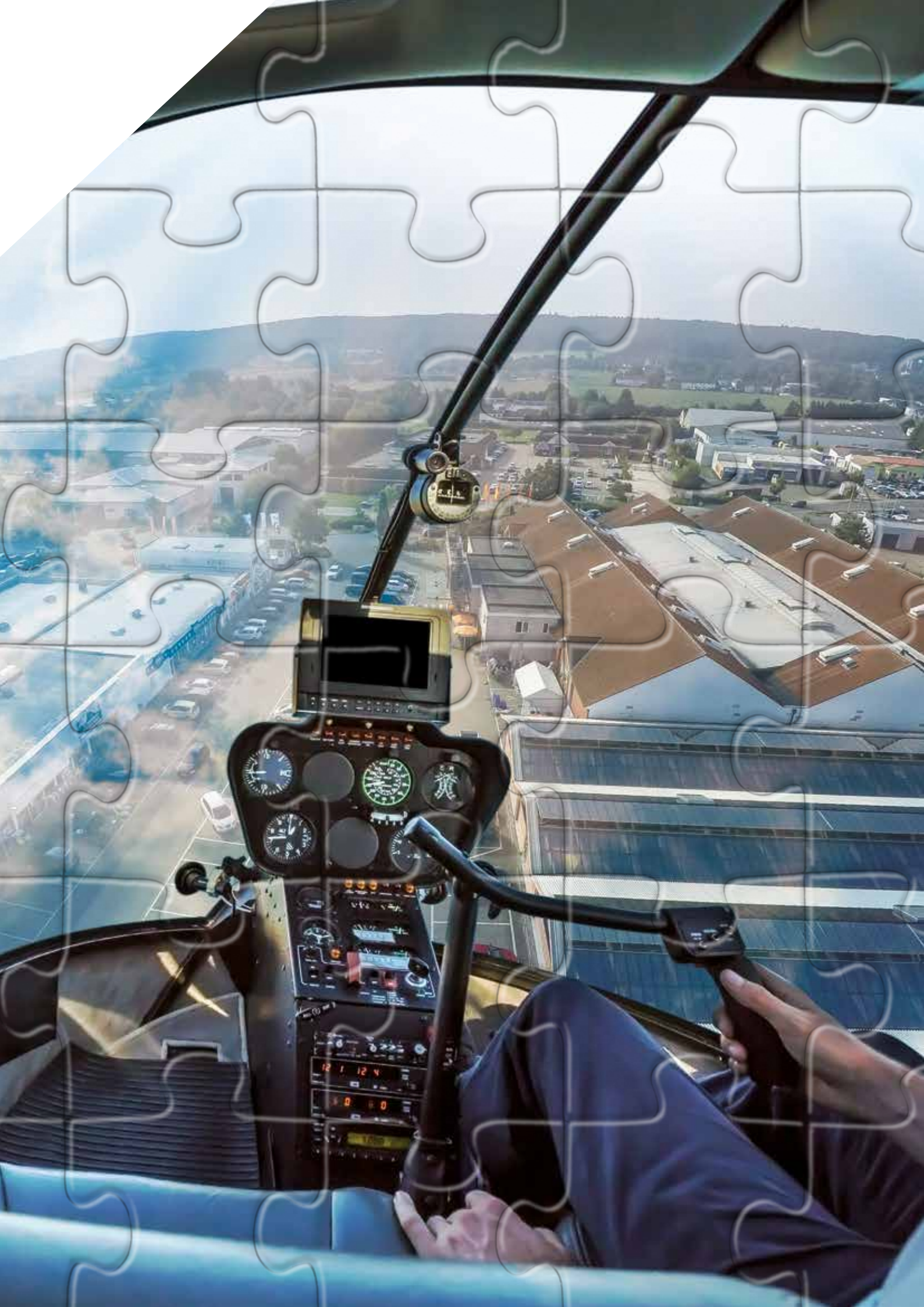
This is an absolute affair of the heart for my wife and me. I believe that especially those who are successful in business should let others who aren't doing so well share in their success. With this in mind, we team up with the FCR EAGLES Masters and organize a charity event, which was held for the second time in 2018. More than €100,000 in donations for charitable causes were collected and distributed among several charities. The organizations we support with our donations include the Franz Beckenbauer Foundation or the Deutsche Kinderrheuma-Stiftung, a foundation for juveniles suffering from arthritis. We not only benefit from the publicity, but also contribute to change for the better. It's a win-win situation.

Our promise is our success:

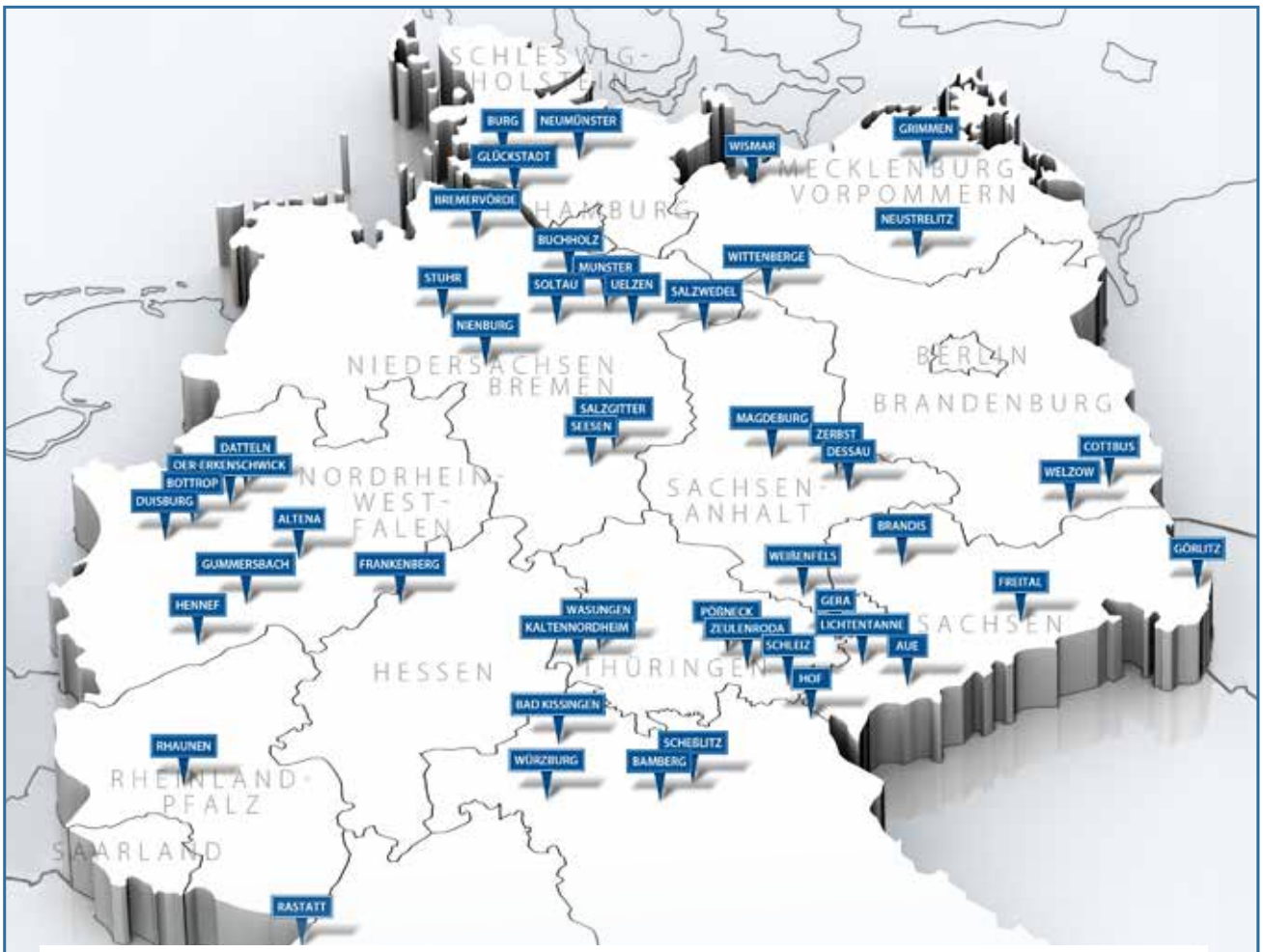
an experienced team

Our experience drives our success–knowing which properties are interesting and which ones are not–like matching puzzle pieces fit together anew, day after day. Our experienced team not only stands out with its know-how and extensive industry network, but also with its instinct for the right kind of deals. This is a crucial advantage that gives us peace of mind and delights our investors again and again.

FCR Immobilien



The FCR Immobilien AG portfolio



Distribution of actual net rent excl. utilities by region (annualized, in € thousand, as of Dec. 31, 2018)

Germany (west)	9,344	62.9%
Germany (east)	4,651	31.3%
Outside of Germany	850	5.7%
Total	14,845	

Distribution of actual net rent excl. utilities by asset class (annualized, in € thousand, as of Dec. 31, 2018)

Retail	13,117	88.4%
Hotel	850	5.7%
Residential	645	4.3%
Office	233	1.6%

Distribution of net rent excl. utilities by German state (annualized, in € thousand, as of December 31, 2018)

Lower Saxony	3,422	23.1%
Baden-Württemberg	2,961	19.9%
Thuringia	2,422	16.3%
North Rhine-Westphalia	1,797	12.1%
Saxony-Anhalt	809	5.5%
Saxony	741	5.0%
Bavaria	502	3.4%
Brandenburg	450	3.0%
Schleswig-Holstein	422	2.8%
Rhineland-Palatinate	240	1.6%
Mecklenburg-Western Pomerania	229	1.5%

In the year 2018, FCR Immobilien AG once again presented itself as a nationwide separate active property investor. As of December 31, 2018, the company's property portfolio had expanded to 58 properties. One year before, the portfolio of FCR Immobilien AG consisted of 41 properties. FCR Immobilien AG was thus able to continue the unbroken success of the previous years. The total leasable floor space amounted to 248,000 m² at the close of 2018, which represents an increase of more than 40% over the previous year. The value of the property portfolio, including project developments, amounted to over €250 million as of the closing date on December 31, 2018. This is further evidence of the company's dynamic growth. In the 2018 financial year, FCR Immobilien AG purchased a total of 26 properties and sold nine properties.
Actual net rental income for 2018 amounted to €14.8 million. In the previous year, this figure stood at €9.5 million. This represents an increase of 56%. At the end of 2018, the weighted total rental yield on the basis of purchase prices amounted to roughly 10%. FCR Immobilien AG also generates attractive additional profits from the sale of optimized properties. The weighted average unexpired lease terms (WAULT) stood at approximately 5.5 years as of December 31, 2018.

FCR Immobilien AG primarily acquires properties at B- and C-rated locations in small and medium-size towns with populations of at least 10,000. The company prefers to purchase properties in extraordinary situations, which means that the purchase prices are well below market value. This provides the foundation for above-average earnings from the subsequent sale of optimized properties.
For individual properties, the investment usually lies between €1 and 50 million, for portfolios it can reach up to €50 million. A further purchasing criteria is the property's existing tenant structure. In most cases, an anchor tenant with a strong credit rating is already present at these properties, which means that the operating expenses are already covered by the property itself at the time of purchase.
Alongside traditional shopping centers and specialist retail centers, FCR Immobilien AG also occasionally acquires properties in other asset classes, provided they are attractive for the company and meet its purchasing criteria. This includes complementary properties in other European countries. For all acquisitions, FCR Immobilien AG can rely on the excellent network it has built over the years as well as its extensive in-house real estate expertise.

Shopping centers and specialist retail centers continue to account for 88.4% of the company's property portfolio. As of December 31, 2018, the hotel segment accounted for 5.7%, residential properties for 4.3% the office segment for 1.6%. FCR Immobilien AG is also developing a residential project in Bamberg.

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

Year of construction	1979
Usable floor space (in m²)	12,363
Occupancy rate	36.4%
Main tenant	KiK
Net rental yield p.a.	12.2%

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.	10.6%

Supermarket in Bad Kissingen
(Bavaria)

Year of construction	2005
Usable floor space (in m²)	1,037
Occupancy rate	100%
Main tenant	Netto
Net rental yield p.a.	14.8%

Student residence in Bamberg
(Bavaria)

Year of construction	Project development
Usable floor space (in m²)	4,200

Commercial building in Bottrop
(North Rhine-Westphalia)

Year of construction	1970
Usable floor space (in m²)	5,137
Occupancy rate	100%
Main tenant	Mensing
Net rental yield p.a.	8.8%

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.	13.1%

Specialist retail store in Bremervörde
(Lower Saxony)

Year of construction	2003
Usable floor space (in m²)	2,713
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	8.7%

Specialist retail store in Buchholz
(Lower Saxony)

Year of construction	2012/2017
Usable floor space (in m²)	4,800
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	8.4%

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.	8.0%

Shopping center in Cottbus
(Brandenburg)

Year of construction	1999
Usable floor space (in m²)	4,835
Occupancy rate	43.7%
Main tenant	REWE
Net rental yield p.a.	28.5%

Supermarket in Datteln
(North Rhine-Westphalia)

Year of construction	2006
Usable floor space (in m²)	1,037
Occupancy rate	95.2%
Main tenant	Netto
Net rental yield p.a.	10.5%

Damaschke-Center in Dessau
(Saxony-Anhalt)

Year of construction	1992
Usable floor space (in m²)	3,755
Occupancy rate	53.8%
Main tenant	Aldi, KIK
Net rental yield p.a.	16.9%

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

Year of construction	Project development
Usable floor space (in m²)	14,609

Garden center in Frankenberg (Hesse)

Year of construction	Project development
Usable floor space (in m²)	5,000

Specialist retail center in Freital (Saxony)

Year of construction	2010
Usable floor space (in m²)	1,459
Occupancy rate	100%
Main tenant	Expert
Net rental yield p.a.	7.2%

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

Year of construction	2000
Usable floor space (in m²)	8,246
Occupancy rate	60.1%
Main tenant	Intersport
Net rental yield p.a.	9.3%

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

Year of construction	1994
Usable floor space (in m²)	18,077
Occupancy rate	70%
Main tenant	Roller
Net rental yield p.a.	24.1%

Specialist retail store in Glückstadt (Schleswig-Holstein)

Year of construction	1974
Usable floor space (in m²)	2,000
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	9.6%

Specialist retail center in Görlitz (Saxony)

Year of construction	1996
Usable floor space (in m²)	1,004
Occupancy rate	100%
Main tenant	Action
Net rental yield p.a.	13.1%

Specialist retail center in Grimmen (Saxony)

Year of construction	2000
Usable floor space (in m²)	2,045
Occupancy rate	90.7%
Main tenant	Norma
Net rental yield p.a.	15.8%

Shopping center in Gummersbach (North Rhine-Westphalia)

Year of construction	1974
Usable floor space (in m²)	3,965
Occupancy rate	60.9%
Main tenant	Takko
Net rental yield p.a.	13.5%

Specialist retail store in Hennef
(North Rhine-Westphalia)

Year of construction	1977
Usable floor space (in m²)	3,949
Occupancy rate	100%
Main tenant	HIT
Net rental yield p.a.	24.8%

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.	13.6%

Specialist retail store in Kaltennordheim
(Thuringia)

Year of construction	2010
Usable floor space (in m²)	1,045
Occupancy rate	100%
Main tenant	Netto
Net rental yield p.a.	10.1%

Hotel in Kitzbühel
(Tyrol | Austria)

Year of construction	2008
Usable floor space (in m²)	768
Occupancy rate	100%
Main tenant	Suiten am Schloss
Net rental yield p.a.	4.9%

Specialist retail center in Lichtentanne
(Saxony)

Year of construction	1995
Usable floor space (in m²)	1,496
Occupancy rate	100%
Main tenant	Penny
Net rental yield p.a.	9.4%

Shopping center in Magdeburg
(Saxony-Anhalt)

Year of construction	1979
Usable floor space (in m²)	2,971
Occupancy rate	83.3%
Main tenant	Edeka
Net rental yield p.a.	18.1%

Specialist retail store in Munster
(Lower Saxony)

Year of construction	1976
Usable floor space (in m²)	2,347
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	11.9%

Specialist retail store in Neumünster
(Schleswig-Holstein)

Year of construction	1988
Usable floor space (in m²)	3,100
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	8.2%

Shopping center in Neustrelitz
(Mecklenburg-Western Pomerania)

Year of construction	1963/2015
Usable floor space (in m²)	2,596
Occupancy rate	100%
Main tenant	Penny
Net rental yield p.a.	20.6%

Specialist retail store in Nienburg
(Lower Saxony)

Year of construction	1983
Usable floor space (in m²)	3,029
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	9.5%

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

Year of construction	1978
Usable floor space (in m²)	6,420
Occupancy rate	100%
Main tenant	T. Philipps
Net rental yield p.a.	10.6%

Pelagone
(Italy)

Year of construction	1972/1997
Usable floor space (in m²)	6,081
Occupancy rate	100%
Main tenant	Hotel
Net rental yield p.a.	5.6%

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.	15.0%

Shopping center in Rastatt
(Baden-Württemberg)

Year of construction	2015
Usable floor space (in m²)	21,739
Occupancy rate	76.2%
Main tenant	Edeka
Net rental yield p.a.	6.6%

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.	25.4%

Shopping arcade "Stadtpassage" in Salzgitter
(Lower Saxony)

Year of construction	1967/1985
Usable floor space (in m²)	8,537
Occupancy rate	91.1%
Main tenant	Rossmann
Net rental yield p.a.	15.8%

Specialist retail store in Salzwedel
(Saxony-Anhalt)

Year of construction	2007
Usable floor space (in m²)	6,017
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	9.1%

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.	8.2%

Specialist retail center in Schleiz
(Thuringia)

Year of construction	1993
Usable floor space (in m²)	6,540
Occupancy rate	43.7%
Main tenant	CleverFit
Net rental yield p.a.	36.8%

Shopping center in Seesen
(Lower Saxony)

Year of construction	1982/2000
Usable floor space (in m²)	9,688
Occupancy rate	43.1%
Main tenant	Schwager
Net rental yield p.a.	8.7%

Specialist retail store in Soltau
(Lower Saxony)

Year of construction	1988
Usable floor space (in m²)	3,600
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	9.1%

Specialist retail store in Soltau
(Lower Saxony)

Year of construction	1991
Usable floor space (in m²)	8,430
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	9.2%

Specialist retail center in Stuhr
(Lower Saxony)

Year of construction	2003
Usable floor space (in m²)	1,904
Occupancy rate	100%
Main tenant	Dänisches Bettenlager
Net rental yield p.a.	8.6%

Specialist retail store in Uelzen
(Lower Saxony)

Year of construction	2007
Usable floor space (in m²)	5,082
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	8.3%

Specialist retail store in Uelzen
(Lower Saxony)

Year of construction	2007
Usable floor space (in m²)	2,514
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	8.9%

Specialist retail store in Wasungen
(Thuringia)

Year of construction	2007
Usable floor space (in m²)	1,064
Occupancy rate	100%
Main tenant	Netto
Net rental yield p.a.	9.9%

3 residential buildings in Weissenfels
(Saxony-Anhalt)

Year of construction	1905, 1900/2013, 1996
Usable floor space (in m²)	1,472
Occupancy rate	100%
Main tenant	Residential
Net rental yield p.a.	12.8%

Specialist retail center in Welzow
(Brandenburg)

Year of construction	1994
Usable floor space (in m²)	1,553
Occupancy rate	100%
Main tenant	Norma
Net rental yield p.a.	12.0%

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

Year of construction	1999
Usable floor space (in m²)	3,800
Occupancy rate	46.3%
Main tenant	Various
Net rental yield p.a.	15.1%

Supermarket in Wittenberge
(Brandenburg)

Year of construction	1995
Usable floor space (in m²)	1,604
Occupancy rate	96.8%
Main tenant	Norma
Net rental yield p.a.	12.1%

Specialist retail store in Wittingen
(Lower Saxony)

Year of construction	2003
Usable floor space (in m²)	4,261
Occupancy rate	100%
Main tenant	Jawoll
Net rental yield p.a.	8.6%

Specialist retail center in Würzburg
(Bavaria)

Year of construction	2001
Usable floor space (in m²)	1,991
Occupancy rate	100%
Main tenant	Louis
Net rental yield p.a.	10.7%

Specialist retail store in Zerbst
(Saxony-Anhalt)

Year of construction	1996
Usable floor space (in m²)	6,615
Occupancy rate	100%
Main tenant	REPO
Net rental yield p.a.	11.3%

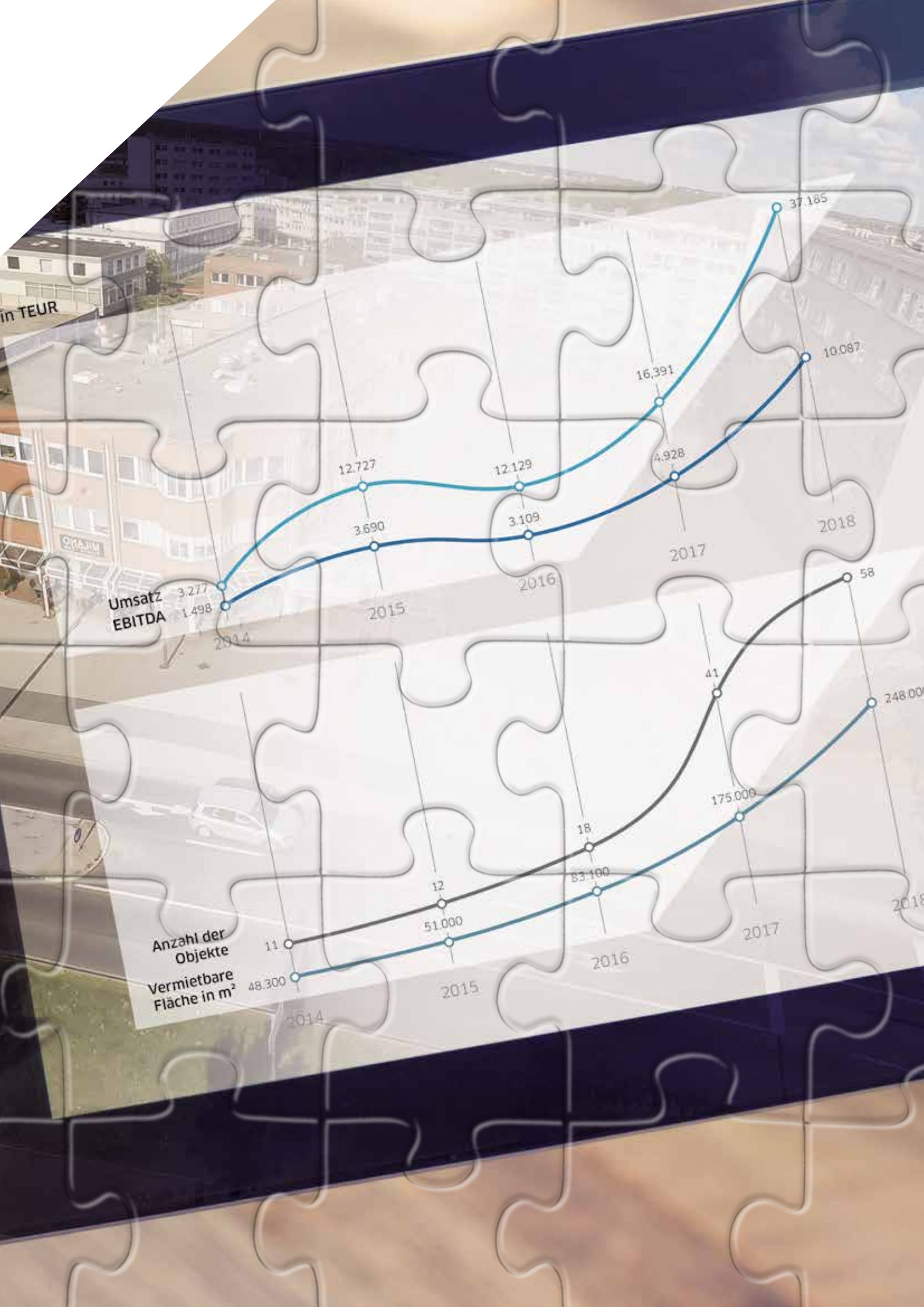
Shopping center in Zeulenroda
(Thuringia)

Year of construction	1900
Usable floor space (in m²)	5,577
Occupancy rate	66.0%
Main tenant	Rossmann
Net rental yield p.a.	11.7%

Our promise is our success: sustainable profitability

What does being sustainably profitable mean to us? It means meeting our goals year after year, managing the business successfully and continuing to grow. That's what we've been doing for many years. In 2018, for example, we more than doubled our EBITDA to approximately €10.1 million. For comparison: In 2016, our EBITDA was still at around €3.1 million. This corresponds to an annual average growth of approximately 81% over the past three years.

FCR Immobilien


in TEUR
Umsatz
EBITDA
3.277
1.498
12.727
3.690
12.129
3.109
16.391
4.928
37.185
10.087
2014
2015
2016
2017
2018
Anzahl der Objekte
Vermietbare Fläche in m²
11
48.300
12
51.000
18
83.100
41
175.000
58
248.000
2014
2015
2016
2017
2018

FCR Immobilien AG is taking on new dimensions

FCR successfully completes the largest property acquisition in the company's history in 2018

FCR Immobilien AG is the specialist for shopping centers and specialist retail centers in Germany. Alongside the purchase of selected stand-alone properties, FCR also engages in the targeted acquisition of portfolios or, where opportunities arise, of properties well into the double-digit million euro range. FCR Immobilien AG once again demonstrated this impressively in 2018 with the acquisition of the Rastatt Schlossgalerie. The shopping center located in Baden-Württemberg offers a leasable floor space of around 22,000 m² and was generating an annual rental income of approximately €3 million at the time it was acquired by FCR Immobilien AG. This makes it the largest property transaction in the company's history to date.

Rastatt is a town with a population of almost 50,000 in the economically prosperous and well-developed state of Baden-Württemberg. Characterized by the manufacturing industry among other factors, the region also boasts future potential. Daimler Group, for example, is planning to expand its Rastatt Mercedes plant. Built in 2015, the Rastatt Schlossgalerie is the only shopping center in the downtown area. These are ideal purchasing criteria for FCR Immobilien AG with its specialization in attractive secondary locations of this type.

The Schlossgalerie is located on a land parcel of roughly 9,100 m². It also includes a parking garage with around 370 parking spaces. The property's anchor tenants are well-known retail chains with strong credit ratings from the clothing and food industries and currently account for almost 84% of the rental income generated by the property. The tenants include Edeka, H&M, Hunkemöller, New Yorker, C&A and Müller. At the time of acquisition by FCR Immobilien AG, the vacancy stood at just short of 15%, which provides significant potential for rent increases by leasing the currently vacant spaces. FCR Immobilien AG's active and very experienced asset management team develops usage concepts tailored to each individual property and implements new ideas aimed at sustainably increasing the occupancy rate. In the case of the Rastatt property, within a matter of months this had already led to discussions with potential tenants who are positioned to further increase the attractiveness of the entire shopping center.

Thanks to its central downtown location directly adjacent to the pedestrian zone, the Rastatt Schlossgalerie is seeing excellent foot traffic. In the property's immediate neighborhood, numerous residential, hotel and other hospitality-industry projects are already underway, with the potential to further increase the location's attractiveness and generate even more customer interest in the future. To put it in more concrete terms, a total of six modern complexes alone will feature more than 1,200 new apartments, all in close proximity to the Schlossgalerie– which means even more potential shoppers.

The Rastatt Schossgalerie is also distinguished by its attractive architecture. The center's ground and lower levels were planned as a shopping center and invite visitors to a shopping experience on a total area of more than 14,000 m². Numerous retail, service, social and office spaces are located on the upper level. Most of the office space is housed in a separate building and is under a long-term lease with the district government.

FCR Immobilien AG has set a new benchmark with the acquisition of this property. The company envisions properties of this magnitude together with portfolios to play a larger role in future acquisitions. FCR Immobilien AG is constantly monitoring the property market and scouting for properties just like the Rastatt Schlossgalerie to expand its profitable portfolio.

Schlossgalerie Rastatt

Our promise is our success: venturing off the beaten track

We are constantly evolving–always on the move and never standing still. We are also moving in new directions by entering additional, profitable segments of the property market–like a puzzle to which we are always adding new pieces. As we advance, we always keep our eyes on the big picture, thus setting ourselves apart from the competition and continuing with our successful development.

FCR Immobilien

FCR Immobilien AG on the capital market

Along with the development of our operational business, the focus of FCR Immobilien AG in the year 2018 was also on the capital market. After commencing the placement of a corporate bond at the beginning of the year, the highlight of the second half of the year was our stock exchange listing on November 7, 2018. The listing in the Scale segment of the Frankfurt Stock Exchange means that the 4,219,558 shares (SIN: A1YC91) in FCR Immobilien AG can now be traded. The shares opened trading with a price of €18.00. The IPO was conducted in two stages: In July 2018, FCR Immobilien AG successfully conducted a capital increase to achieve the required public float of over 20%. The issue of 71,437 new shares as part of the capital increase, the company generated approximately €1 million. The initial public offering then followed in the second stage in November. After previous positive experiences with the capital market with regard to bonds issued in the past, the listing was the next logical step toward the future optimization of FCR Immobilien AG's financing mix and the further strengthening of its equity base.

Despite the volatile market environment shaped by uncertainties concerning the Brexit negotiations, the European Central Bank's interest rate policy and trade disputes between the USA and China, the FCR Immobilien AG share was largely able to hold its ground against strong losses experienced by the indexes. At its peak, the share hit a Xetra price of €18.79. At the end of 2018, the stock closed with a Xetra price of €18.20. Two independent research institutes followed the development of FCR Immobilien AG in 2018. First Berlin Equity Research and SMC Research both issued a buy-recommendation for the share. In its analysis of November 12, 2018, First Berlin set a target price of €25.00 for the share, while SMC Research announced a target of €27.30 in its study dated November 22, 2018.

FCR's capital market activities in 2018 were not limited to the equity activities described above. The company successfully issued an additional corporate bond 2018/2023 (SIN A2G9G6) with a maximum volume of €25 million and a maturity of five years. Approximately €9 million were placed in the public offering between January 31 and February 16, 2018. Thanks to the company's good operational growth and positive perception on the capital market, the IPO was followed by the successful placement of the bond in a private placement in September 2018. The corporate bond has a coupon of 6%, features comprehensive collateralization and is listed on the Frankfurt Stock Exchange. As of December 31, 2018, the bond traded at 101.99%.

The bonds previously issued by FCR Immobilien AG also demonstrated positive price development in 2018. In the past financial year, the 2016/2021 corporate bond (SIN A2BPUC) with a total volume of €15 million and an interest coupon of 7.1% moved within a corridor between 99 and 105.66%. As of December 31, 2018, the bond stood at 102%.

The 2014/2019 bond with an 8.0% coupon and a volume of €1.67 million matured on May 1, 2019 and was then repaid as planned. The €4 million bond was also repaid on schedule.

The General Meeting of FCR Immobilien AG was held on July 23, 2018 in Munich. All items on the agenda were approved unanimously.

The year 2018 also saw our company's CEO meeting with investors at capital market conferences and road shows to familiarize them with FCR Immobilien AG's business model and explain the company's goals. This opportunity was also used to nurture and intensify the contact with journalists, investors and analysts.

The company informs about current business developments and publishes its Semi-annual and Annual Reports can be found in the Investor Relations Center available on the company's website at https://fcr-immobilien.de/. The successful investor relations work of FCR Immobilien AG is supported by Frankfurt-based investor relations consultancy edicto GmbH.

Key data on the FCR Immobilien share:

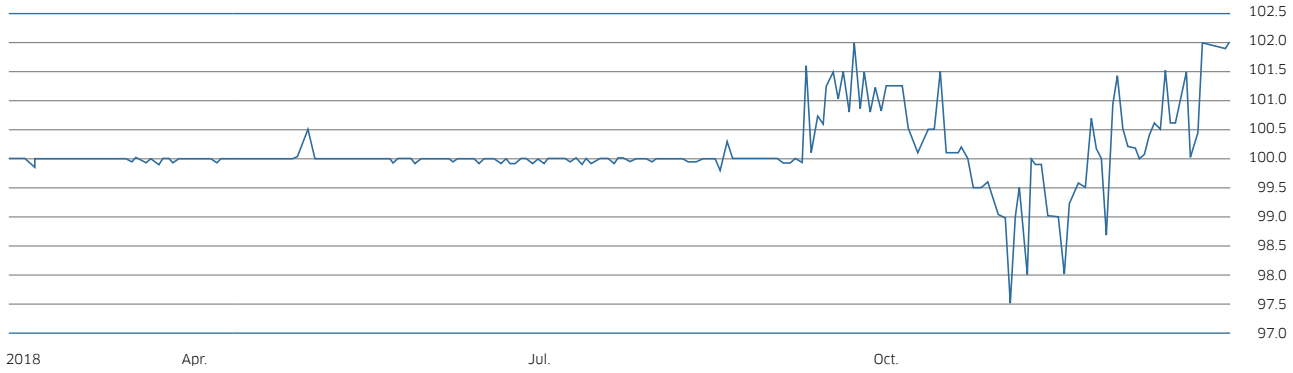
WKN / ISIN:	A2G9G6 / DE000A2G9G64
Stock exchange symbol:	FC9
Share type:	no-par ordinary shares
Share capital:	€4,219,588.00*
Exchange:	Frankfurt Stock Exchange
Also traded on:	Xetra
Transparency level:	Scale segment (open market of the FSE)
Designated sponsor:	BankM–representing the FinTech Group Bank AG

* Share capital: Increase after capital increase in March 2019 from €4,219,588.00 to €4,405,660.00

Key data for the 2019/2024 bond:

WKN / ISIN:	A2TSB1 / DE000A2TSB16
Issue volume (€):	Max. 30 million
Denomination (€):	1,000.00
Maturity:	5 years (ending April 29, 2024)
Interest coupon:	5.25% p.a.
Issue price:	100.00% of the nominal amount per bond
Repayment amount (%):	100.00
Interest payment:	semiannual
First interest payment:	October 30, 2019
Due date:	April 29, 2024
Listing:	Open market (regulated unofficial market), Frankfurt Stock Exchange
Paying agency:	Bankhaus Gebr. Martin AG
Purpose:	Investment-related, expansion of the property portfolio
Collateralization:	Registered mortgages (via trustee)

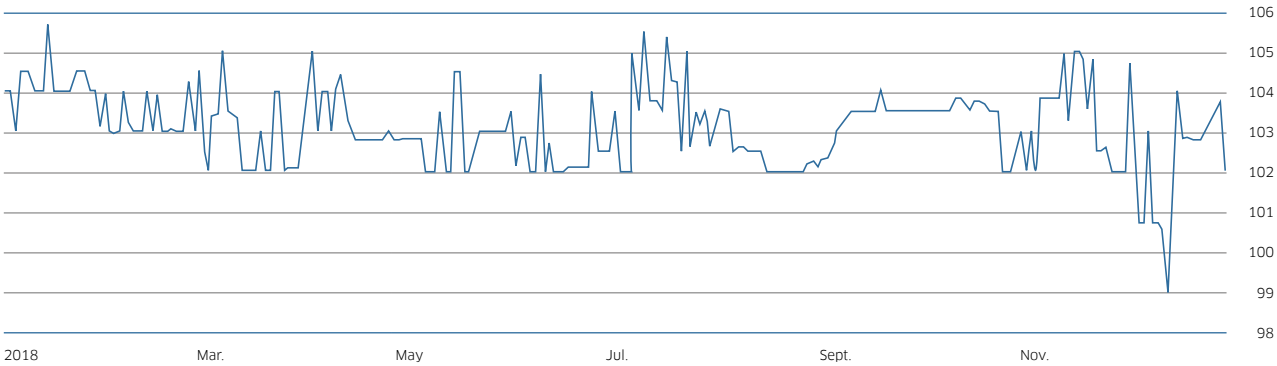
Performance of the 2018/2023 corporate bond



Key data for the 2018/2023 bond

WKN / ISIN:	A2G9G6 / DE000A2G9G64
Issue volume (€):	Max. 25 million, fully placed
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-related, expansion of the property portfolio
Collateralization:	Registered mortgages (via trustee)

Performance of the 2016/2021 corporate bond



Key data for the 2016/2021 bond:

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

Shopping arcade “Stadtpassage” in Salzgitter

Specialist retail store in Hennef

Growing successfully by remaining **anchored** and **innovative**

We understand our business–from acquiring properties at favorable prices to optimizing the properties and ultimately reselling them at profit. And we keep evolving, venturing into new asset classes like hotel properties, or acquire larger properties - always true to our motto: **Continuity and innovation**. We also move in new directions by using tools based on **artificial intelligence** and skillfully implementing our **ambitious ideas** as we consciously look at things from different perspectives. This allows us to purchase the properties that are most attractive to us. We are also not shying back from internationalizing our business and thereby opening up an additional source of income. The continuous progress once again achieved in the past financial year is the key to our success. We live our motto: AI³.

FCR Immobilien


Ki
by FCR

Statement of Financial Position as of December 31, 2018

ASSETS

in €	December 31, 2018	December 31, 2017
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	154,064.01	20,059.00
	154,064.01	**20,059.00**
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on third party land	163,214,214.32	62,758,679.73
2. Technical equipment and machinery	77,097.62	0.00
3. Other assets, office and business equipment	426,819.37	337,978.80
4. Assets under construction	5,208,717.87	6,012,355.29
	168,926,849.18	**69,109,013.82**
III. Financial assets		
1. Lendings to affiliated companies	3,913,233.76	0.00
2. Non-current assets	6,097.60	0.00
3. Other lendings	159,268.00	2,709,192.72
	4,078,599.36	**2,709,192.72**
Total assets	**173,159,512.55**	**71,838,265.54**
B. CURRENT ASSETS		
I. Inventories		
1. Raw, supply and ancillary materials	40,596.02	0.00
2. Finished goods and products	217,672.96	0.00
3. Prepayments made	81,870.00	247,695.55
	340,138.98	**247,695.55**
II. Receivables and other assets		
1. Trade receivables	1,187,414.09	1,757,913.80
2. Receivables from affiliated companies	0.00	0.00
3. Receivables from companies in which an interest is held	0.00	100,000.00
4. Other assets	4,979,206.26	1,020,862.07
	6,166,620.35	**2,878,775.87**
III. Securities		
1. Other securities	858,198.91	0.00
	858,198.91	**0.00**
IV. Liquid funds, credit balances with banks	3,111,807.29	4,946,270.69
Total current assets	**10,476,765.53**	**8,072,742.11**
C. DEFERRED EXPENSES AND ACCRUED INCOME	683,837.18	235,553.63
	184,320,115.26	**80,146,561.28**

LIABILITIES AND EQUITY

in €	December 31, 2018	December 31, 2017
A. EQUITY		
I. Subscribed capital	4,219,588.00	4,148,151.00
II. Capital reserve	1,216,954.58	288,273.58
III. Retained earnings		
1. Statutory reserve	278,915.16	100,487.63
IV. Balance sheet profit	3,322,980.09	2,368,607.41
	9,038,437.83	**6,905,519.62**
B. NEGATIVE ADJUSTMENT FROM REVALUATION	3,043,780.70	0.00
C. PROVISIONS		
1. Provisions for tax	773,448.00	435,294.96
2. Other Provisions	1,238,947.78	1,023,321.55
	2,012,395.78	**1,458,616.51**
D. LIABILITIES		
1. Bonds and debentures	45,676,000.00	20,676,000.00
2. Liabilities to banks	112,127,819.51	49,537,220.87
3. Prepayments received	66,778.90	0.00
4. Trade liabilities	2,406,623.93	591,659.54
5. Other liabilities	6,640,754.99	958,026.64
	166,917,977.33	**71,762,907.05**
E. DEFERRED INCOME AND ACCRUED INCOME	70,697.69	19,518.10
F. DEFERRED TAX LIABILITIES	3,236,825.93	0.00
	184,320,115.26	**80,146,561.28**

Statement of Profit and Loss and Comprehensive Income

for the Financial Year from January 1 to December 31, 2018

in €		January 01.- December 31, 2018	January 01.- December 31, 2017
1. Revenues		37,184,514.84	16,390,719.20
2. Decrease (previous year: increase) of inventories in finished and unfinished products		1,720.00	14,630.00
3. Other operational income		373,844.00	205,500.21
Total turnover and operating income		**37,560,078.84**	**16,610,849.41**
4. Cost of materials			
a) Expenses for raw, supply and ancillary materials and purchased goods	20,998,357.51		8,366,688.24
b) Expenses for purchased services	99,242.62		0.00
		21,097,600.13	**8,366,688.24**
5. Personnel expenses			
a) Wages and salaries	2,788,869.12		1,143,617.67
b) Social expenses - of which for retirement benefits: EUR 2,024.76 (previous year: EUR 255.00)	532,217.88		153,529.84
		3,321,087.00	**1,297,147.51**
6. Amortization, depreciation and asset impairment			
a) on intangible assets classified as non-current assets and on property, plant and equipment	2,625,971.31		1,137,487.26
b) on non-current assets, to the extent they exceed the corporation's ordinary amortization, depreciation and asset impairment	27,294.85		55,358.18
		2,653,266.16	**1,192,845.44**
7. Other operational expenses		3,054,408.71	2,019,426.51
8. Other interest and similar income		427,171.29	643,708.88
9. Impairment of financial assets and securities classified as non-current assets		43,884.38	0.00
10. Interest and similar expenses		4,839,538.89	3,099,950.91
11. Taxes on income and earnings		674,720.44	301,556.13
12. Earnings after taxes		**2,302,744.42**	**976,943.55**
13. Other taxes		879,573.14	2,186.04
14. Profit for the year		**1,423,171.28**	**974,757.51**
15. Profit carried forward from the previous year		2,368,607.41	1,470,709.67
16. Transfer to retained earnings a) to the statutory reserve		178,427.53	76,859.77
17. Distributions to shareholders of the parent company		290,370.57	0.00
18. Changes resulting from a difference in the consolidation scope		-0.50	0.00
19. Net earnings available for appropriation		**3,322,980.09**	**2,368,607.41**

Notes to the Consolidated Financial Statements
as of December 31, 2018

General information on the Consolidated Financial Statements

The Annual Financial Statements for the 2018 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 - 256a 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 statements of professional housing providers of September 22, 1970 (Federal Law Gazette I p. 1334), last modified by Article 8 (12) of the law from July 17, 2015 (Federal Law Gazette I p. 1245) was applies.

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

The same **accounting and measurement methods** as in the previous year's financial statements were applied. The presentation of the Annual Financial Statement was modified. In departure from the previous year's financial statements, the deferral of bond interest (€1,235,677; previous year: €549,831) is no longer recognized in the other provisions, but rather in other liabilities. The adjustment was made to comply with the disclosure requirements.

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

Type of business activity – The Group's business model consists of the acquisition, development and resales of commercial properties in general and specialist retail stores and shopping centers in particular. FCR Immobilien Group has established 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, going by experience, respond stronger 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 sale of these properties.

The Group had an average of 44.1 employees (FTE) over the year.

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
FCR Service GmbH	100%	25,000
FCR Innovation GmbH	100%	25,000
FCR Aken GmbH & Co. KG	100%	100
FCR Altena GmbH & Co. KG	100%	100
FCR Aue GmbH & Co. KG	100%	100
FCR Bad Kissingen GmbH & Co. KG	100%	100
FCR Bamberg GmbH & Co. KG	100%	100
FCR Bottrop GmbH & Co. KG	100%	100
FCR Brandenburg GmbH & Co. KG	100%	100
FCR Brandis GmbH & Co. KG	100%	100
FCR Bremervörde GmbH & Co. KG	100%	100
FCR Buchholz in der Nordheide GmbH & Co. KG	100%	100
FCR Burg GmbH & Co. KG	100%	100
FCR Cottbus GmbH & Co. KG	100%	100
FCR Datteln GmbH & Co. KG	100%	100
FCR Duisburg GmbH & Co. KG	100%	100
FCR Freital GmbH & Co. KG	100%	100
FCR Gera AMTP GmbH & Co. KG	100%	100
FCR Gera BIBC GmbH & Co. KG	100%	100
FCR Glückstadt GmbH & Co. KG	100%	100
FCR Görlitz GmbH & Co. KG	100%	100
FCR Grimmen GmbH & Co. KG	100%	100
FCR Gummersbach GmbH & Co. KG	100%	100
FCR Hennef GmbH & Co. KG	100%	100
FCR Hof GmbH & Co. KG	100%	100
FCR Kaltennordheim GmbH & Co. KG	100%	100
FCR Kitzbühel GmbH & Co. KG	100%	1,000
FCR Lichtentanne GmbH & Co. KG	100%	100
FCR Magdeburg GmbH & Co. KG	100%	100
FCR Monument Investment S.L.	100%	100,000
FCR Munster GmbH & Co. KG	100%	100
FCR Neumünster GmbH & Co. KG	100%	100
FCR Neustrelitz GmbH & Co. KG	100%	100
FCR Nienburg GmbH & Co. KG	100%	100
FCR Pelagone GmbH & Co. KG	100%	1,000
FCR Pössneck GmbH Co. KG	100%	100
FCR Rastatt GmbH & Co. KG	100%	100
FCR Rhaunen GmbH & Co. KG	100%	100

FCR Salzgitter GmbH & Co. KG	100%	100
FCR Salzwedel GmbH & Co. KG	100%	100
FCR Schesslitz GmbH & Co. KG	100%	100
FCR Schleiz GmbH & Co. KG	100%	100
FCR Seesen GmbH & Co. KG	100%	100
FCR Söhlde-Hoheneggelsen GmbH & Co. KG	100%	100
FCR Soltau GmbH & Co. KG	100%	100
FCR Soltau Zentrallager GmbH & Co. KG	100%	100
FCR Stuhr GmbH & Co. KG	100%	100
FCR Uelzen GmbH & Co. KG	100%	100
FCR Wasungen GmbH & Co. KG	100%	100
FCR Weissenfels GmbH & Co. KG	100%	100
FCR Welzow GmbH & Co. KG	100%	100
FCR Westerburg GmbH & Co. KG	100%	100
FCR Wismar 2 GmbH & CO. limited partnership	100%	100
FCR Wittenberge GmbH & Co. KG	100%	100
FCR Wittingen GmbH & Co. KG	100%	100
FCR Würselen GmbH & Co. KG	100%	100
FCR Würzburg GmbH & Co. KG	100%	100
FCR Zerbst GmbH & Co. KG	100%	100
FCR Zeulenroda GmbH & Co. KG	100%	100

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

FCR Immobilien AG holds 100% of the limited partnership shares in each of the above-mentioned companies in the legal form the GmbH & Co. KG.

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.

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.

The initial consolidation (capital consolidation) ofFCR Pelagone GmbH & Co. KG on July 1, 2018 resulted in deferred tax liabilities that are attributable to the disclosure of hidden reserves stemming from the equity remeasurement. The average group tax rate used for the deferred tax assets is 28.6%.

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 or their nominal value. Impairments that are expected to be permanent have been recognized.

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.

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.

Supplementary disclosures concerning the Consolidated Statement of Financial Position

Intangible assets

The intangible assets of €154,000 (previous year: €20,000) predominantly consist of licenses and computer software.

Property, plant and equipment

As of the balance sheet date, property plant and equipment had a carrying value of €168,927,000 (previous year: €69,109,000). Of this amount, land parcels account for €163,214,000 (previous year: €62,759,000).

Financial assets

Financial assets amounted to €4,079,000 (previous year: €2,709,000) and included lendings to affiliated companies in an amount of €3,913,000.

Asset analysis

Reference is made to the asset analysis (Notes to the Consolidated Financial Statements) with respect to the development of the intangible assets and property, plant and equipment assets.

In exercise of the option available pursuant to Section 6 (2) Income Tax Act, low-value non-current assets with acquisition or production costs of more than €150.00 and up to €800.00 that are capable of being used independently are fully written off and recognized as disposed in the financial year they were acquired. The immediate write-off for low-value assets is thus recognized as an addition and disposal.

The immediate write-offs amounted to €30,634.63.

Inventories

This item concerns already incurred but not yet billed CAM from tenancies after deduction of the prepayments received from advance payments of CAM €218 (previous year €0). It further contains prepayments made in an amount of €82,000 (previous year: €248,000) as well as raw, supply and auxiliary materials in an amount of €41,000 (previous year: €0) resulting from hotel operations.

Receivables and other assets

The trade receivables of €1,187,000 (previous year: €1,758,000) include outstanding rental payments. All of them have a residual term of less than one year. The other assets include deposit payments on property purchase prices and also have residual terms of less than one year.

Credit balances with banks

The credit balances with banks consist of current account credit balances of €3,112,000 (previous year: €4,946,000).

Deferrals and accruals

The deferral and accruals in the amount of €684,000 (previous year: €236,000) mainly concern capitalized discounts and smaller prepayments pursuant to Section 250 (3) German Commercial Code that are economically attributable to the year 2019.

Equity

The share capital of €4,219,588.00 is broken down into:

Share capital	€
4,219,588 ordinary shares with a nominal value of €1.00 each.	4,219,588

The shares are registered shares.

Disclosures concerning the authorized capital

The Executive Board, subject to approval by the Supervisory Board, is authorized to increase the share capital on or before August 4, 2021 once or multiple times up to a total of €592,593.00 by issue of new shares against cash or non-cash contributions.

The remaining authorized capital as of August 4, 2021 was €521,156.00 with an expiry date on August 4, 2021.

Development of capital reserves

A capital increase that was partially funded by the authorized capital was carried out during the financial year. This saw the placement of 71,437 new ordinary shares at a price of €14.00. The amount of €928,681.00 in placement proceeds that exceeded the theoretical par value of the ordinary shares was recognized in the capital reserves.

Provisions for tax

The provisions for tax concern provisions for corporation income tax for the years 2017 (€210,000) and 2018 (€563,000).

Other Provisions

The provisions concern, in particular, the following types of material provisions:

- Provisions for financial reporting and audit in an amount of €237,000 (previous year: €142,000)
- Provisions for property management and CAM in an amount of €216,000 (previous year: €130,000)
- Provisions for personnel expenses in an amount of €82,000 (previous year: €47,000)
- Provisions for paid leave in an amount of €26,000 (previous year: €27,000)
- Provisions for compliance with retention obligations in an amount of €5,000 (previous year: €5,000)
- Other provisions in an amount of €670,000 (previous year: €122,000)

Liabilities

The analysis of liabilities sets out the residual terms and securities of liabilities:

Liability type	Total amount	of which with a residual term of			Secured amounts	Security type
In € thousand		up to 1 year	1-5 years	more than 5 years		
I. Liabilities to banks	112,128	8,161	22,278	81,688	112,128	Mortgage, assignment of rental claims
II. Liabilities from bonds						Mortgage
WKN A1YC5F	1,676	1,676	-	-	1,676	Mortgage
WKN A12TW8	4,000	4,000	-	-	4,000	Mortgage
WKN A2BPUC	15,000	-	15,000	-	15,000	Mortgage
WKN A2G9G6	25,000	-	25,000	-	25,000	Mortgage
III. Prepayments received	67	67	-	-	-	-
IV. Trade liabilities	2,407	2,407	-	-	-	-
V. Other liabilities	6,641	6,626	15	-	-	-
Tax liabilities	209	209	-	-	-	-
Liabilities associated with social security	2	2	-	-	-	-
Total	**166,918**	**22,936**	**62,293**	**81,688**	**157,804**	

As of the balance sheet date December 31, 2018, the bonds include interest in an amount of €1,236,000.

Deferred tax liabilities

Deferred tax liabilities in an amount of €3,245,000 were formed as a result of the remeasurement of equity in connection with the initial consolidation of the subgroup of FCR Pelagone GmbH & Co. KG. The difference essentially results from the remeasurement of the developed land parcels on the company's accounts. The remeasurement detected silent reserves in an amount of €11,340,000 with this company. These were measures at the Group's average tax rate of 28.6%. Deferred tax liabilities of €8,000 were reversed during the financial year and resulted in a balance of €3,237,000 at the end of the financial year.

Disclosures concerning the Statement of Comprehensive Income

The revenues include rental income of €15,933,000 (previous year: €8,490,000) and proceeds from the sale of land parcels in an amount of €21,252,000 (previous year: €7,901).

The other operational income in an amount of €374,000 (previous year: €206,000) concerns income from the reversal of provisions.

Property-related expenses include the expenses for properties for sale in an amount of €16,078,000 (previous year: €3,259,000) and property expenses and other operational expenses in an amount of €4,920,000 (previous year: €5,108).

The personnel expenses include wages and salaries in an amount of €2,789,000 (previous year: €1,144,000) and social expenses in an amount of €532,000 (previous year: €154,000).

The amortization expenses concern intangible assets in an amount of €34,000 (previous year: €17,000), amortization on buildings of €2,484,000 (previous year: €1.054,000), other property, plant and equipment in an amount of €109,000 (previous year: €67,000) and non-current assets in an amount of €27,000 (previous year: €55,000).

The other operational expenses of €3,054,000 (previous year: €2,019,000) 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 essentially includes bond interest income in an amount of €198,000 (previous year: €539,000).

The item interest and similar expenses includes bond interest for the "€10,million bond" of €184,000 (previous year: €184,000), for the "€4 million bond" in the amount of €440,000 (previous year: €440,000), for the "€15 million bond" in the amount of €1,065,000 (previous year: €1.228,000) and for the "€25 million bond" in the amount of €1,295,000 (previous year: €0). It also includes interest of the company in an amount of €44,000 (previous year: €96,000) The remaining amount concerns loan interest of the property holding companies.

Other disclosures

Contingent liabilities

FCR Immobilien AG is liable to banks for loans of €2,795,000 granted to its subsidiaries.

Other financial liabilities

There are other financial liabilities in the amount of €160,000 p.a. in addition to the liabilities reported in the Statement of Financial Position. These include, in particular, tenancy agreements with annual payments of €86,000 and leasing contracts with annual payments of €74,000.

Due to the fact that the company has assets of a value that exceeds the liabilities of affiliated companies secured by the aforementioned contingent liabilities, it is unlikely that the contingent liabilities will invoked.

Executive Board and Supervisory Board

CEO
Falk Raudies, businessman, Munich

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

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 264b German Commercial Code:

FCR Aken GmbH & Co. KG
FCR Altena GmbH & Co. KG
FCR Aue GmbH & Co. KG
FCR Bad Kissingen GmbH & Co. KG
FCR Bamberg GmbH & Co. KG
FCR Bottrop GmbH & Co. KG
FCR Brandenburg GmbH & Co. KG
FCR Brandis GmbH & Co. KG
FCR Bremervörde GmbH & Co. KG
FCR Buchholz in der Nordheide GmbH & Co. KG
FCR Burg GmbH & Co. KG
FCR Cottbus GmbH & Co. KG
FCR Datteln GmbH & Co. KG
FCR Duisburg GmbH & Co. KG
FCR Freital GmbH & Co. KG
FCR Gera AMTP GmbH & Co. KG
FCR Gera BIBC GmbH & Co. KG
FCR Glückstadt GmbH & Co. KG
FCR Görlitz GmbH & Co. KG
FCR Grimmen GmbH & Co. KG
FCR Gummersbach GmbH & Co. KG
FCR Hennef GmbH & Co. KG
FCR Hof GmbH & Co. KG
FCR Kaltennordheim GmbH & Co. KG
FCR Lichtentanne GmbH & Co. KG
FCR Magdeburg GmbH & Co. KG
FCR Munster GmbH & Co. KG
FCR Neumünster GmbH & Co. KG
FCR Neustrelitz GmbH & Co. KG
FCR Nienburg GmbH & Co. KG
FCR Pössneck GmbH Co. KG
FCR Rastatt GmbH & Co. KG
FCR Rhaunen GmbH & Co. KG
FCR Salzgitter GmbH & Co. KG
FCR Salzwedel GmbH & Co. KG
FCR Schesslitz GmbH & Co. KG
FCR Schleiz GmbH & Co. KG
FCR Soltau GmbH & Co. KG
FCR Seesen GmbH & Co. KG
FCR Söhlde-Hoheneggelsen GmbH & Co. KG
FCR Soltau Zentrallager GmbH & Co. KG
FCR Stuhr GmbH & Co. KG
FCR Uelzen GmbH & Co. KG
FCR Wasungen GmbH & Co. KG
FCR Weissenfels GmbH & Co. KG
FCR Welzow GmbH & Co. KG
FCR Westerburg GmbH & Co. KG
FCR Wismar 2 GmbH & CO. KG
FCR Wittenberge GmbH & Co. KG
FCR Wittingen GmbH & Co. KG
FCR Würselen GmbH & Co. KG
FCR Würzburg GmbH & Co. KG
FCR Zerbst GmbH & Co. KG
FCR Zeulenroda GmbH & Co. KG

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:

Based on the authorization granted by the General Meeting on July 25, 2016, a total of 186,072 new shares with a subscription price of €17.50 were placed. The **capital increase** was registered on March 15, 2019.

The company has issued a fifth bond with securities identification number A2TSB1. The issue volume is capped at €30 million. The interest rate is 5.25%. The bond has a term of five years and matures on April 30, 2024. It was listed on the Frankfurt Stock Exchange on April 30, 2019.

Acquisitions / contracts made before a Notary Public from/in the year **2018 settled after the balance sheet date December 31, 2018.** In detail:

- Specialist retail store in Aken/Saxony-Anhalt (settled in January 2019)
  The fully leases property in Aken is located on a land parcel of around 4,800 m² and has a leasable floor space of more than 1,000 m². There are also around 80 car parking spaces. The anchor tenant is a NP supermarket with a long lease. The NP supermarkets are part of EDEKA Group, which is the main tenant in a number of properties owned by FCR Immobilien AG. The purchase price was agreed to remain confidential, but is lower than the ten-fold annual rent not including utilities. The tenancy agreement has a remaining term of more than 7.5 years. The neighborhood supermarket in Aken has been established at its location for many years and is positioned directly on a main road. The town has a population of around 8,000.

- Hotel "Schlosshotel Westerburg", Saxony-Anhalt (settled in February 2019)
  The castle on a parcel of around 4,900 m² was renovated in several stages and has been used as a successful, multiple award-winning 4-star hotel with a residential floor space of around 5,200 m² since July 2000. The hotel features the latest building and energy systems as well as a newly constructed spa area, various facilities for conferences and events and a large original baroque chapel. Generous landscaped parks of around 36,000 m² are also part of the hotel property.

- Residential building in Köpenick/Berlin (settled in March 2019)
  The residential building from 1925 was modernized in 2000 and houses eight apartments with a total residential floor space of 457 m². The property is fully leased.

Acquisitions / contracts made before a Notary Public from/in the year **2019** that settled after the balance sheet date December 31, 2018:

- Neighborhood shopping center in Söhlde (settled in April 2019)
  This building from 2007 was most recently modernized and extended in 2018 and has a retail floor space of more than 1,700 m². It generates an annual rental income of just under €200,000. The property is established at its location, fully leased and sits on a parcel of 12,000 m² with 120 car parking spaces. It is within easy reach for the local residents. The town of Söhlde has a population of around 8,000, the nearest larger town is Salzgitter in Lower Saxony, which is around 20 kilometers away.

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

- Shopping arcade in Salzgitter/Lower Saxony
  This property was purchased in 2014 via the fully owned subsidiary FCR Salzgitter KG. The shopping arcade was constructed in 1985, has a total floor space of around 8,600 m² and is located in the middle of the pedestrian zone of Salzgitter. In addition to the highly frequented shopping mall with many prominent retailers as tenants, e.g. Rossmann and Fielmann, the property also houses residential and office units over a total of six floor levels.

- Shopping center in Hennef/North Rhine-Westphalia
  This property was sold via the fully owned subsidiary FCR Hennef GmbH & Co. KG. The company had been holding the building with a total floor space of around 3,950 m² and construction year 1974 since the second half-year of 2016. The property is fully leased with HIT as the anchor tenant.

- Specialist retail center in Würzburg/Bavaria
  This property was purchased in 2017 via the fully owned subsidiary FCR Würzburg GmbH & Co. KG. The specialist retail center with a retail floor space of around 1,900 m² sits on a parcel of around 3,500 m² and is located on the eastern fringe of Würzburg. It was constructed in 2001. Over the course of 18 months, FCR has implemented successful asset management measures at the location. In an addition to an extension of the tenancy agreement, one commercial unit was released to a new tenant. The tenants in the fully leased property are Detlev Loius, Europe's leading chain for motorcycles and leisure activities, Schäfer Shop, a leading main order company for office supplies and the well-known pet food retail chain Fressnapf.

No further events of material significance occurred between the balance sheet date December 31, 2018 and the date of this supplementary report.

Munich, May 14, 2019
FCR Immobilien AG

Falk Raudies
CEO

Analysis of assets (gross)

as of December 31, 2018 - German Commercial Code

in €	Acquisition or production costs					
Non-current assets	as of: Jan. 1, 2018	Additions	Transfers	Change in consolidation scope	Disposals	as of: Dec. 31, 2018
I. Intangible assets						
1. purchased concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets	56,465.16	167,208.00	0.00	308.01	0.00	223,981.17
	56,465.16	**167,208.00**		**308.01**	**0.00**	**223,981.17**
II. Property, plant and equipment						
1. Land, leasehold rights and buildings, including buildings on third party land	64,868,094.54	118,480,717.37	902,799.66	15,639,998.67	27,504,329.00	172,387,281.24
2. Technical equipment and machinery	0.00	0.00	0.00	1,795,291.20	0.00	1,795,291.20
2. other assets, business and office equipment	435,400.15	88,535.22	0.00	2,376,111.79	0.00	2,900,047.16
3. Assets under construction	6,012,355.29	0.00	-902,799.66	99,162.24	0.00	5,208,717.87
	71,315,849.98	**118,569,252.59**		**19,910,563.90**	**27,504,329.00**	**182,291,337.47**
III. Financial assets						
1. Lendings to affiliated companies	0.00	3,913,233.76	0.00	0.00	0.00	3,913,233.76
1. Non-current assets	0.00	6,097.60	0.00	0.00	0.00	6,097.60
2. Other lendings	2,709,192.72	50,922.21	0.00	0.00	2,600,846.93	159,268.00
	2,709,192.72	**3,970,253.57**	**0.00**	**0.00**	**2,600,846.93**	**4,078,599.36**
	74,081,507.86	122,706,714.16	0.00	19,910,871.91	30,105,175.93	186,593,918.00

Amortization						Carrying values	
as of: Jan. 1, 2018	Amortization in the financial year	Transfers	Change in consolidation scope	Disposals	as of: Dec. 31, 2018	as of: Dec. 31, 2018	as of: Dec. 31, 2017
36,406.16	33,511.00	0.00	0.00	0.00	69,917.16	154,064.01	20,059.00
36,406.16	**33,511.00**		**0.00**	**0.00**	**69,917.16**	**154,064.01**	**20,059.00**
2,109,414.81	2,483,602.44	0.00	16,006,241.07	11,426,191.40	9,173,066.92	163,214,214.32	62,758,679.73
0.00	29,648.27	0.00	1,688,545.31	0.00	1,718,193.58	77,097.62	0.00
97,421.35	79,209.60	0.00	2,296,596.84	0.00	2,473,227.79	426,819.37	337,978.80
0.00	0.00	0.00	0.00	0.00	0.00	5,208,717.87	6,012,355.29
2,206,836.16	**2,592,460.31**		**19,991,383.22**	**11,426,191.40**	**13,364,488.29**	**168,926,849.18**	**69,109,013.82**
0.00	0.00	0.00	0.00	0.00	0.00	3,913,233.76	0.00
0.00	0.00	0.00	0.00	0.00	0.00	6,097.60	0.00
0.00	0.00	0.00	0.00	0.00	0.00	159,268.00	2,709,192.72
0.00	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**4,078,599.36**	**2,709,192.72**
2,243,242.32	2,625,971.31	0.00	19,991,383.22	11,426,191.40	13,434,405.45	173,159,512.55	71,838,265.54

Consolidated Cash Flow Statement

for the Financial Year from January 1 to December 31, 2018

In € thousand		2018	2017
	Profit or loss for the period (consolidated net profit/loss incl. other shareholders' share in the profit/loss)	**1,423**	**975**
+/-	Amortization/write-ups on non-current assets	2,626	1,137
+/-	Increase/reduction of provisions	554	317
+/-	Loss/gain from the disposal of non-current assets	-5,174	-4,642
-/+	Increase/reduction of inventories, trade receivables and other assets not classified as investment or financing activity	-3,829	2,854
+/-	Increase/reduction of inventories, trade liabilities and other liabilities not classified as investment or financing activity	10,852	-37
+/-	Interest expenses/interest income	4,412	2,456
+/-	Expenses/income from taxes on profits and earnings	675	-370
+/-	Payments of taxes on profits and earnings	-203	-370
	Rounding	0	0
=	**Cash flow from operating**	**11,337**	**2,690**
-	Withdrawals for investments into intangible non-current assets	-166	-10
+	Deposits from disposals of property, plant and equipment assets	21,252	7,901
-	Withdrawals for investments into property, plant and equipment	-118,569	-41,705
+	Deposits from disposals of financial non-current assets	2,601	-1,003
-	Withdrawals for investments into financial assets	-3,970	25
+	Reduction of financial assets resulting from a difference in the consolidation scope		
+	Deposits resulting from financial investments for short-term liquidity planning		
-	Withdrawals resulting from financial investments for short-term liquidity planning	-902	
+	Interest received	427	644
	Rounding		0
=	**Cash flow from investment activities**	**-99,328**	**-34,148**
+	Deposits from equity capital contributions by shareholders of the parent company		0
+	Deposits from equity contributions from other shareholders	3,256	0
+	Deposits from the issue of bonds and assumption of (financial) loans	108,390	33,192
-	Withdrawals for the repayment of bonds and (financial) loans	-20,799	
-	Interest paid	-4,401	-3,100
-	Dividend payments to shareholders of the parent company	-290	0
-	Dividend payments to other shareholders		
	Rounding		0
=	**Cash flow from financing activities**	**86,156**	**30,092**
=	**Cash flow from**		
	operating activities	**11,337**	**2,690**
	- Investment activity	**-99,328**	**-34,148**
	- Financing activity	**86,156**	**30,092**
	Changes in cash and cash equivalents	**-1,835**	**-1,366**
	Cash and cash equivalents as of January 1	**4,946**	**6,312**
	Cash and cash equivalents as of December 31	**3,111**	**4,946**

Consolidated Statement of Changes in Equity

for the Financial Year from January 1 to December 31, 2018

in €

	Subscribed capital	Capital reserve	Retained earnings	Net earnings available for appropriation	Total consolidated equity
	no-par ordinary shares	pursuant to Section 272 (2) no. 1-3 German Commercial Code	Statutory reserve	Total net profit available for appropriation	
as of January 1	**4,148,151.00**	**288,273.58**	**100,487.63**	**2,368,607.41**	**6,905,519.62**
Capital increase / decrease	**71,437.00**	**928,681.00**	**0.00**	**0.00**	**1,000,118.00**
Issue of shares	71,437.00	928,681.00		0.00	**1,000,118.00**
Purchase/disposal o f treasury shares	0.00	0.00	0.00	0.00	**0.00**
Cancellation of shares	0.00	0.00	0.00	0.00	**0.00**
Capital increase from treasury funds	0.00	0.00	0.00	0.00	**0.00**
Collection/payment of uncalled capital contributions	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Allocation to / withdrawals from reserves	**0.00**	**0.00**	**178,427.53**	**-178,427.53**	**0.00**
Distribution	**0.00**	**0.00**	**0.00**	**-290,370.57**	**-290,370.57**
Currency translation	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Other changes	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Changes to the consolidation scope	**0.00**	**0.00**	**0.00**	**-0.50**	**-0.50**
Consolidated profit/loss for the year	**0.00**	**0.00**	**0.00**	**1,423,171.28**	**1,423,171.28**
as of December 31	**4,219,588.00**	**1,216,954.58**	**278,915.16**	**3,322,980.09**	**9,038,437.83**

Group Management Report of FCR Immobilien Group
for the Financial Year 2018

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 company was included in the scale segment of the Frankfurt Stock Exchange on November 7, 2018.

The business model of FCR Immobilien Group (also "FCR" hereafter) 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, industrial properties) is also a possible option for FCR.

FCR 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, 2018, FCR's property portfolio was comprised of 58 properties with a usable floor space of around 248,000 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 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 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 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's portfolio

As of the reporting date December 31, 2018, the weighted residual term of the fixed interest contracts was approx. 10 years with an average interest rate of 2.0% p.a.

The loan contracts usually take the form of annuity loans and in most cases provide for a high principal repayment rate. As of the reporting date December 31, 2018, the principal repayment rate across the entire property portfolio of FCR was around 9.6% 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'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 generates the largest extent of its income from the leasing 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.

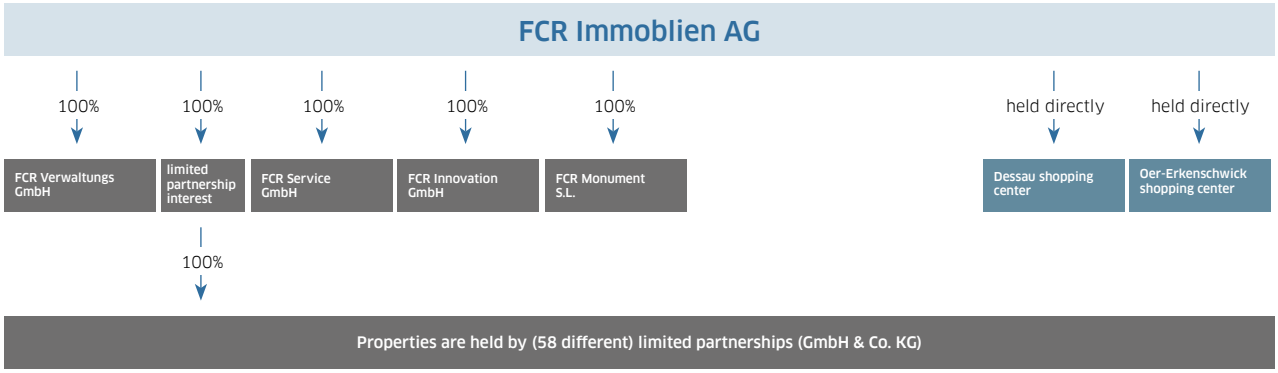
a) FCR Verwaltungs GmbH
FCR Verwaltungs GmbH is a fully owned subsidiary of FCR Immobilien AG. The subsidiary's business activities are limited to asset management.

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. The company holds one property in Spain.

d) FCR Innovation GmbH
This company was formed in 2018 and is fully owned by FCR Immobilien AG. The company's object is software development and the holding of participating interests in other companies, particularly in the area of "artificial intelligence".

The corporate group's structure as of the balance sheet date on December 31, 2018 presents as follows:



1.3 Property portfolio as of December 31, 2018

1.3.1 Movements in the property portfolio 2018

At the beginning of the year, on January 1, 2018, the directly or indirectly held property portfolio of FCR Immobilien Group AG consisted of a total of 41 properties with a total usable floor space of approx. 175,000 m².

26 additional properties with a usable floor space of 97,000 m² were acquired during the financial year, 9 other properties with a usable floor space of approx. 24,000 m² were sold in the same year. This resulted in an expansion of the overall property portfolio of FCR Immobilien Group by 73,000 m² to now 58 properties with a total usable floor space of 248,000 m² as of December 31, 2018.

New acquisitions:

The following 25 properties were newly acquired in 2018 (in alphabetic order): Bottrop, Bremervörde, Buchholz, Freital, Glückstadt, Görlitz, Kaltennordheim, Lichtentanne, Monument, Munster, Neumünster, Nienburg, Pelagone, Rastatt, Salzwedel, Soltau (2 properties), Stuhr, Uelzen (2 properties), Wasungen, Weissenfels (3 properties), Wittingen and Zerbst. All new acquisitions were integrated in the portfolio of FCR via separate property holding companies.

The total net rental income from the newly acquired properties amounted to €7.5 million p.a., while the total new investments - meaning the total purchase prices (excl. incidental acquisition expenses) amounted to €93.3 million.

Property sales:

The second earnings pillar of FCR 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 Immobilien Group successfully sold a total of nine properties in the 2018 financial year. The sale of the properties (in alphabetic order) in Bernburg, Bückeburg, Burgdorf, Dresden, Oldenburg, Seelze, Triptis, Twistringen and Wismar returned a leasable floor space of 24,000 m² to the market.

The grand total of the sales prices for the nine properties amounted to €21.2 million.

Overview of portfolio movements 2018

	Number Properties	Usable floor space (in thousand m²)	Net rental income (in € million)	Transaction volume (in € million)
Acquisitions 2018	26	96	7.5 Mio.	93.3 Mio.
Sales 2018	9	24	1.9 Mio.	21.2 Mio.
Net portfolio growth	17	72	5.6 Mio.	72.1 Mio.

The past financial year saw FCR's annual net rental income after adjustment for additions and disposals increase to €5.6 million.

The net investments, i.e. the balance of property additions and disposals, measured at purchase prices excluding incidental expenses amounted to €72.1 million.

1.3.2 Property portfolio as of December 31, 2018

As of December 31, 2018, the directly or indirectly held property portfolio of FCR consisted of a total of 58 properties with a total usable floor space of approx. 248,000 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, 2018.

	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	12,363	36.4%	KIK	12.2%
Specialist retail store in Aue (Saxony)	2003	650	100.0%	Takko	10.6%
Supermarket in Bad Kissingen (Bavaria)	2005	1,037	100.0%	Net	14.8%
Student residence in Bamberg (Bavaria)	Project development	4,200	-	-	-
Commercial building in Bottrop (North Rhine-Westphalia)	1970	5,137	100.0%	Mensing	8.8%
Supermarket in Brandis (Saxony)	1994	2,220	100.0%	Norma	13.1%
Specialist retail store in Bremervörde (Lower Saxony)	2003	2,713	100.0%	Jawoll	8.7%
Specialist retail store in Buchholz (Lower Saxony)	2012/2017	4,800	100.0%	Jawoll	8.4%
Specialist retail center in Burg (Schleswig-Holstein)	1994	2,074	100.0%	Jawoll	8.0%
Shopping center in Cottbus (Brandenburg)	1999	4,835	43.7%	REWE	28.5%
Supermarket in Datteln (North Rhine-Westphalia)	2006	1,037	95.2%	Net	10.5%
Damaschke-Center in Dessau (Saxony-Anhalt)	1992	3,755	53.8%	Aldi, KIK	16.9%
Office and retail building in Duisburg (North Rhine-Westphalia)	Project development	14,609	-	-	-
Garden center in Frankenberg (Hesse)	Project development	5,000	-	-	-
Specialist retail center in Freital (Saxony)	2010	1,459	100.0%	Expert	7.2%
Shopping center in Gera (Amthor-Passage) (Thuringia)	2000	8,246	60.1%	Intersport	9.3%
Shopping center in Gera (Bieblach-Center) (Thuringia)	1994	18,077	70.0%	Roller	24.1%
Specialist retail store in Glückstadt (Schleswig-Holstein)	1974	2,000	100.0%	Jawoll	9.6%
Specialist retail center in Görlitz (Saxony)	1996	1,004	100.0%	Action	13.1%

Specialist retail center in Grimmen (Saxony)	2000	2,045	90.7%	Norma	15.8%
Shopping center in Gummersbach (North Rhine-Westphalia)	1974	3,965	60.9%	Takko	13.5%
Specialist retail store in Hennef (North Rhine-Westphalia)	1977	3,949	100.0%	HIT	24.8%
Specialist retail store in Hof (Bavaria)	1992	928	100.0%	Takko	13.6%
Specialist retail store in Kaltennordheim (Thuringia)	2010	1,045	100.0%	Net	10.1%
Hotel Kitzbühel (Bavaria)	2008	768	100.0%	Hotel	4.9%
Specialist retail center in Lichtentanne (Saxony)	1995	1,496	100.0%	Penny	9.4%
Shopping center in Magdeburg (Saxony-Anhalt)	1979	2,971	83.3%	Edeka	18.1%
Monument (Spain)	Project development		-	-	-
Specialist retail store in Munster (Lower Saxony)	1976	2,347	100.0%	Jawoll	11.9%
Specialist retail store in Neumünster (Schleswig-Holstein)	1988	3,100	100.0%	Jawoll	8.2%
Shopping center in Neustrelitz (Mecklenburg-Western Pomerania)	1963/2015	2,596	100.0%	Penny	20.6%
Specialist retail store in Nienburg (Lower Saxony)	1983	3,029	100.0%	Jawoll	9.5%
Specialist retail store in Oer-Erkenschwick (North Rhine-Westphalia)	1978	6,420	100.0%	T. Philipps	10.6%
Pelagone (Italy)		6,081	100.0%	Hotel	5.6%
Specialist retail center in Pössneck (Thuringia)	1992	7,564	100.0%	OBI	15.0%
Shopping center in Rastatt (Baden-Württemberg)	2015	21,739	76.2%	Edeka	6.6%
Supermarket in Rhauen (Rhineland-Palatinate)	2006	1,290	100.0%	Lidl	25.4%
Stadtpassage Salzgitter (Lower Saxony)	1967/1985	8,537	91.1%	Rossmann	15.8%
Specialist retail store in Salzwedel (Saxony-Anhalt)	2007	6,017	100.0%	Jawoll	9.1%
Supermarket in Schesslitz (Bavaria)	2003	930	100.0%	Norma	8.2%
Specialist retail center in Schleiz (Thuringia)	1993	6,540	43.7%	CleverFit	36.8%
Shopping center in Seesen (Lower Saxony)	1982/2000	9,688	43.1%	Schwager	8.7%
Specialist retail store in Soltau (Lower Saxony)	1988	3,600	100.0%	Jawoll	9.1%

Specialist retail store in Soltau (Lower Saxony)	1991	8,430	100.0%	Jawoll	9.2%
Specialist retail center in Stuhr (Lower Saxony)	2003	1,904	100.0%	Dänisches Bettenlager	8.6%
Specialist retail store in Uelzen (Lower Saxony)	2007	5,082	100.0%	Jawoll	8.3%
Specialist retail store in Uelzen (Lower Saxony)	2007	2,514	100.0%	Jawoll	8.9%
Specialist retail store in Wasungen (Thuringia)	2007	1,064	100.0%	Net	9.9%
3 residential buildings in Weissenfels (Saxony-Anhalt)	1905, 1900, 1996	1,472	100.0%	Residential	12.8%
Specialist retail center in Welzow (Brandenburg)	1994	1,553	100.0%	Norma	12.0%
Shopping center in Wismar (2) (Mecklenburg-Western Pomerania)	1999	3,800	46.3%	Various	15.1%
Supermarket in Wittenberge (Brandenburg)	1995	1,604	96.8%	Norma	12.1%
Specialist retail store in Wittingen (Lower Saxony)	2003	4,261	100.0%	Jawoll	8.6%
Specialist retail center in Würzburg (Bavaria)	2001	1,991	100.0%	Louis	10.7%
Specialist retail store in Zerbst (Saxony-Anhalt)	1996	6,615	100.0%	REPO	11.3%
Shopping center in Zeulenroda (Thuringia)	1900	5,577	66.0%	Rossmann	11.7%

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 44.1 persons in the reporting period. An average of 17.3 persons were employed in the first quarter (January 1 -March 31, 2018), 20.3 persons in the second quarter (April 1 -June 30, 2018), 71.0 persons in the third quarter (July 1 -September 30, 2018), and 67.8 persons in the fourth quarter (October 1-December 31, 2018).

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

Germany's economy continued to grow in the year 2018, albeit at a slower pace than in the previous year. According to data released by the Federal Statistics Office (Destatis), the inflation-adjusted gross domestic product (GDP) increased by 1.4% for the full year, down from 2.2% in the previous year. In the first two quarters of 2018, GDP growth amounted to 0.4% and 0.5% respectively. The economic output contracted by 0.2% in the third quarter. The GDP growth in the last quarter of 2018 remained on par with the previous quarter. 2018 was the ninth consecutive year of economic growth in Germany, despite a drop in the growth dynamic. The GDP increase in the year 2018 is nevertheless above the 10-year average, which currently sits at 1.2% growth after adjustment for inflation.

The year 2018 saw impetus for economic growth in Germany mainly originating from the domestic sources. Consumption and investments were important growth drivers. After adjustment for inflation, both private consumption spending as well as public consumption spending were 1 percent higher than the previous year. The inflation-adjusted gross investments increased by 5.4% over the previous year. Construction investments increased by 2.4%, while inflation-adjusted investments in equipment were 4.2% higher than in the previous year.

Germany's export industry continued to grow in the year 2018. The inflation-adjusted exports of goods and services increased by 2.0% over the previous year. Imports on the other hand increased by 3.3% in the same period and slightly slowed the country's GDP growth.

Destatis further states that the gross value added has increased across virtually all economic sectors - an indicator for the broad foundation underpinning Germany's economic growth. For the first time in five years, the service sector's economic dynamic exceeded that of the manufacturing industries.

The number of people in gainful employment in Germany reached a new record high in the year 2018. According to Destatis, Germany's economic output was generated by an average of 44,800,000 people in gainful employment at workplaces within Germany. This means that 562,000 more persons than in the precious year were in gainful employment, a percentage increase of 1.3%. A higher number of people in gainful employment and the migration of skilled workers from foreign countries allowed Germany to compensate certain age-related demographic developments.[1]

According to estimates from the EU Statistics Office Eurostat, the past financial year saw GDP growth continuing in the EU28 countries as well as in the Eurozone with its 19 member countries using the Euro as their currency, even though the dynamic was slower than in the previous year. In 2018, the seasonally- and calendar-adjusted GDP of the EU28 countries grew by 1.9%. The growth was 1.8% in the Eurozone countries. In the previous year, the growth rate was 2.4% for both the Eurozone and the EU28 countries.[2]

2.2. Industry situation

2.2.1. The commercial property market in Germany [3]

The year 2018 was dominated by political uncertainties in many areas. This had the following consequences for the commercial property market in Germany: Investors continued to look for a safe harbor, which they found in the real property asset class. This resulted in the investment market for commercial properties in Germany continuing its positive development for the ninth consecutive year. According to data from Jones Lang LaSalle (JLL), the investment market for commercial properties delivered a new record with a transaction volume of €60.3 billion in the year 2018. JLL states that this corresponds to a volume increase of 6% over the previous year. If the use category "living" is added to the total volume, the transaction volume for the year 2018 increases to €79 billion.

The year 2018 saw investors once again focusing on office properties, which according to JLL accounted for around 37% of the total transaction volume. This corresponds to approximately €29 billion of investments flowing into this asset class in the year 2018. Residential properties with their various subcategories, such as nursing care properties or student apartments, took the second place with a share of 27% in the total transaction volume. This asset class has established itself as an alternative for investors. Retail properties accounted for approximately 13% of the transaction volume and took the third place among the most popular asset classes in the year 2018. An interesting observation in 2018 was the cautious approach of investors in the shopping center segment. According to JLL, shopping centers and specialist retail centers have become the new "investor's darlings" in the year 2018. Demand was particularly high for properties with an anchor or main tenant from the food segment.

In 2018, the big-7 locations were once again popular among investors. Approximately €46 billion of the total transaction volume was invested in Berlin, Hamburg, Frankfurt, Dusseldorf, Munich, Cologne and Stuttgart. Investors were mainly interested in office properties in these cities.

[1] https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2019/01/PD19_018_811.html; https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2019/02/PD19_064_811.html
[2] https://ec.europa.eu/eurostat/documents/2995521/9643463/2-07032019-AP-DE.pdf/a56b4ffc-a212-4f27-a7e0-b64c300d9a04
[3] This section refers to the study by ones Lang Lasalle (JLL), investment overviews - Q4/2018 from January 2019

When compared to the previous year, it is noticeable that foreign investors have slightly scaled back their level of activity. In the year 2018, around €30 billion from foreign investors flowed into the German property market. However, JLL has already identified an increase in investments from foreign investors in the fourth quarter of 2018. In addition to investors from the USA and the United Kingdom, European and Asian investors are strengthening their focus on the German property market.

JLL believes that there are a number of reasons for the continued property boom and the high demand for properties. They further argue that the political uncertainties have motivated many investors to increase the property quota in their investment portfolios. These investors include, inter alia, pension funds and insurances that are feeling a strong capital pressure. The experts believe that the commercial segment excluding the use category "living" could potentially reach a transaction volume of up to €55 billion.

2.2.2. Retail properties [4]

The market for retail properties in Germany contracted in the 2018 financial year. According to the market report for retail investment 2018/2019 by Colliers International, the transaction volume in 2018 amounted to €9.8 billion. This corresponds to a decline of around 18% from the year 2017, when the transaction volume was €11.9 billion. Since the overall property market in Germany experienced continued growth in the past year, the significant contraction in the area of retail property also resulted in a reduced market share of this asset class in the total trade volume. While retail properties accounted for an average market share of 28% over the past 10 years, their share was only 16% in the year 2018. Notwithstanding this decline, retail properties still ranked second place among all asset classes.

According to the information from Colliers, it was predominantly structural changes that resulted in the negative development. Over the course of the year, changed consumption patterns combined with the growth of online shopping and the digitalization have increased investors' risk awareness in relation to retail properties. This is in particular noticeable for low-frequency shopping centers where many shops offer products that are increasingly being marketed over the Internet, such as fashion, media or electronics. Investors placed a stronger focus on retail properties with a food anchor, i.e. specialist retail stores or specialist retail centers.

This segment dominated the market for retail properties in terms of the number of transactions, but the often lower volumes of the individual transactions made this segment come in on the second place with a 34% value share and after main shopping precinct properties and strip centers with 48%. It must however be considered that the biggest transaction in the past year was the acquisition of 59 Kaufhof properties for just under €2 billion.

Individual sales accounted for 45% of the transactions in the past year, with the lion share of 55% attributable to portfolio transactions. Two thirds of the transaction volume concerned properties outside of the top seven locations.

The Kaufhof deal with a purchaser from Austria was one of the reasons why the 44% share attributable to international investors was significantly higher than in the previous year. Around 37% of the transaction volume in 2017 was acquired by international purchasers. The proportion of international investors as property vendors increased from 52% in the previous year to 58% in 2018.

The prime yields have stabilized in the past year. According to information from Colliers, the potential for rental income growth has been virtually exhausted. The reference value is the potential for higher rental income from shopping centers and properties in prime locations. At the end of 2018, the prime yields at the top seven locations were between 2.75% and 3.30%. Specialist retail stores and specialist retail centers generated significantly higher yields, in some cases well above 5%. Combined with a solid cash flow, this attracted a particularly strong investor interest in these properties.

Colliers forecasts the structural changes in the retail landscape to result in investors continuing to take a selective approach in the year 2019. The specialist retail segment, which is dominated by food retail properties, is

[4] https://www.cbre.de/de-de/research/Deutschland-Einzelhandelsinvestment-MarketView-Q4-2018; https://www.colliers.de/immobilien/city-survey-2019/?lp-variation-id=0

expected to remain the driver behind the transactions. Purchase prices are expected to remain stable or increase slightly. Because these transactions usually concern lower volumes, Colliers expects the total transactions in the year 2018 to fall short of the €10 billion mark. An increasingly tighter supply also plays a role.

In its market review for the German retail investment market, Q4/2018, CBRE believes that the year 2019 will see investors concentrating their focus on properties with an anchor from the food segment. The question if and to what extent properties will be available in this segment will have a significant influence on the transaction volume.

2.2.3. Earnings position

FCR Immobilien Group generated revenues of €37.2 million (previous year: approx. €16.4 million) in the past financial year. The increase was attributable to higher rental income and the sale of nine properties held by the Group's separate property holding companies. The grand total of revenues, inventory changes and other operational income results in a total turnover and operating income of €37.6 million (previous year: €16.6 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 €8.37 million in the previous year to €21.1 million in the reporting year. The increase is predominantly attributable to the property sales in the year 2018.

As a result of the expansion of the property portfolio and business activities, the personnel expenses increased from €1.3 million to €3.3 million. Amortizations on property, plant and equipment rose to €2.6 million (previous year: €1.1 million). The financial year's other operational expenses amounted to €3.1 million (previous year: €2.0 million). This increase is also attributable to the expansion of the company's business activities over the previous year.

The issue of a further bond and higher bank loans to finance the business expansion have caused the interest expenses to increased from €3.1 million to €4.8 million.

FCR Immobilien Group generated total earnings before taxes of €3.0 million (previous year: €1.3 million).
After deduction of taxes, FCR Immobilien Group generated a total net profit for the year of €1.4 million (previous year: €1.0 million).

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 €168.9 million (previous year: €69.1 million). These assets are predominantly comprised of FCR Group's portfolio properties with a volume of €163.2 million (previous year: 62.8 million Euro).

The current assets increased from €8.1 million to €10.5 million, in particular due to other assets associated with the acquisition of properties. As of the balance sheet date, FCR Group had liquid funds of €3.1 million (previous year: €5.0 million).

The total assets increased by approx. €104.2 million or approx. 130.0% from €80,1 million to now €184.3 million.

On the liabilities and equity side of the balance sheet, liabilities increased from €71.8 million to now €166.9 million, first and foremost due to bond liabilities in a total amount of €45.7 million (previous year: €20.7 million) and higher bank liabilities associated with the financing of the acquired properties in an amount of €112.1 million (previous year: €49.5 million). The other liabilities increased by €1.0 million to €6.6 million due to payments of outstanding purchase prices from property acquisitions as well as bond interest.

The provisions for tax in the amount of €0.8 million (previous year: €0.4 million) include provisions for corporation income tax.

The capital increase in 2018 and the consolidated net profit for the year resulted in FCR Group's equity increasing by €2.1 million to now €9.0 million (previous year: €6.9 million).

The equity ratio of FCR Immobilien Group fell from 8.6% to 4.9% as of December 31, 2018. 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 is confident to utilize the current positive market environment to achieve a further and sustainable improvement of FCR's 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 AG.

3.2 Report on risks

The business activities of FCR are exposed to a number of different risks. The company 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 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 is adequate and continuously developed further in line with market requirements. There are currently no known risks that could potentially jeopardize the company'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'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 FCR's business activities.

3.2.1 Risks from property acquisitions

Risks stemming from investment activities and property selection:
The business activities of FCR are based on the acquisition of suitable commercial properties at reasonable prices and terms. Additional competitors entering the target market of FCR 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 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 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 and has significant effects on the company's non-current assets, balance sheet structure and terms of finance (see debt capital).

FCR 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 bears the risk that the land owned by is contaminated with hazardous substances and that it may be held liable by public authorities or private persons for the removal of these contaminations. FCR 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 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 strongly depends on economic developments, a long-lasting recession would entail a significant negative effect on FCR'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 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.

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 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's liquidity becomes insufficient to satisfy its ongoing obligations at any point in time.

3.2.4 Risks from property sales

Market risk:
The sale of real estate assets from FCR'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 risk:
There is the risk that FCR becomes involved in legal disputes with tenants, buyers and vendors of properties, or shareholders.

Personnel risks:
FCR is exposed to the risk of loosing its CEO or employees, or finding itself unable to replace departing employees with adequately qualified personnel. As the company's founder, CEO Falk Raudies has made a significant contribution to the success and development of FCR Immobilien AG. In the event Mr Raudies is prevented 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.

Risks related to information technology:
Important data could be lost irrecoverably from FCR'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 FCR Immobilien Group

3.3.1 Development of the retail property market in Germany

Macroeconomic environment:
After achieving growth at a rate of 2.2% in the year 2018, Germany's economic growth has weakened in 2018. The German economy did however continue to grow for the ninth consecutive year at an inflation-adjusted increase if the gross domestic product of 1.4%. In its economic forecast published in March, the expert panel for assessing the macroeconomic development expects the growth rate to further decline to 0.8% in the year 2019. Positive growth is in particular expected for private consumption spending, construction investments and public spending. The reasons for the slowdown of the economic dynamic are attributed to a significantly weaker export demand, as well as capacity and personnel bottlenecks that have been reached in many industry sectors. The risks for the further economic development are assessed as high.[5]

Industry development
In its market report for retail investment 2018/2019, Colliers expects stable to slightly increasing purchase prices for the specialist retail segment that is dominated by food retail properties. This segment is expected to remain one of the drivers of market transactions. It is assumed that investors will continue to take a selective approach in the acquisition of retail properties. Due to the strong structural changes in the retail segment, Colliers expects risk-adverse investors to sit back and wait, carry

out overdue revitalization and repositioning measures for shopping centers and inner-city business buildings before returning to invest in the core segment until this segment will once again attract investor interest. Accordingly, the yields for shopping centers are expected to rise over the course of the year.

Because the transaction volume for retail properties of 9.8 billion Euro once again fell short of the 10 billion Euro mark in the year 2018, Colliers is expecting that it will also be difficult to break through this mark in the year 2019. The number of transactions is expected to remain high, but the property volumes are expected to decrease. One of the reasons is a shorter supply.[6]

CBRE in its market review for the German retail investment market also expects the availability of properties to influence the annual result for 2019. Demand is expected to continue on the level of the previous years, with CBRE expecting investors to maintain their focus on properties with a food anchor.[7]

3.3.2 Outlook for FCR Immobilien Group

We believe that its highly profitable property portfolio and strong management team will put FCR in a very good position to continue the company's successful development over the past years in the upcoming years 2019 and 2020.

We are expecting the year 2019 to deliver a clearly positive annual result and another significant increase of our rental income and earnings from property sales.

The properties are also financed by the issue of bonds. To facilitate its further growth, FCR has issued a bond with a volume of up to 30 million Euro.

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 14, 2019
FCR Immobilien AG

Falk Raudies
CEO

[5] https://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/Konjunkturprognosen/2019/19-03-19_Pressemitteilung_DEU.pdf
[6] https://www.colliers.de/immobilien/city-survey-2019/?lp-variation-id=0
[6] https://www.cbre.de/de-de/research/Deutschland-Einzelhandelsinvestment-MarketView-Q4-2018

Audit certificate issued by the independent auditor of the financial statements

Attn. FCR Immobilien AG, Munich

Audit findings

We have audited the Consolidated Financial Statements of FCR Immobilien AG, Munich, and its subsidiaries (the Group) consisting of the Consolidated Statement of Financial Position as of December 31, 2018, the Consolidated Income Statement, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the financial year from January 1, 2018 to December 31, 2018, as well as the Notes to the Consolidated Financial Statements including the presentation of the accounting and measurement methods. We have further audited the Group Management Report of FCR Immobilien AG, Munich, for the financial year from January 1, 2018 to December 31, 2018.

On the basis of the findings made during our audit, we assess that

- the attached Consolidated Financial Statements in all essential aspects conform with German commercial law, and that they portray an accurate picture of the true net asset and financial position of the Group as of December 31, 2018 and its earnings position for the financial year from January 1, 2018 to December 31, 2018 in compliance with the German generally accepted accounting principles, and

- the attached Group Management Report conveys an overall accurate representation of the Group's position. This Group Management Report reconciles with the Consolidated Financial Statements in all material aspects, confirms with the statutory requirements under German law and accurately portrays the opportunities and risks associated with the future development.

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not resulted in any objections against the regularity of the Consolidated Financial Statements and the Group Management Report.

Reasons for our audit opinions

We have carried out our audit of the Consolidated Financial Statements and the Group Management Report in accordance with Section 317 of the German Commercial Code (HGB) and in observance of the German principles of proper auditing of financial statements promulgated by the German

Institute of Public Auditors (IDW). Our responsibility under these provisions and principles is described in further detail in the section “Responsibility of the auditor for the audit of the consolidated financial statements and the Group Management Report” contained in our audit certificate. We are independent from the group companies in accordance with the requirements under German commercial law and professional law provisions and have discharged our professional obligations under German law in accordance with these requirements. We are confident that the audit evidence obtained by us is sufficient and suitable to serve as the foundation of our audit opinions concerning the Consolidated Financial Statements and the Group Management Report.

Responsibility of the legal representatives and the Supervisory Board for the Financial Statements and the Management Report

The legal representatives are responsible for the preparation of consolidated financial statements that comply in all material aspects with German commercial law, and for assuring that the Consolidated Financial Statements portray an accurate picture of the Group’s true net assets, financial and earnings position in compliance with the German generally accepted accounting principles. The legal representatives are further responsible for the internal controls they have determined to be necessary for the preparation of Consolidated Financial Statements that are free from essential misrepresentations, whether intentional or unintentional, in accordance with German generally accepted accounting principles.

In preparing the Consolidated Financial Statements, the legal representatives have the responsibility to assess the group’s capacity to continue its business activities. They further have the responsibility to disclose any relevant circumstances related to the continuation of the company’s business activities. Furthermore, they are responsible for assuring that the accounting is based on the principle of continuation of the business activities, unless it is contradicted by factual or legal circumstances.

The legal representatives are also responsible for the preparation of a Group Management Report that portrays an overall accurate picture of the Group’s position and that in all material aspects reconciles with the Consolidated Financial Statements, conforms with the statutory requirements under German law, and that accurately portrays the opportunities and risks associated with the future development. The legal representatives are further responsible for the precautions and measures (systems) they have determined to be necessary to prepare the Group Management Report in compliance with the applicable statutory provisions under German law, and to make adequately suitable evidence that supports the statements made in the Group Management Commentary available.

The Supervisory Board is responsible for supervising the Group’s accounting process for the preparation of the Consolidated Financial Statements and the Group Management Report.

Responsibility of the auditor of the financial statements for the audit of the Financial Statements and the Management Report

Our objective is to obtain adequate certainty with respect to whether the Consolidated Financial Statements as a whole are free from material - intentional or unintentional - misrepresentations, and whether the Group Management Report portrays an accurate overall picture of the Group's position, reconciles with the insights gained during the audit, complies with the statutory requirements under German law and accurately portrays the opportunities and risks associated with the future development, and to issue a audit certificate that sets out our audit opinions with respect to the Consolidated Financial Statements and the Group Management Report.

Adequate certainty means a high degree of certainty, but is not to be understood as a guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code and the principles of proper auditing financial statements promulgated by the Institute of Public Auditors (IDW) will without exception detect a material misrepresentation. Misrepresentations may result from infringements or inaccuracies and are considered to be material if it could reasonably be expected that they, individually or collectively, affect the commercial decisions made on the basis of these Consolidated Financial Statements and the Group Management Report by their readers.

We exercise dutiful discretion during our audit and preserve a critical disposition. In addition, we

- identify and assess the risks of material - intentional or unintentional - misrepresentations contained in the Consolidated Financial Statements and the Group Management Report, plan and execute audit measures in response to these risks, and obtain audit evidence that is sufficient and suitable to serve as the foundation for our audit opinions. The risk of material misrepresentations remaining undetected is higher in the case of infringements than inaccuracies, because infringements may include fraudulent collusion, falsifications, intentional omissions, misleading representations and/or the circumvention of internal controls.

- gain an understanding for the internal control system that bears relevance for the audit of the Consolidated Financial Statements and the precautions and measures that be relevance for the audit of the Group Management Report, with the aim of planning audit measures that are adequate in light of the given circumstances, but not with the objective of issuing an audit opinion with respect to the efficacy of the systems.

- assess the adequacy of the accounting methods applied by the legal representatives as well as the tenability of the estimated values and associated disclosures presented by the legal representatives.

- draw conclusions with respect to the adequacy of the accounting principle of a continuation of the company's business activities applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is a material uncertainty in relation to events or circumstances that could potentially cast significant doubts over the Group's capacity to continue its business activities. If we arrive at the conclusion that there is a material uncertainty, we are obliged to point out the relevant disclosures in the Consolidated Financial Statements and the Group Management Report in our audit certificate or, if these disclosures are inadequate, modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained by the date of our audit certificate. Future events or circumstances may however result in the Group being prevented from continuing its business activities.

- assess the overall presentation, structure and content of the Consolidated Financial Statements including the disclosures, and whether the Consolidated Financial Statements portray the underlying business transactions and events in a way that assures that the Consolidated Financial Statements prepared in compliance with the German generally accepted accounting principles portray a picture of the net asset, financial and earnings position of the Group that reconciles with the actual circumstances.

- obtain sufficient suitable audit evidence for the accounting information of the companies or recent activities within the Group in order to issue audit opinions with respect to the Consolidated Financial Statements and the Group Management Report. We are responsible for the issuance of instructions, the supervision and the execution of the audit of the Consolidated Financial Statements. We bear the sole responsibility for our audit opinions.

- assess whether the Group Management Report reconciles with the Consolidated Financial Statements, whether it complies with the law, and representation of the Group's position portrayed in it.

- carry out audit measures with respect to the forward-looking statements made by the legal representatives in the Group Management Report. This in particular includes a reconciliation of the material assumptions made by the legal representatives with respect to the forward-looking statements on the basis of sufficient suitable audit evidence, and an assessment of whether the forward-looking statements were properly derived from these assumptions. We do not issue a separate audit opinion with respect to the forward-looking statements and their underlying assumptions. There is a significant and inevitable risk of future events significantly deviating from the forward-looking statements.

We discuss the planned scope and schedule of the audit as well as significant audit findings, including potential defects in the internal control system detected by us during our audit, with the persons assigned supervisory responsibility.

Our audit has not led to any objections.

Munich, May 20, 2019

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Auditing company
Tax consultancy

RENKL
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