New high scores

2019 Annual Report

FCR Immobilien

Table of key performance indicators

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

in € million	2019	2018	2017	2016
Revenue incl. sales proceeds	49.6	37.3	16.4	12.1
EBITDA	18.5	7.6	4.9	3.1
EBIT	18.1	7.1	3.7	2.3
EBT	11.9	2.8	1.3	0.8
Consolidated net profit for the year (Group)	9.7	2.9	1.0	0.4

2019: Audited figures in accordance with IFRS
2018: Comparative figures in accordance with IFRS
2016-2017: Audited figures in accordance with the German Commercial Code

Select key performance indicators of FCR Immobilien AG

	2019	2018	2017	2016
Number of properties/locations	76	58	41	18
Leasable floor space	326,000 m²	248,000 m²	175,000 m²	83,100 m²
Net rental revenues p.a.	€19.5 million	€14.8 million	€9.5 million	€5.5 million
Occupancy rate	88%	85%	88%	88%
Net potential rent p.a.	€22.2 million	€17.7 million	€10.9 million	€6.3 million
WAULT (in years)	4.4	5.5	3.9	4.5
Portfolio net rental yield p.a. (ACTUAL)	7.0%*	9.7%*	14.1%**	14.2%**
Portfolio net rental yield p.a. (TARGET)	8.0%*	11.5%*	16.1%**	17.3%**

* 2019/2018: in accordance with IFRS
** 2017/2016: in accordance with the German Commercial Code

Contents

Dear Shareholders and Business Partners,

The 2019 financial year delivered a seamless continuation of the notable success the preceding years as we hit new high scores with our fast and solid game. Even without a home advantage, it was an extremely impressive performance with great possession and fantastic scoring. This applies to revenue and earnings just as much as portfolio development and the expansion of our company. We also laid important groundwork for the company's future dynamic growth by shifting to IFRS international accounting standards and making targeted investments in artificial intelligence.

In 2019, we were also able to continue our very active acquisition policy, purchasing 25 properties altogether with a total volume of around €70 million. Our core business in shopping and specialist retail centers accounted for 22 of these properties. We also took strategic advantage of opportunities in the hotel, office, residential and logistics sectors. Alongside the acquisition of real estate at favorable conditions, our asset management and the sale of optimized properties also rank among our core value drivers. In the 2019 financial year, we sold seven properties, thereby releasing hidden reserves of over €12 million. We sold properties in locations including Salzgitter, Hennef, Würzburg and Duisburg.

Despite these planned sales aimed at the realization of value growth, we were successful in further expanding our real estate portfolio. The marketvalue of our portfolio as determined by external experts lay at roughly €300 million at the end of 2019, divided across 75 locations. Our investments spanned across Germany, and we also hold individual properties in other European countries to round off our portfolio.

Our numbers also show how successfully we worked in this year. Revenue from sales and rental income rose from €37.3 million in 2018 to €49.6 million in 2019. Our earnings before taxes (EBT) improved 325% to €11.9 million. I am even more pleased to see this jump in earnings in light of the fact that we invested significant capital in the expansion of our corporate structure and in the area of artificial intelligence in 2019.

In our use of artificial intelligence, I see clear earning and growth potential for FCR Immobilien AG. With our IT expertise, we are a leading innovator in the real estate sector. And this, in my view, is only the very beginning of our use of digitalization to capitalize on industry opportunities. The first positive effects can already be seen, but digitalization can be expected to bring significantly higher efficiency in the future. With this in mind, we constantly develop our digital tools and regularly exploit new application possibilities through our innovation team. This means further opportunities for all three core areas of our value chain in the future—opportunities we intend to take advantage of.

In 2019, we financed the growth of our real estate portfolio by means of equity, bonds and bank loans. Our loan-to-value ratio (LTV) lay at 67.4%, compared to 64.3% in the preceding year. Through two small capital increases, we collected a total of approximately €6.4 million, simultaneously also raising the free float of our share. Our aim in this was also to promote the share's liquidity. We also raised €30 million gross through a corporate bond that was fully placed shortly after the end of the reporting period. We placed this bond without a partner bank. This highlights FCR Immobilien AG's success in significantly boosting its perception on the capital market over the past few years.

Thanks to its dynamic growth, FCR Immobilien AG will increasingly attract institutional investors. For this reason, we decided to transfer our accounting from the German Commercial Code to international IFRS standards. In the course of this transition, we commissioned the assessment of our entire real estate portfolio through external experts. Our equity, reported as per IFRS at €85.6 million at the close of 2019, is a clear sign of our successful growth. Our equity ratio of over 26% gives us a solid foundation for planned future growth.

We enjoy a large market segment and our network within the real estate sector is excellent. Together with our in-house expertise in the key areas of our value chain—supported by artificial intelligence—this gives us a unique asset. We aim to keep using all of these advantages to ensure FCR Immobilien AG's profitable and dynamic growth in the future as well. Our next intermediate goal is the expansion of our real estate portfolio to €500 million.

The development of FCR Immobilien AG would never have been possible without the tireless efforts of our staff. I would like to extend a very special thanks for that. I would also like to thank our business partners for their cooperation and trust, and I look forward to further projects and activities together in the future. Last but not least, I would like to thank you, our shareholders, for your trust in FCR Immobilien AG. Stay on board—we look forward to our ongoing shared journey.

Sincerely yours,

Falk Raudies, CEO
Munich, May 2020

Members of the Executive Board and Supervisory Board

FALK RAUDIES
Founder and CEO

- Successful businessman for over 25 years
- Many years of experience in the valuation and purchase of real estate
- Years of experience as managing director and CEO of several IT companies

DR. FRANZ-JOSEPH BUSSE
Chairman of the Supervisory Board

- Member of the College of Business Administration Hochschule München, University of Applied Sciences since 1982
- Subject area: Banking and Financial Services, risk management
- Founder of the Munich Institute for Finance and Investment Management, INFINANZ (advisory services for banks/financial service providers)
- Co-founder of FECIF (European (Federation of Financial Advisers and Financial Intermediaries)

DR. KURT FALTHAUSER
Deputy Chairman of the Supervisory Board

- Member of the state government of Bavaria, first as Minister of State and Head of State Chancellery and later as Minister of State Finances
- Years of service as member of Bavarian State Parliament and German Federal Parliament
- Parliamentary State Secretary to the Federal Minister of Finance in the Federal Government

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 manager, German Bundesliga

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

In the 2019 financial year, the Supervisory Board performed the duties incumbent upon it under the law, the Articles of Association and the Rules of Procedure, continuously supervising executive management and regularly advising the latter regarding the leadership of the company while examining its lawfulness, expediency and propriety on the basis of the documents presented to it by the CEO. During this period, we were at all times convinced of said lawfulness, expediency and propriety. The CEO fulfilled 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 the 2019 financial year, four ordinary meetings of the Supervisory Board and one Annual General Meeting were held, in which all members of the Supervisory Board participated, including partially by telephone. During these meetings, the members of the Supervisory Board had sufficient opportunity to engage critically with the reports and proposed resolutions presented by the CEO and to contribute its own ideas at all times. The Supervisory Board was also able to gain an impression of business activities on site. Beyond the ordinary Supervisory Board meetings, decisions were also made by circular resolution following coordination by telephone, especially during the acquisition of new properties.

Key advisory points of the Supervisory Board

The object of discussions and decisions in Supervisory Board Meetings were projects and developments of particular importance as well as measures subject to approval and the earnings development, financial position, corporate planning and business performance of the FCR Immobilien Group.

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

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

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

The Supervisory Board also discussed the plans for the 2019–2020 financial year with the CEO. This also includes the plausibility of the presented revenue and liquidity planning as well as an analysis of liabilities from credit, loans and bonds, their conditions and maturities and an assessment of earnings opportunities and risks.

Further topics included the development of real estate 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 conducts business properly and has taken all necessary measures. All processes are designed appropriately given the size of the company. This also applies to the controlling systems established by the CEO for FCR Immobilien AG and the FCR Immobilien Group, regarding which the Supervisory Board was regularly informed. Alongside the financial division of FCR Immobilien AG, the controlling systems also encompass the subsidiaries' operating activities.

Members of the Executive Board and Supervisory Board

The FCR Immobilien AG Supervisory Board was comprised of the following members in 2019:

Dr. Franz-Joseph Busse (Chairman)
Arwed Fischer (Deputy Chairman) up to the 2019 Annual General Meeting
Dr. Kurt Faltlhauser (Deputy Chairman) from to the 2019 Annual General Meeting
Frank Fleschenberg

No other changes were made in the 2019 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 2019 financial year.
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Audit of Annual and Consolidated Financial Statements

The auditor elected in the 2019 Annual General Meeting and commissioned by the Supervisory Board, Martin Costa, HRS GmbH auditors and tax consultants, Munich, audited the Financial Statement prepared by the CEO for the 2019 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 Statement of FCR Immobilien AG for the 2019 financial year and the Group Management Report were prepared on the basis of the German Commercial Code and also, for the first time, in accordance with IFRS regulations (including an IFRS opening balance sheet as of January 1, 2018). The Consolidated Financial Report and the Group Management Report also received an unqualified audit certificate.

Auditor Martin Costa, HRS GmbH auditors and tax consultants, Munich, participated in the meeting of the Supervisory Board on April 21, 2020 and reported on the audit of the Financial Statement and the Management Report as well as the Consolidated Financial Statement and the Group Management Report in accordance with IFRS standards and answered all questions. The Supervisory Board approved the Financial Statement for FCR Immobilien AG (separate financial statement in accordance with the German Civil Code) on December 31, 2019 and the Consolidated Financial Statement in accordance with IFRS standards on December 31, 2019. The Financial Statement is thereby adopted. The Supervisory Board declared its approval of the Management Report and the Group Management Report from the Executive Board/CEO for the 2019 financial year by circular resolution.

Thanks

The Supervisory Board would like to thank the company CEO, Mr. Falk Raudies, along with all employees of FCR Immobilien AG and the FCR Immobilien Group for their work in the past financial year.

Munich, April 21, 2020

Professor Dr. Franz-Joseph Busse
Chairman of the Supervisory Board

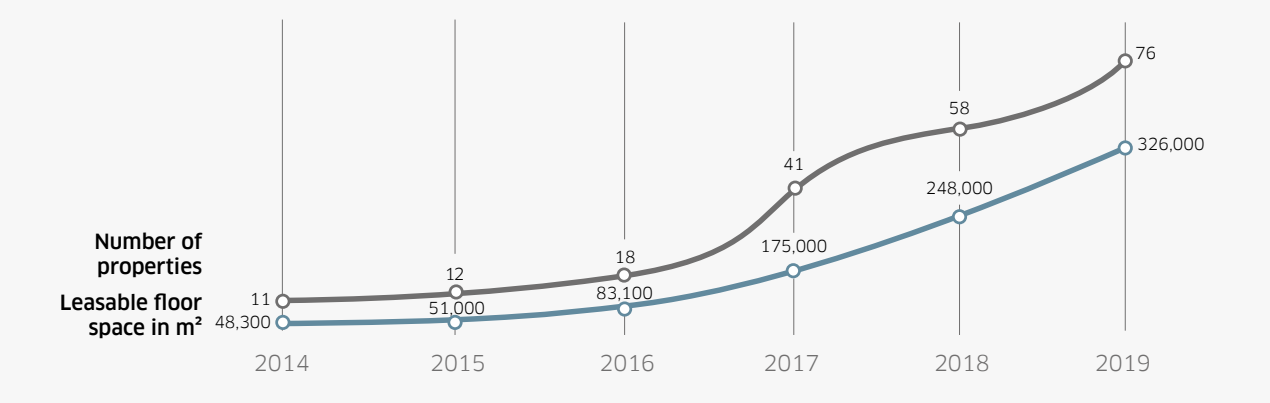
FCR Immobilien AG–innovative and growing profitably

FCR Immobilien AG is a real estate investor specializing in commercial real estate across Germany and has been growing dynamically for several years. At a good 33% higher than the year before, revenue growth reached €49.6 million in the 2019 financial year. Earnings before interest, taxes, depreciation and amortization (EBITDA) exhibited disproportionately strong growth, rising 143% to €18.5 million. The ERPA NAV rose by 33% to ca. €100 million.

The real estate portfolio grew to 76 properties in 2019. The leasable floor space increased by approximately 78,000 m² to 326,000 m². In addition to its focus on commercial real estate, the company also holds individual properties from other real estate segments such as office, logistics, hotel and residential as attractive opportunities arise. Over 95% of the rental income originates from Germany, where FCR Immobilien AG invests nationwide. The remaining rental income originates from properties held in other European countries.

FCR Immobilien AG is a pioneering innovator in the real estate sector. Through the use of AI systems developed in house, FCR Immobilien AG optimizes the key areas of its value chain–from purchasing to active asset management to the sale of optimized properties. This enables the company to secure further earning potential.

FCR preferentially acquires properties out of special situations at prices significantly below market value. Access to these properties has grown over the years thanks to the company's outstanding network in the sector. As part of its active asset management, FCR adjusts the possibilities for usage of the properties, contacts potential new tenants and extends existing leases where possible. Finally, these properties are resold. Through this model, FCR Immobilien AG combines solid rental income from portfolio properties with the yield of project development.



Always optimally prepared: success through innovative strategy

A unique strategy and sophisticated technology make the difference in the attractive real estate market. With our 360° degree approach to value creation, we are setting new standards in acquisition, asset management and sales. Our expertise and experience are the foundation for our success—in our core business, in trading and with promising opportunities.

FCR Immobilien


360°

Strategy and business model

FCR Immobilien AG is a real estate investor specializing in commercial real estate across Germany, with years of profitable performance and dynamic growth. This area of the real estate market is still viewed as an exciting segment, and FCR Immobilien AG believes that it will continue to offer above-average earning potential. Complementing this core segment, FCR also acquires individual properties in other usage categories, such as office, logistics and residential as attractive opportunities arise. FCR Immobilien AG invests across Germany but also holds complementary individual portfolio properties in other European countries. As an innovation leader in the real estate sector, FCR Immobilien AG also implements AI across the core areas of its value chain.

Artificial intelligence provides support across the core areas of the value chain

FCR Immobilien AG preferentially invests in properties that find themselves in special situations. For example, the company often purchases properties out of bankruptcies or with existing vacancies. This makes it possible to acquire the properties significantly below their market values. The primary acquisition here are properties that have already been fulfilling a local supply function for several years in secondary locations–e.g. in smaller cities with populations starting at 5,000. Many of these properties are supermarkets, playing an important role in supplying the local residents. It is the experience of FCR Immobilien AG that these properties usually exhibit significantly more stable rent and price development than properties in top locations, which are forced to compete with many other providers and sometimes face conversion pressure due to potential new constructions.

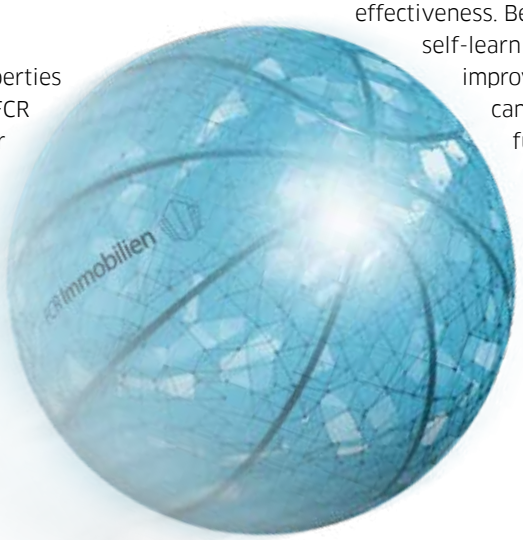
The investment volume for such individual properties lies between €1–70 million. For portfolios, FCR Immobilien AG invests up to €100 million for individual transactions. In such cases, the properties can have a vacancy of up to 50%. The properties generally have creditworthy anchor tenants from wholesale and retail trade; common secondary tenants are chain businesses from the food and non-food sectors.

In addition to strategic purchasing, active asset management is another key to the successful development of FCR Immobilien AG. As part of the latter approach, FCR optimizes portfolio properties in terms of technology, usage, tenant structure and lease terms. These appreciations make the properties more interesting for other investors as well. Thus the sale of optimized properties is an integral part of FCR Immobilien AG's value chain.

FCR Immobilien AG is offered 300 properties per month

In the 2019 financial year, FCR Immobilien AG received roughly 300 property offers per month. Following extensive evaluation, 25 properties were ultimately purchased. Additionally, the company successfully divested seven optimized properties. At the end of 2019, the portfolio had grown to 76 properties with an external expert valuation of approximately €300 million. Net annual rental income rose to €19.5 million in 2019, and equity amounted to €85.6 million at year end.

In line with the significant expansion of its real estate portfolio, FCR Immobilien AG also expanded its corporate structure. In 2019, an average of 127 employees worked in the FCR Group. Furthermore, the use of artificial intelligence has already yielded a significant boost in effectiveness. Because this software is self-learning, further significant improvements in efficiency can be expected in the future.

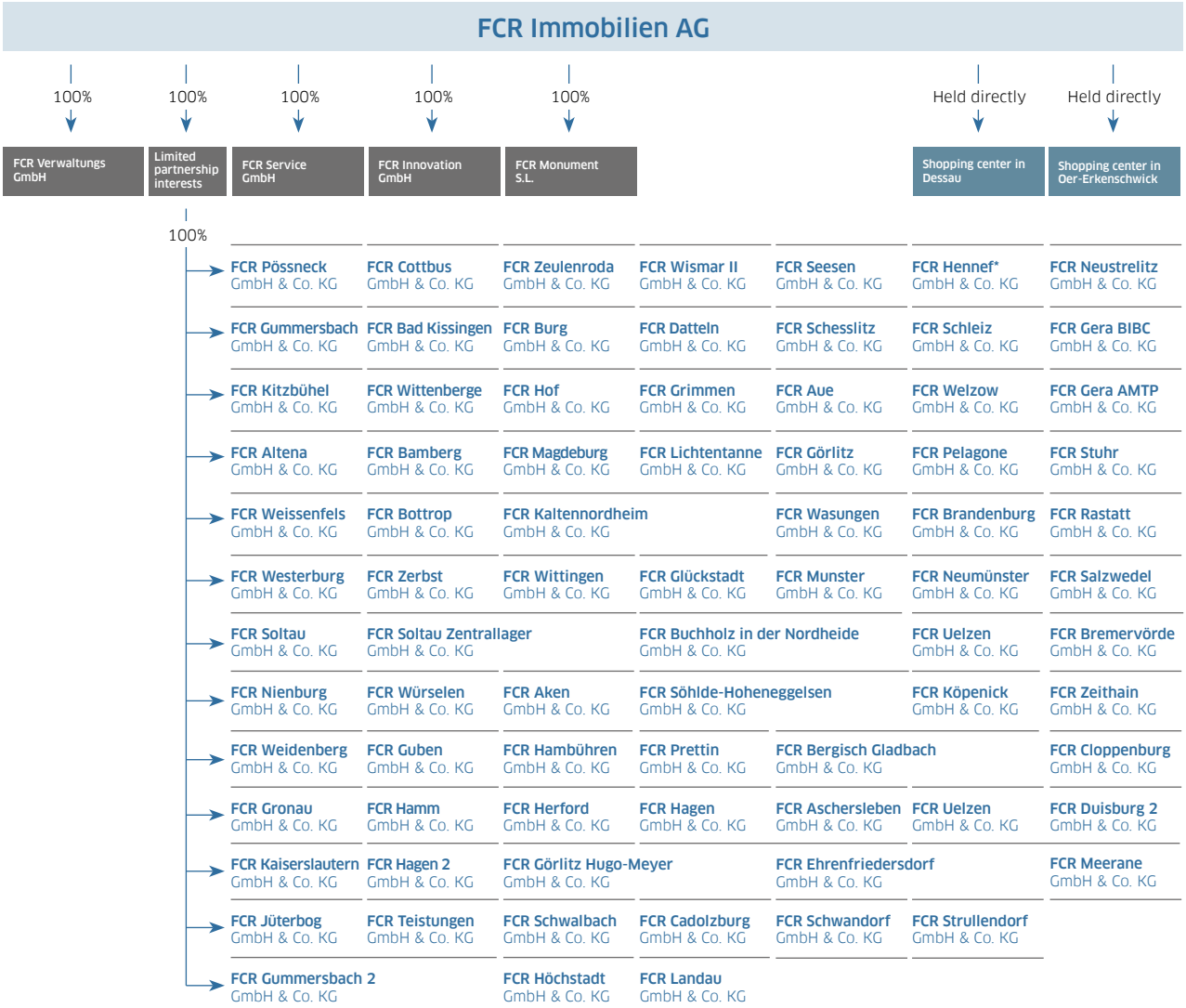


Group structure

FCR Immobilien AG holds most of the properties via subsidiaries with the legal form GmbH & Co. KG. FCR Verwaltungs GmbH, also a fully owned subsidiary of FCR Immobilien AG, serves a complementary role to these special-purpose entities. On December 31, 2019, a total of 76 properties were owned by the Group, of which 74 were held by individual subsidiaries. Two properties were directly owned by FCR Immobilien AG.

Artificial intelligence and digitalization are grouped in FCR Innovation GmbH. FCR Immobilien AG also holds 100% of this company. As of December 31, 2019, the Group structure is thus as follows:

Corporate structure of the FCR Group as of December 31, 2019



* includes the property in Frankenberg

A superb lineup: our skilled and passionate team

Our players all working in perfect sync is the key to our success. When it comes to the dynamic and profitable growth of FCR, our team is unbeatable.

FCR Immobilien

Interview with the CEO


Falk Raudies

This is the first Financial Statement prepared according to international IFRS standards. Why did FCR Immobilien AG switch?

Falk Raudies: FCR Immobilien AG has shown significant growth for several years now, and this brings us more firmly into the focus of international investors. These investors are used to international accounting standards. But a uniform accounting system will of course also make it easier to compare our company with other listed real estate companies. This also increases our flexibility, since an international accounting system also opens us up to new segments of the stock exchange as well.

What does this mean for the shareholders?

Falk Raudies: This will put an end to the debate about hidden reserves in the balance sheet and how high our equity actually is. All of our properties are regularly assessed by an external auditor, and this valuation flows into the balance sheet. The successful transition thus enables us to release the hidden reserves and directly assign them to equity without this being visible in the results. This caused our equity to leap to €85.6 million on the balance sheet at the close of 2019. Our equity ratio lies at a solid 26%. It's also important to note that, in the future, we will not have to wait until properties are sold to receive assessment results, but will already have these thanks to the expert valuations. In other words, we've taken a giant leap in terms of transparency.

FCR Immobilien AG has become an innovation leader in the real estate sector. What exactly are you doing in this regard?

Falk Raudies: We have an in-house division working exclusively on the implementation of artificial intelligence in the real estate sector. And we see exciting opportunities for using digitalization to improve efficiency across our entire value chain, from acquisition to asset management to property sales. Our aim is to progressively leverage this potential. We are already seeing success today, but because the algorithm is self-learning, it will keep getting better over time—and with it FCR Immobilien AG as well.

Where does this strong orientation toward technological competence come from?

Falk Raudies: This is a result of my personal history. While I've been in the real estate business for over 20 years now, before this I owned an IT company that I successfully sold to my partner. In IT, it's all about speed, adaptability and efficient structures. I live and breathe these principles in the world of real estate as well, because in my opinion they deliver significant competitive advantages. And if you're going to be serious about going down that road, you also have to exploit the advantages of artificial intelligence.

What does AI actually do?

Falk Raudies: We're dealing with a very broad field of application here, but let me mention a couple of examples. We receive property offers in the double digits every day. With the help of artificial intelligence, we analyze the offers and filter the most interesting ones. Only these are then selected by our purchasing team for detailed evaluation. In terms of asset management, AI lets us present a potential tenant using a space near one of our properties with a personalized rental offer for that property, for example. And in sales, AI allows us to determine potential investors we can offer suitable properties to.

What kind of efficiency improvements are involved?

Falk Raudies: Our real estate acquisition illustrates this well. In 2019, we purchased properties amounting to roughly €70 million. We aim to significantly expand our real estate portfolio in parallel with further growth in results in 2020. Thanks to digitalization, it is possible to achieve a significant increase in purchase volume without substantially expanding our corporate structure. This is why I see the €700,000 we put in this area in 2019 as a good investment.

Does this mean FCR Immobilien AG is becoming a tech company?

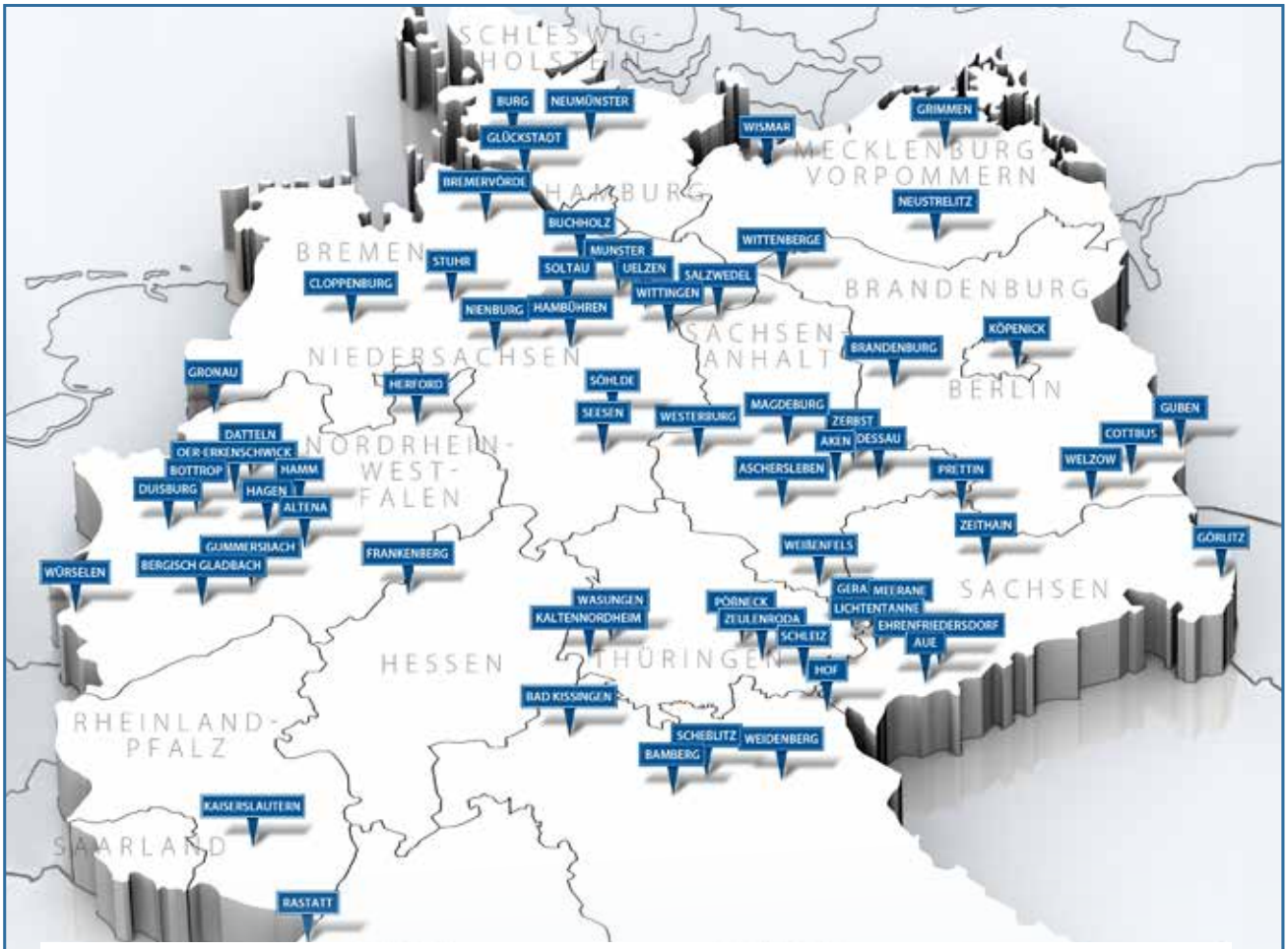
Falk Raudies: We're a real estate company and that's what we're going to stay. But the digital world simply offers so many possibilities for simplifying processes and collecting and evaluating information. More efficient processes mean higher profitability—and our ultimate goal with the use of artificial intelligence is to generate higher profit margins. So we are combining the best of both worlds to create value—the reliability of real estate with the innovative power of technology.

Fast and even bigger: portfolio further expanded

Aggressive acquisition, active asset management in the center with excellent passing forward—all the way to scoring a successful sale. We score across the entire value chain—and this keeps us growing profitably.

FCR Immobilien

The FCR Immobilien AG portfolio



Distribution of actual net rent not including utilities by asset class (annualized, in € thousand, as of Dec. 31, 2019)

Retail	14,818	76.0%
Office	1,788	9.2%
Logistics	1,099	5.6%
Hotel	1,090	5.6%
Residential	707	3.6%

Distribution of actual net rent not including utilities by region (annualized, in € thousand, as of Dec. 31, 2019)

Germany	18,652	95.6%
Outside of Germany	850	4.4%
Total	19,502	

Distribution of actual net rent not including utilities by German state (annualized, in € thousand, as of Dec. 31, 2019)

Lower Saxony	3,598	18.5%
Baden-Württemberg	2,944	15.1%
North Rhine-Westphalia	2,814	14.4%
Saxony	2,771	14.2%
Thuringia	2,146	11.0%
Saxony-Anhalt	1,555	8.0%
Brandenburg	1,247	6.4%
Mecklenburg-Western Pomerania	429	2.2%
Schleswig-Holstein	422	2.2%
Bavaria	402	2.1%
Rhineland-Palatinate	267	1.4%
Berlin	55	0.3%

FCR Immobilien AG again succeeded in significantly expanding its real estate portfolio in the 2019 financial year. The company purchased a total of 25 properties, 22 of which are held in the core business area of shopping and specialist retail centers. A total of seven properties were sold. The real estate portfolio had thus risen to 76 properties at the close of 2019. Overall leasable floor space in the portfolio increased by over 30% over the course of the year to 326,000 m².

In the course of its transition to IFRS international accounting standards in 2019, FCR Immobilien AG had all of its properties valuated by imtargis GmbH. On the basis of these assessments, the real estate portfolio was valuated at over €296 million at the close of 2019.

During the transition, the hidden reserves were released due to accounting under the German Civil Code. These resulted from the higher market prices for the properties in comparison with their balance sheet valuation. This increased the equity of FCR Immobilien AG to €85.6 million at the closing date.

Net rental income again rose sharply, totaling €19.5 million in 2019 compared with €14.8 million p.a. in the prior year. The company was also able to increase the occupancy rate from 85% to 88%. This boost also shows the successful work of the company's asset management, which uses artificial intelligence to help identify and develop rental opportunities.

As a result of the sale of optimized properties and the large number of real estate acquisitions in 2019, the average weighted residual terms of the leases fell to 4.4. This number lies within the target range anticipated for 2019. The (actual) portfolio rental earnings amounted to 7.0% according to the expert valuation of the real estate portfolio.

In addition to its focus on shopping and specialist retail centers, the company also purchases individual properties in other segments of the real estate markets such as office, logistics, hotel and residential as opportunities arise. The real estate portfolio also includes individual properties in other European countries outside of Germany.

In 2019, commercial properties accounted for 76% of rent not including utilities. Over 95.6% of rent not including utilities originates in Germany, where FCR Immobilien AG invests nationwide. The highest revenue from rent not including utilities was accounted for by the states of Lower Saxony, Baden-Württemberg and North Rhine-Westphalia. This broad portfolio profile provides a good regional risk distribution.

FCR Immobilien AG preferentially acquires properties out of special situations at prices significantly below market value. In doing so, the company leverages the network it has spent years developing in the real estate sector. Properties located in the B and C categories are also viewed positively here. Before every acquisition, the company conducts an extensive evaluation of the property and location, including with artificial intelligence. This enables an estimation of the property's attractiveness and an initial appraisal of the location's potential.

These properties often have an anchor tenant—such as a supermarket—which already covers operating expenses at the time of purchase. The asset management team then develops the location and the property further. After optimization, the properties are resold—also with the support of artificial intelligence.

FCR Immobilien AG combines regular rental income from its real estate portfolio with development returns from the optimization of portfolio properties. The result is a significantly higher earnings potential than is seen among conventional portfolio holders and at significantly lower risk compared with pure property developers.

Supermarket in Aken
Saxony-Anhalt

Usable floor space (in m²)	1,043
Occupancy rate	100%

Mixed residential and commercial building Altena
North Rhine-Westphalia

Usable floor space (in m²)	12,363
Occupancy rate	36%

Supermarket in Aschersleben
Saxony-Anhalt

Usable floor space (in m²)	996
Occupancy rate	100%

Specialist retail store in Aue
Saxony

Usable floor space (in m²)	650
Occupancy rate	100%

Supermarket in Bad Kissingen
Bavaria

Usable floor space (in m²)	1,037
Occupancy rate	100%

Student residence in Bamberg
Bavaria

Project development

Specialist retail store in Bergisch Gladbach
North Rhine-Westphalia

Usable floor space (in m²)	2,725
Occupancy rate	100%

Commercial building in Bottrop
North Rhine-Westphalia

Usable floor space (in m²)	5,137
Occupancy rate	100%

Specialist retail center in Brandenburg
Brandenburg

Usable floor space (in m²)	12,862
Occupancy rate	88%

Specialist retail store in Bremervörde
Lower Saxony

Usable floor space (in m²)	2,713
Occupancy rate	100%

Specialist retail store in Buchholz
Lower Saxony

Usable floor space (in m²)	4,800
Occupancy rate	100%

Specialist retail store in Burg
Schleswig-Holstein

Usable floor space (in m²)	2,047
Occupancy rate	100%

Specialist retail center in Cottbus
Brandenburg

Usable floor space (in m²)	4,513
Occupancy rate	47%

Specialist retail store in Cloppenburg
Lower Saxony

Usable floor space (in m²)	3,111
Occupancy rate	100%

Supermarket in Datteln
North Rhine-Westphalia

Usable floor space (in m²)	1,037
Occupancy rate	100%

Specialist retail center in Dessau
Saxony-Anhalt

Usable floor space (in m²)	3,754
Occupancy rate	80%

Specialist retail store in Duisburg
North Rhine-Westphalia

Usable floor space (in m²)	2,200
Occupancy rate	100%

DIY store in Ehrenfriedersdorf
Saxony

Usable floor space (in m²)	1,891
Occupancy rate	100%

Frankenberg
Hesse

Project development

Shopping center in Gera (Amthor-Passage) Thuringia

Usable floor space (in m²)	8,137
Occupancy rate	61%

Shopping center in Gera (Bieblach-Center) Thuringia

Usable floor space (in m²)	18,038
Occupancy rate	72%

Specialist retail store in Glückstadt
Schleswig-Holstein

Usable floor space (in m²)	2,000
Occupancy rate	100%

Specialist retail center in Görlitz
Saxony

Usable floor space (in m²)	1,004
Occupancy rate	100%

Mixed residential and commercial buildings in Görlitz
Saxony

Usable floor space (in m²)	14,159
Occupancy rate	40%

Specialist retail center in Grimmen
Mecklenburg-Western Pomerania

Usable floor space (in m²)	14,159
Occupancy rate	40%

Specialist retail store in Gronau
North Rhine-Westphalia

Usable floor space (in m²)	2,305
Occupancy rate	100%

Supermarket in Guben
Brandenburg

Usable floor space (in m²)	1,830
Occupancy rate	100%

Shopping center in Gummersbach
North Rhine-Westphalia

Usable floor space (in m²)	4,520
Occupancy rate	80%

Specialist retail store in Hagen
North Rhine-Westphalia

Usable floor space (in m²)	408
Occupancy rate	100%

Specialist retail store in Hagen
North Rhine-Westphalia

Usable floor space (in m²)	2,561
Occupancy rate	100%

Specialist retail center in Hambühren
Lower Saxony

Usable floor space (in m²)	5,379
Occupancy rate	96%

Specialist retail store in Hamm
North Rhine-Westphalia

Usable floor space (in m²)	2,032
Occupancy rate	100%

Specialist retail store in Herford
North Rhine-Westphalia

Usable floor space (in m²)	2,540
Occupancy rate	100%

Specialist retail store in Hof
Bavaria

Usable floor space (in m²)	928
Occupancy rate	100%

Specialist retail store in Kaiserslautern
Rhineland-Palatinate

Usable floor space (in m²)	2,350
Occupancy rate	100%

Supermarket in Kaltennordheim
Thuringia

Usable floor space (in m²)	1,045
Occupancy rate	100%

Residential building in Köpenick
Berlin

Usable floor space (in m²)	470
Occupancy rate	100%

Hotel in Kitzbühel
Tyrol (Austria)

Usable floor space (in m²)	768

Specialist retail center in Lichtentanne
Saxony

Usable floor space (in m²)	1,496
Occupancy rate	97%

Specialist retail center in Magdeburg
Saxony-Anhalt

Usable floor space (in m²)	2,803
Occupancy rate	91%

Specialist retail center in Meerane
Saxony

Usable floor space (in m²)	2,700
Occupancy rate	100%

Monument
Mallorca (Spain)

Project development

Specialist retail store in Munster
Lower Saxony

Usable floor space (in m²)	2,347
Occupancy rate	100%

Specialist retail store in Neumünster
Schleswig-Holstein

Usable floor space (in m²)	3,100
Occupancy rate	100%

Specialist retail center in Neustrelitz
Mecklenburg-Western Pomerania

Usable floor space (in m²)	2,596
Occupancy rate	100%

Specialist retail store in Nienburg
Lower Saxony

Usable floor space (in m²)	3,029
Occupancy rate	100%

Specialist retail center in Oer-Erkenschwick
North Rhine-Westphalia

Usable floor space (in m²)	6,228
Occupancy rate	90%

Hotel Il Pelagone
Tuscany (Italy)

Usable floor space (in m²)	6,081

Specialist retail center in Pössneck
Thuringia

Usable floor space (in m²)	7,564
Occupancy rate	100%

Supermarket in Prettin
Saxony-Anhalt

Usable floor space (in m²)	1,046
Occupancy rate	100%

Shopping center in Rastatt
Baden-Württemberg

Usable floor space (in m²)	21,685
Occupancy rate	76%

Specialist retail store in Salzwedel
Saxony-Anhalt

Usable floor space (in m²)	6,017
Occupancy rate	100%

Supermarket in Schesslitz
Bavaria

Usable floor space (in m²)	930
Occupancy rate	100%

Specialist retail center in Schleiz
Thuringia

Usable floor space (in m²)	6,540
Occupancy rate	59%

Shopping center in Seesen
Lower Saxony

Usable floor space (in m²)	7,764
Occupancy rate	54%

Supermarket in Söhlde
Lower Saxony

Usable floor space (in m²)	1,710
Occupancy rate	100%

Specialist retail store in Soltau
Lower Saxony

Usable floor space (in m²)	3,600
Occupancy rate	100%

Office and logistics building in Soltau
Lower Saxony

Usable floor space (in m²)	8,430
Occupancy rate	100%

Specialist retail center in Stuhr
Lower Saxony

Usable floor space (in m²)	1,904
Occupancy rate	100%

Specialist retail store in Uelzen
Lower Saxony

Usable floor space (in m²)	5,082
Occupancy rate	100%

Specialist retail store in Uelzen
Lower Saxony

Usable floor space (in m²)	2,514
Occupancy rate	100%

Office building in Uelzen
Lower Saxony

Usable floor space (in m²)	5,018
Occupancy rate	100%

Supermarket in Wasungen
Thuringia

Usable floor space (in m²)	1,064
Occupancy rate	100%

Specialist retail center in Weidenberg
Bavaria

Usable floor space (in m²)	1,719
Occupancy rate	82%

Residential buildings in Weissenfels
Saxony-Anhalt

Usable floor space (in m²)	1,523
Occupancy rate	100%

Specialist retail center in Welzow
Brandenburg

Usable floor space (in m²)	1,588
Occupancy rate	98%

Hotel in Westerburg
Saxony-Anhalt

Usable floor space (in m²)	5,200

Shopping center in Wismar
Mecklenburg-Western Pomerania

Usable floor space (in m²)	3,791
Occupancy rate	46%

Supermarket in Wittenberge
Brandenburg

Usable floor space (in m²)	1,602
Occupancy rate	84%

Specialist retail store in Wittingen
Lower Saxony

Usable floor space (in m²)	4,261
Occupancy rate	100%

Specialist retail store in Würselen
North Rhine-Westphalia

Usable floor space (in m²)	3,380
Occupancy rate	100%

Logistics building in Zeithain
Saxony

Usable floor space (in m²)	45,045
Occupancy rate	75%

Specialist retail store in Zerbst
Saxony-Anhalt

Usable floor space (in m²)	6,615
Occupancy rate	100%

Shopping center in Zeulenroda
Thuringia

Usable floor space (in m²)	5,088
Occupancy rate	75%

Cutting-edge technology: innovation leader in the real estate sector

We don't stop at artificial intelligence alone. With our KI³ program, we combine our team's expert knowledge with the latest technology to keep us ahead in the market. Continuity and innovation. Artificial intelligence. Creative ideas.

FCR Immobilien


KI
by FCR

Artificial intelligence as a value driver in real estate

FCR Immobilien AG ranks among the pioneering innovators of the real estate sector. Digitalization enables us to streamline processes in the core areas all along our value chain and evaluate large amounts of data for decision makers. The necessary expertise is grouped in FCR Innovation GmbH, a fully owned subsidiary of FCR Immobilien AG.

FCR Immobilien AG preferentially acquires properties out of special situations at prices significantly below market value. To do so, the company draws on a network it has spent years developing in the real estate sector, but is increasingly employing artificial intelligence as well. This enables the targeted filtering of real estate markets for offers that lie significantly below the average regional market prices. To accomplish that, the underlying algorithm combines publicly available data with information from the company database. This preliminary sorting of properties allows FCR Immobilien AG to identify and efficiently evaluate a very large number of potential properties. However, the final decision about the purchase of a property or portfolio is always made by a human.

Artificial intelligence is also used to support the optimization of properties as part of the company's asset management. Potential tenants can be identified around a location whose leases are about to end, for example, or for whom the combination of sectors at the FCR Immobilien AG property would make an excellent fit. The company then approaches these potential tenants directly about a new lease. Because the software also offers an overview of comparable rents at the location, the offer can be even better tailored to the potential tenant's specific needs. In this context, active asset management aims to optimize property usage in terms of tenant structure, utilization of leasable space and lease terms.

This active approach to asset management was also a driver behind the successful participation in Immoware24 GmbH, a company offering a professional and innovative property management system, in January 2020. Together, the two companies can develop tools to enhance effectiveness in asset management while simultaneously tapping into new revenue streams in property management.

Following active asset management, optimized properties are then put up for sale. During the sales process, artificial intelligence can be used to help determine sales prices and contact potential buyers or intermediary brokers. This ensures an efficient sales process and fair prices, which means satisfaction for FCR Immobilien AG and the purchaser of the property. That is why it is no surprise that investors with positive past experiences purchasing real estate from FCR are likely to buy again.

The strong integration of artificial intelligence in the core areas of the company's value chain is a product of the biography of its founder and CEO, Falk Raudies. Now a successful businessman for over 25 years, Mr. Raudies began his career by founding and managing an IT company, and later sold the operation, whose staff had grown to several hundred, to his business partner. No stranger to the speed of the tech sector, FCR Immobilien AG is setting new benchmarks through artificial intelligence. And the software is self-learning. This means one thing—the advantages this technology brings to the industry will only keep growing in the years to come.

Shopping center in Rastatt

Local supplier in Scheßlitz

Transparent performance: an active player in the capital market

Top performance on the stock exchange as well. Whether pro or beginner—both can get in the game with FCR Immobilien AG shares or bonds. Let's talk.

FCR Immobilien


10
A2TSB
YC9

FCR Immobilien AG on the capital market

The FCR Immobilien AG share has been listed on the stock exchange since November 7, 2018. Alongside listing in the Scale segment, the share has also been enjoyed m:access listing on the Munich Stock Exchange since June 3, 2019. Since its listing, the FCR share (WKN: A1YC91) has enjoyed very positive share price development. It significantly exceeds the performance of the FTSE EPRA/Nareit Germany Index, which encompasses a variety of real estate corporations. While the FTSE EPRA/Nareit Germany Index's share price increased by around just 9% in 2019, the FCR share price rose by about 31%. The share reached its peak for the year on December 13 with a closing price of €12.40. It hit its lowest point for the year on March 28 at the Xetra closing price of €7.98. At the end of 2019, the stock exited trading with a Xetra closing price of €11.90.

Approximately 1,041 shares moved per trading day. Roughly 45.4% of these were accounted for by Xetra, the electronic trading segment of the Frankfurt Stock Exchange.

Through the placement of two smaller capital increases in March and September, FCR Immobilien AG achieved a total gross cash inflow of approximately €6.4 million. Additionally, bonus shares were issued at a 1:1 ratio in July. Through these capital measures, the number of shares rose to 9,146,404 over the course of the year. The free float was also successfully raised, thereby improving the share's tradability.

The Annual General Meeting of FCR Immobilien AG took place on July 11, 2019. All items on the agenda were approved by a large majority. Among other matters, the payment of a dividend of €0.35 per share and the issue of bonus shares were decided.

The independent research institutes First Berlin Equity Research and SMC Research covered FCR Immobilien AG in 2019. Both recommend buying the share. In its August 27, 2019 study, First Berlin Equity Research set a target price of €13.40 for the share. SMC was even more optimistic, and set a target price of €14.10 in its analysis of September 16, 2019. SMC later confirmed this target price in its research study on January 13, 2020. In its final research update on March 3, 2020, SMC raised the target price to €14.40.

In April 2019, FCR began placement of the 2019/2024 corporate bond (WKN A2TSB1, ISIN DE000A2TSB16) with a maximum issue volume of €30 million and a maturity of five years. Following the public offer from April 11–26, 2019, the bond was later offered to interested investors as part of a private placement and ultimately fully placed. The bond was issued without a partner bank. The high levels of interest from both private and institutional investors should be viewed as a testament to the company's good image on the capital market. Cash inflow from the issue primarily serves the expansion of the company's real estate portfolio. The corporate bond has an interest coupon of 5.25%, is equipped with a comprehensive security package and is listed on the Frankfurt Stock Exchange. The price of the bond as of December 30, 2019 lay at 100.00%.

Two further bonds are also listed on the stock exchange. The 2018/2023 corporate bond (WKN A2G9G6) with a volume of €25 million and an interest coupon of 6.0% was listed at 103.7% at the end of the year. The 2016/2021 corporate bond (WKN A2BPUC) with a volume of €15 million and an interest coupon of 7.1% exited trading at a price of 103.55% on December 30, 2019.

Two mature corporate bonds with a total issue volume of €5.7 million were paid fully and on time in 2019. The 8.0% bond (WKN A1YC5F) with an issue volume of €1.7 million was repaid at nominal value plus accrued interest on May 1, 2019. The 8.0% bond (WKN A12TW8) with an issue volume of €4 million was repaid at nominal value plus accrued interest on July 1, 2019.

FCR Immobilien AG is committed to comprehensive and transparent communication with the capital market. In the 2019 financial year, the CEO explained the company's business model and reported on current business development to investors, analysts and the press at capital market conferences like Deutsches Eigenkapitalforum and the Prior Conference as well as in road shows and one-on-one conversations. The company plans to continue and expand its intensive investor relations activity in the future as well.

Extensive information about FCR Immobilien AG is available in the Investor Relations section of the company website at www.fcr-immobilien.de. This includes the Half-year and Annual Reports as well as ad hoc announcements and press releases. FCR Immobilien AG is supported in its successful investor relations work by the Frankfurt investor relations consultancy edicto GmbH.

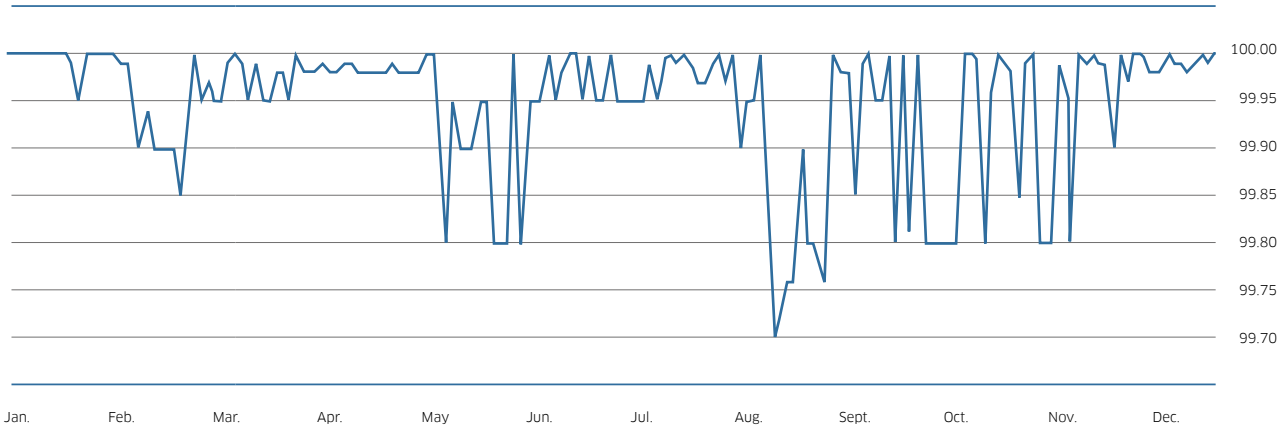
Development of the share price

Key data on the FCR Immobilien share

WKN / ISIN:	A1YC91 / DE000A1YC913
Stock exchange symbol:	FC9
Share type:	no-par ordinary shares
Share capital:	€9,146,404.00
Market capitalization:	ca. €110 million
Exchange:	Frankfurt Stock Exchange
Also traded on:	Xetra; Munich Stock Exchange m:access
Transparency level:	Scale segment (open market of the FSE)
Designated sponsor:	BankM AG, Oddo Seydler Bank AG

* Share capital at the close of 2019

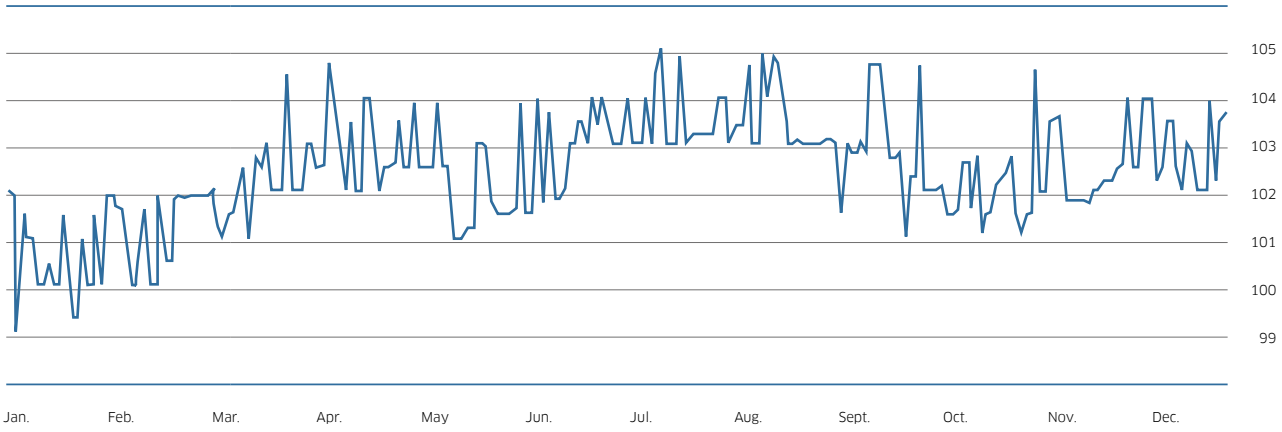
Performance of the 2019/2024 corporate bond



Key data for the 2019/2024 bond

WKN / ISIN:	A2TSB1 / DE000A2TSB16
Issue volume (€):	Max. 30 million, fully placed
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 real estate portfolio
Collateral security:	Unregistered land charges (via trustee)

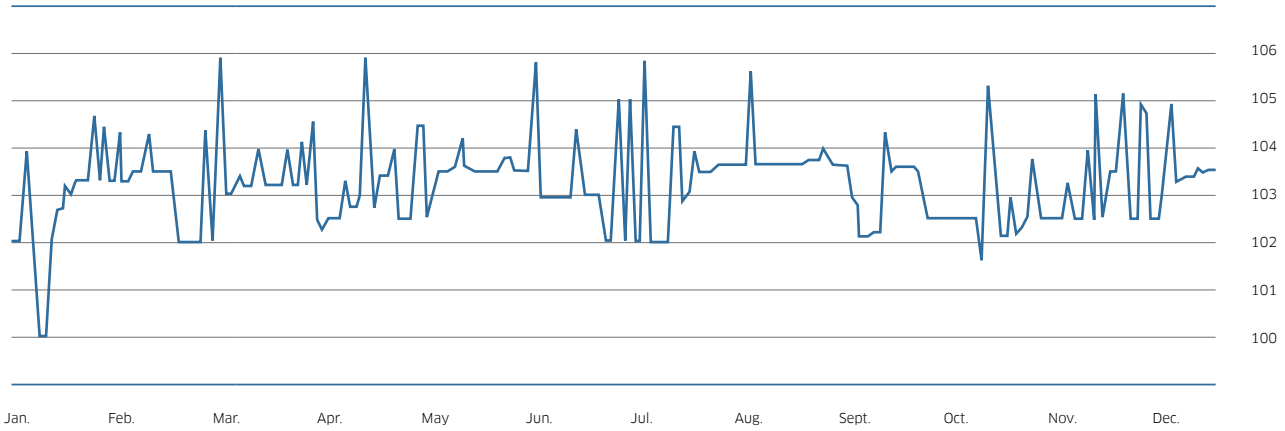
Performance of the 2018/2023 corporate bond:



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 real estate portfolio
Collateral security:	Unregistered land charges (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
Collateral security:	Unregistered land charges (via trustee)

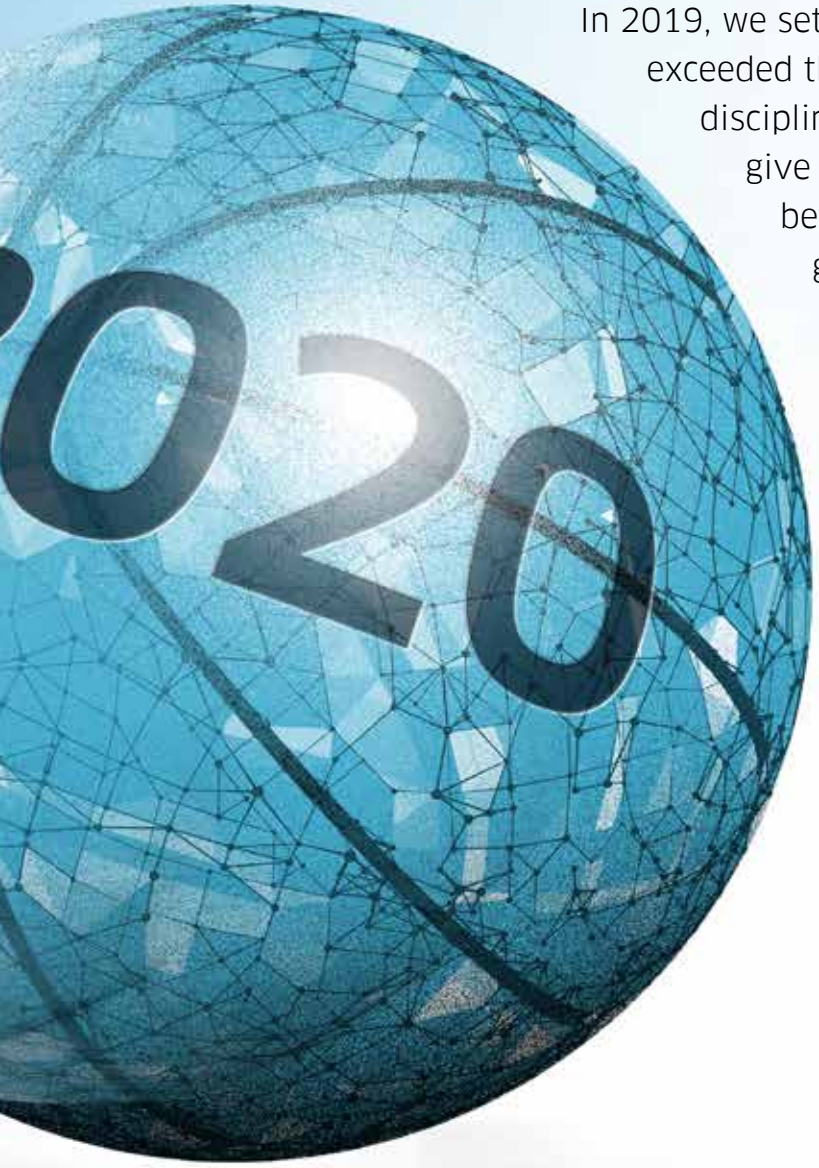
Supermarket in Datteln

Specialist retail center in Brandenburg


2019
2019
2020

Our strategy for success: score!

In 2019, we set ourselves high goals—and we exceeded them. Thanks to endurance, discipline and our commitment to always give our best. And we'll keep getting better. Our sights are set on our new goals for 2020. We're going to stay in a league of our own.



FCR Immobilien

Consolidated Statement of Financial Position

for the period from January 1 to December 31, 2019

ASSETS

in EUR	Notes no.	December 31, 2019	December 31, 2018	January 01, 2018
A. Non-current assets				
Intangible assets	4.1.1	197,114.77	154,064.01	20,059.00
Properties held as financial investments	4.1.2	298,985,902.57	237,441,667.50	73,935,401.02
Property, plant and equipment	4.1.3	848,752.67	503,916.99	337,978.80
Long-term and other lendings	4.1.4	194,868.00	159,268.00	104,999.68
Total non-current assets		**300,226,638.01**	**238,258,916.50**	**74,398,438.50**
B. Current assets				
Inventories	4.3	1,866,886.00	258,268.98	247,695.55
Securities	4.6	970,478.24	864,296.51	0.00
Trade receivables	4.4	9,651,381.57	1,187,413.65	1,834,168.65
Receivables from affiliated companies	4.5	2,973,487.62	3,913,233.76	2,604,192.72
Other current assets	4.4	1,840,264.87	898,342.57	985,444.40
Tax claims with short maturities	4.2	311,791.60	344,472.98	370,971.40
Cash and cash equivalents	4.6	9,142,565.23	3,051,733.26	4,946,270.79
Total current assets		**26,756,855.13**	**10,517,761.71**	**10,988,743.51**
Total assets		**326,983,493.15**	**248,776,678.21**	**85,387,182.01**

LIABILITIES AND EQUITY

in EUR	Notes no.	December 31, 2019	December 31, 2018	January 01, 2018
A. Equity				
Subscribed capital	5.1.1	9,146,404.00	4,219,588.00	4,148,151.00
Capital reserve	5.1.2	5,763,920.41	1,085,537.52	288,273.58
Other reserves	5.1.3	278,915.16	278,915.16	100,487.63
Retained earnings	5.1.4	70,432,798.05	65,404,727.62	6,611,264.51
Total equity		**85,622,037.62**	**70,988,768.30**	**11,148,176.72**
B. Liabilities				
Non-current liabilities				
Non-current deferred tax liabilities	6.9	14,449,847.97	13,851,069.95	841,395.51
Non-current provisions	5.4	5,000.00	5,000.00	5,000.00
Non-current promissory note loans	5.2	66,643,441.67	39,651,775.00	20,507,364.67
Non-current bank loans	5.2	144,886,966.94	101,982,214.54	43,077,523.62
Total non-current liabilities		**225,985,256.58**	**155,490,059.49**	**64,431,283.80**
Current liabilities				
Current provisions	5.3	1,124,532.90	1,213,138.00	944,112.14
Ongoing income tax liabilities	6.9	2,184,093.35	773,719.00	435,294.96
Current promissory note loans	5.2	0.00	5,626,635.67	0.00
Current bank loans	5.2	7,424,855.81	9,496,739.57	6,459,696.94
Prepayments received	5.4	166,144.36	66,778.90	0.00
Trade liabilities	5.4	2,172,088.59	2,307,480.10	591,659.65
Other current liabilities	5.4	2,304,483.94	2,813,359.18	1,376,957.80
Total current liabilities		**15,376,198.95**	**22,297,850.42**	**9,807,721.49**
Total equity and liabilities		**326,983,493.15**	**248,776,678.21**	**85,387,182.01**

Consolidated total comprehensive income

for the period from January 1 to December 31, 2019

in EUR	Notes no.	December 31, 2019	December 31, 2018
Revenues	6.1	21,645,390	16,026,341
Revenues from the sale of properties held as financial investments	6.1	28,025,000	21,251,920
Portfolio movements	6.2	451,860	-25,010
Other operational income	6.3	2,174,046	402,856
Proceeds from initial consolidation or deconsolidation of subsidiaries	2.1	0	3,277,501
Total turnover and operating income		**52,296,296**	**40,933,608**
Cost of materials	6.4	-7,740,822	-5,705,399
Expenses for purchased services		-197,542	-23,900
Expenses from the disposal of properties held as financial investments	4.1.4	-27,868,207	-21,251,920
Personnel expenses	6.5	-6,550,675	-3,321,087
Change in the value of properties held as financial investments	4.1.4	13,673,540	0
Other operational expenses	6.6	-5,132,082	-3,007,382
Impairment of trade receivables and contractual assets	5.7	-10,423	-56,833
Income from participating interests		93	0
EBITDA		**18,470,177**	**7,567,086**
Amortization and impairment of other assets and property, plant and equipment	4.1.6 / 6.7	-360,915	-502,865
Earnings before interest and tax (EBIT)		**18,109,262**	**7,064,221**
Earnings from financial activities	6.8	730,115	354,361
Expenses from financial activities	6.8	-6,903,976	-4,607,173
Earnings before tax (EBT)		**11,935,402**	**2,811,409**
Taxes on income and earnings	6.9	-2,185,892	124,996
Consolidated earnings after taxes (EAT)		**9,749,509**	**2,936,405**
Item of other comprehensive income with prospective reclassification to the result for the period		0	0
Item of other comprehensive income without prospective reclassification to the result for the period		0	0
Total result in the reporting period		**9,749,509**	**2,936,405**
of which attributable to:			
Quota attributable to the shareholders of FCR Immobilien AG		**9,749,509**	**2,936,405**

Notes to the Consolidated Financial Statements under IFRS rules

for the period from January 1, 2016 to December 31, 2019

General disclosures

FCR Immobilien AG (referred to as FCR AG, FCR of the Group hereafter) is a listed corporation limited by shares under German law. The company has its registered office at Paul-Heyse-Str. 28 in Munich (Munich Local Court, 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 centers 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.

An additional market are hotel properties that are held in FCR AG's property portfolio and operated by subsidiaries. These properties are held analogously to other properties with the aim of optimizing them and reselling them at a profit. In order to achieve the highest possible return from the funds invested in projects, the Executive Board continuously examined in which phase the best sales result can be achieved with a risk-optimized approach.

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 127 employees (FTE) over the year (previous year: 44).

1 Fundamental information about the Group

The Consolidated Financial Statements as of December 31, 2019 prepared voluntarily by the parent company for the first time in adherence to the International Financial Reporting Standards (IFRS hereafter) as applicable in the EU, the supplementary commercial law provisions applicable pursuant to Section 315e (3) German Commercial Code as well the IAS 34 rules pertaining to interim reporting. All mandatory rules published by the International Accounting Standard Board (IASB) and endorsed by the EU, i.e. published in the EU Official Journal, by the balance sheet date were applied in the preparation.

FCR AG prepared its financial statements under the German commercial law principles until financial year 2018 inclusive. The accounting under the German Commercial Code rules transitioned to accounting under IFRS rules on January 1, 2018.

The Statement of Financial Position is oriented by the maturity of the respective assets and liabilities. Assets and liabilities are considered current of their realization or repayment is expected within the ordinary course of the Group's business. The total cost method was applied in the preparation of the Statement of Comprehensive Income.

The Consolidated Statement of Comprehensive income was also prepared on the basis of the total cost method. The financial year of FCR Immobilien AG and the companies included in the Consolidated Financial Statements is the calendar year.

The Consolidated Financial Statements are denominated in Europe because all transactions conducted within the Group were denominated in this currency and the euro thus represents the functional currency used by the Group. Unless stated differently, all amounts are stated in thousand Euro (€ thousand). We note that the commercial rounding of amounts and percentages may result in differences in some of the data presented in tables. This also concerns the total and subtotal amounts presented in the Consolidated Financial Statements.

The reporting for financial year 2019 applies the mandatory standards and portrays a net asset, financial and earnings position that reflects the actual circumstances.

Rounding may cause amounts that should be identical to deviate slightly.

1.1 Initial application of the International Financial Reporting Standards

The Consolidated Financial Statements for the 2019 financial year are the first set of financial statements prepared in accordance to the International Financial Reporting Standards (IFRS) applicable within the EU. FCR AG prepared its financial statements under the German commercial law principles until financial year 2018 inclusive. The accounting under the German Commercial Code rules transitioned to accounting under IFRS rules on January 1, 2018. The present Consolidated Financial Statements for 2019 report in accordance with IFRS rules on financial year 2019 and the previous financial year 2018.

The opening balance sheet as of January 1, 2019 was prepared under retrospective application of the accounting methods described. The estimated values as of January 1, 2018 and December 31, 2018 generally accord with those that were required under the commercial law principles at the same point in time.

The previous reporting period 2018 under IFRS builds on the Consolidated Financial Statements of FCR AG for the year 2018. Under IFRS, the equity of FCR AG as of January 1, 2018 differs from the equity as of December 31, 2017 under the German Commercial Code by €4,242,000 and reconciles as follows:

Equity	in € thousand
as of January 1, 2018 (purs. to HGB)	**2,369**
Re-measurement of the value of properties held as financial investments	5,164
Revenues pursuant to IFRS 15	76
Adjustments bonds “effective interest method”	-169
Deferred taxes	-829
as of January 1, 2018 (purs. to IFRS)	**6,611**

The equity as of December 31, 2018 under IFRS was €61,950 higher than the equity on the same date under the German Commercial Code rules. The differences essentially result from the measurement of real property held as financial investments. FCR AG has recognized real property held as financial investments for which market prices were available on the balance-sheet date at their attributable fair value, which results in a €5,164,000 higher equity.

Rent-free periods agreed in the lease contracts were distributed over the full term of the lease contract, which results in a €76,000 higher equity and in turn leads to higher rent receivables.

The reconciliation of the equity as of December 31, 2018 presents as follows:

Equity	in € thousand
as of December 31, 2018 (purs. to HGB)	**9,038**
Re-measurement of the value of properties held as financial investments	69,253
Initial consolidation from business combination	3,044
Reconciliation of revenues pursuant to IAS/IFRS	219
Financial liabilities	878
Deferred taxes	-11,444
as of December 31, 2018 (purs. to IFRS)	**70,989**

The changes are set out in the following:

The value of all real properties held as financial investments was measured as of December 31, 2018. The difference between the carrying amount under the German Commercial Code and the attributable fair value is €69,253,000 and accordingly increases the equity and non-current assets.

The initial consolidation of the hotel in Italy resulted in the realization of a positive difference amount. In accordance with the rules under German commercial law, this amount was recognized as equity, while it results in income under IFRS. Further information can be found in the disclosures under the heading “Acquisition of subsidiaries”.

Reconciliation of the Statement of Financial Position as of December 31, 2017 to January 1, 2018 - assets

€ thousand	*Previous measurement basis*	*New measurement basis*
A. Non-current assets		
Intangible assets		
Properties held as financial investments	Acquisition cost model	Attributable fair value IAS 40
Property, plant and equipment		
Long-term and other lendings		
Total non-current assets		
B. Current assets		
Inventories		
Trade receivables	Nominal value	
Receivables from affiliated companies		
Other current assets		
Tax claims with short maturities		
Cash and cash equivalents		
Total current assets		
Total assets		

Previous carrying amount purs. to HGB as of December 31, 2017	*Effect from reclassification*	*Effect from changed value*	*Effect from re-measurement*	*New carrying amount as of January 1, 2018*
20				20
68,771			5,164	73,935
338				338
2,709	-2,604			105
71,838	**-2,604**	**0**	**5,164**	**74,398**
248				248
1,758		76		1,834
0	2,604			2,604
985				985
371				371
4,946				4,946
8,308	**2,604**	**76**	**0**	**10,989**
80,147	**0**	**76**	**5,164**	**85,387**

Reconciliation of the Statement of Financial Position as of December 31, 2017 to January 1, 2018 - equity and liabilities

€ thousand	*Previous measurement basis*	*New measurement basis*
A. Equity		
Subscribed capital		
Capital reserve		
Other reserves		
Retained earnings		
Total equity		
B. Liabilities		
Non-current liabilities		
Non-current deferred tax liabilities		
Non-current provisions		
Non-current promissory note loans	Nominal value	Effective interest method
Non-current bank loans	Nominal value	Effective interest method
Total non-current liabilities		
Current liabilities		
Current provisions		
Ongoing income tax liabilities		
Current bank loans	Nominal value	Effective interest method
Trade liabilities		
Other current liabilities		
Total current liabilities		
Total equity and liabilities		

Previous carrying amount purs. to HGB as of December 31, 2017	*Effect from reclassification*	*Effect from changed value*	*Effect from re-measurement*	*New carrying amount as of January 1, 2018*
4,148				4,148
288				288
100				100
2,369	-325	233	4,335	6,611
6,906	**-325**	**233**	**4,335**	**11,148**
0		12	829	841
5				5
20,676		-169		20,507
43,078				43,078
63,759	**0**	**-157**	**829**	**64,431**
1,018	-74			944
435				435
6,460				6,460
592				592
978	399			1,377
9,482	**325**	**0**	**0**	**9,808**
80,146	**0**	**76**	**5,164**	**85,387**

Reconciliation of the Statement of Financial Position as of December 31, 2018 - assets

€ thousand	*Previous measurement basis*	*New measurement basis*
A. Non-current assets		
Intangible assets	Acquisition cost model	Attributable fair value IAS 40
Properties held as financial investments		
Property, plant and equipment		
Long-term and other lendings		
Total non-current assets		
B. Current assets		
Inventories		
Securities		
Trade receivables		
Receivables from affiliated companies		
Other current assets		
Tax claims with short maturities		
Cash and cash equivalents		
Total current assets		
Total assets		

Previous carrying amount purs. to HGB as of December 31, 2018	*Effect from reclassification*	*Effect from changed value*	*Effect from re-measurement*	*New carrying amount as of December 31, 2018*
154				154
168,423			69,019	237,442
504				504
159				159
169,240	**0**	**0**	**69,019**	**238,259**
340	-82			258
864				864
1,187				1,187
3,913				3,913
5,319	-4,421			898
344				344
3,112	-60			3,052
15,080	**-4,563**	**0**	**0**	**10,518**
184,320	**-4,563**	**0**	**-69,019**	**248,777**

Reconciliation of the Statement of Financial Position as of December 31, 2018 - equity and liabilities

€ thousand	*Previous measurement basis*	*New measurement basis*
A. Equity		
Subscribed capital		
Capital reserve		
Other reserves		
Retained earnings		
Total equity		
Negative adjustment from revaluation		
B. Liabilities		
Non-current liabilities		
Non-current deferred tax liabilities		
Non-current provisions		
Non-current promissory note loans	Nominal value	Effective interest method
Non-current bank loans	Nominal value	Effective interest method
Total non-current liabilities		
Current liabilities		
Current provisions		
Ongoing income tax liabilities		
Current promissory note loans	Nominal value	Effective interest method
Current bank loans	Nominal value	Effective interest method
Prepayments received		
Trade liabilities		
Other current liabilities		
Total current liabilities		
Total equity and liabilities		

Previous carrying amount purs. to HGB as of December 31, 2018	*Effect from reclassification*	*Effect from changed value*	*Effect from re-measurement*	*New carrying amount as of December 31, 2018*
4,220				4,220
1,217		-131		1,086
279				279
3,323	-545	7,458	55,167	65,405
9,038	**-545**	**7,327**	**55,167**	**70,989**
3,044		**-3,044**		**0**
3,237		-3,237	13,851	13,851
5				5
40,049		-398		39,652
102,631		-649		101,982
145,922	**0**	**-4,283**	**13,851**	**155,490**
1,234	-21			1,213
773				774
5,627				5,627
9,497				9,497
67				67
2,407	-99			2,307
6,711	-3,898			2,813
26,316	**-4,018**	**0**	**0**	**22,298**
184,320	**-4,563**	**0**	**69,019**	**248,777**

Reconciliation of the Statement of Comprehensive Income for the financial year 2018

€ thousand	*Previous measurement basis*	*New measurement basis*
Revenues	Realization principle	attributable fair value
Revenues from the sale of properties held as financial investments	Realization principle	attributable fair value
Portfolio movements		
Other operational income		
Proceeds from initial consolidation or deconsolidation of subsidiaries		
Total turnover and operating income		
Cost of materials		
Expenses for purchased services		
Expenses from the disposal of properties held as financial investments	Acquisition cost model	Attributable fair value IAS 40
Personnel expenses		
Other operational expenses		
Impairment of trade receivables and contractual assets		
EBITDA		
Amortization and impairment of other intangible assets	Acquisition cost model	Attributable fair value IAS 40
Earnings before interest and tax (EBIT)		
Earnings from financial activities		
Expenses from financial activities	Nominal value	Effective interest method
Earnings before tax (EBT)		
Taxes on income and earnings		
Other taxes		
Consolidated earnings after taxes		
Item of other comprehensive income with prospective reclassification to the earnings for the period		
Item of other comprehensive income without prospective reclassification to the earnings for the period		
Total earnings in the reporting period		

Previous value purs. to HGB	*Effect from reclassification*	*Effect from changed value*	*Effect from re-measurement*	*Previous value purs. to IFRS*
37,185	-21,252	94		16,026
0	21,252			21,252
2	-27			-25
374	29			403
0		3,278		3,278
37,560	**2**	**3,372**	**0**	**40,934**
-20,998	15,293			-5,705
-99	75			-24
0	-16,078		-5,174	-21,252
-3,321				-3,321
-2,997	121	-131		-3,007
-57				-57
10,087	**-587**	**3,241**	**-5,174**	**7,567**
-2,653			2,150	-503
7,434	**-587**	**3,241**	**-3,024**	**7,064**
427	-73			354
-4,883		276		-4,607
2,977	**-660**	**3,517**	**-3,024**	**2,811**
-675	153	647		125
-880	880			0
1,423	**373**	**4,164**	**-3,024**	**2,936**
0				0
0				0
0	**373**	**4,164**	**-3,024**	**2,936**

Reconciliation of the Cash Flow Statement for the financial year 2018

€ thousand
Consolidated earnings after taxes
Taxes on income and earnings recognized through profit or loss
Financial expenses recognized through profit or loss
Financial income recognized through profit or loss
Proceeds from the sale of properties held as financial investments recognized through profit or loss
Amortization and impairment of other intangible assets and property, plant and equipment
Proceeds from initial consolidation of subsidiaries
Change in inventories, receivables and other assets not attributable to investment activities
Increase in provisions
Change in liabilities not attributable to financing activities
Payments of taxes on profits and earnings
Cash flow from operating activities
Investments in other intangible assets, software and property, plant and equipment
Cash inflows from the sale of properties held as financial investments
Cash outflows for properties held as financial investments
Cash outflow for the acquisition of securities and current assets
Cash inflows from the disposal of securities and current assets
Cash outflows for lendings to companies
Interest received
Cash outflow from investment/divestment activities
Cash inflow from the issue of new shares
Issue of bonds
Bond repayments
New loans assumed
Loan principal repayments
Cash outflow for dividends paid to shareholders
Interest paid
Cash inflow from financing activities
Change in cash and cash equivalents from initial consolidation
Net change in cash and cash equivalents
Cash and cash equivalents as of January 1
Cash and cash equivalents as of December 31

The financial statements 2018 prepared pursuant to German commercial law recognized the issue of bonds together with the new loans assumed, which resulted in a reclassification of new loans assumed in an amount of €83,390,000 and analogous loan principal repayments of €18,791,000.

Previous value purs. to HGB	Reclassifications	Adjustments	New value purs. to IFRS
1,423		**1,513**	**2,936**
675		-800	-125
4,412	354	-159	4,607
	-354		-354
-5,174		5,174	0
2,626		-2,123	503
0		-3,278	-3,278
-3,829			-3,829
554	-554		
10,852	-4,058	327	7,121
-203		0	-203
11,336	**-4,612**	**654**	**7,379**
-166			-166
21,252			21,252
-118,569			-118,569
-902			-902
2,601			2,601
-3,970	2,604		-1,366
427			427
-99,327	**2,604**	**0**	**-96,723**
3,256	-1,534	-722	1,000
108,390	-83,390		25,000
-20,799	20,799		0
	83,390	-2	83,388
	-17,258		-17,258
-290			-290
-4,401			-4,401
86,156	**2,007**	**-724**	**87,439**
		11	**11**
-1,835	**0**	**-59**	**-1,895**
4,946			**4,946**
3,111	**-60**		**3,052**

Application of transitional arrangements due to the initial application of IFRS 9

IRS 9 "Financial Instrument" was published by the IASB in July 2014. Its application is mandatory for reporting periods commencing on or after January 1, 2018. The standard contains new rules for the classification and measurement of financial assets and new rules for impairments.

The initial application of the IFRS 9 on January 1, 2018 did not result in any changes with respect to FCR's accounting-related recognition, measurement and reporting.

The changes in accounting methods resulting from the application of IFRS 9 were implemented as shown in the following:

		December 31, 2017			January 01, 2018	
€ thousand	Measurement category purs. to IAS 39	Carrying amount (IAS 39)	Reclassification	Re-measurement	Carrying amount (IFRS 9)	Measurement category purs. to IFRS 9
Assets						
Long-term and other lendings	LaR	105	105	0	**105**	Measured at acquisition costs
Trade receivables	LaR	1,834	1,834	0	**1,834**	Measured at acquisition costs
Cash and cash equivalents	LaR	4,946	4,946	0	**4,946**	Measured at acquisition costs
Liabilities						
Non-current promissory note loans	FLAC	20,507	20,507	0	**20,507**	Measured at acquisition costs
Non-current bank loans	FLAC	43,078	43,078	0	**43,078**	Measured at acquisition costs
Current bank loans	FLAC	6,460	6,460	0	**6,460**	Measured at acquisition costs
Trade liabilities	FLAC	592	592	0	**592**	Measured at acquisition costs

Other financial liabilities measured at amortized costs using the effective interest method (FLAC)

Lendings and receivables measured at amortized costs (LaR)

1.2 Accounting standards to be applied for the first time in the financial year

At the time these Consolidated Financial Statements were prepared, the following new and changed standards and interpretations must be applied for the first time in the reporting year:

Standard	Title
IFRS 16	Leases
IFRS 23	Uncertainties with respect to income tax treatment
Changes IFRS 9	Early repayment arrangements with negative compensation payment

With the exception of IFRS 16, the standards and interpretations applicable for the first time from January 01, 2019 did not affect the Consolidated Financial Statements.

IFRS 16 Leases

In January 2016, the International Accounting Standards Board published its final version of IFRS 16 Leases.

IFRS 16 sets out principles for the recognition, measurement and reporting as well as the disclosures in the notes with respect to leases and thereby assures that lessees and lessors are provided with relevant information concerning the effects of leases.

Application of IFRS 16 will result in changes to the presentation of expenses associated with these leases in the Statement of Comprehensive Income. IFRS 16 replaces the previous non-cash expenses against amortization expenses for right-of-use assets (RoU) and interest expenses for liabilities from the lease. In the future, assets (from the right-of-use) and liabilities (from the lease obligations) will be reported in the Statement of Financial Position. This results in an extension of the Statement of Financial Position.

The incremental borrowing rate is guided by the interest rate the company would have to pay under comparable economic conditions for the assumption of borrowed capital.

IFRS 16 also prescribes detailed disclosures (including disclosures concerning the presentation format). Satisfaction of the disclosure obligations requires, among other things, the disclosure of qualitative and quantitative information about the leasing activities.

The standard must be applied for the first time in the reporting period of a financial year commencing on or after January 01, 2019.

The management of FCR AG has analyzed the effects resulting from the initial application of IFRS 16 on the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income during the course of a review of existing contracts.

The following circumstances within the Group have been identified as IFRS 16-relevant leases with the Group as the lessee:

- Lease contracts for business premises
- IT equipment
- Motor vehicle lease contracts

Application of IFRS 16 on existing contracts does not result in any significant impact on the presentation of the net asset, financial and earnings position portrayed in the Consolidated Financial Statements because the lease contracts for business premises, IT equipment and motor vehicles are of subordinate significance. The management has therefore decided to exercise the option to waive the capitalization of the right-of-use asset pursuant to IFRS 16.

IFRIC 23

IFRIC 23 clarifies the application of recognition and measurement rules postulated in IAS 12 if there is uncertainty with respect to the income tax treatment. The recognition and measurement must be based on estimates and assumptions, e.g. whether an assessment is made separately or collectively with other uncertainties, whether a probable or expected value is used for the uncertainty, and whether any changes in comparison to the previous period have occurred. The detection risk is negligible for the accounting of uncertain accounting items. The accounting is based on the assumption that the tax authorities will investigate the questionable circumstances and have all relevant information at their disposal. In this context, it must be observed that the assessment by domestic and foreign tax authorities cannot be anticipated easily. The initial application of IFRIC 23 has not resulted in any changes to the Consolidated Financial Statements in comparison to previous periods.

1.3 New accounting standards to be applied in future financial years

The following standards, changes of standards and interpretations had already been published by the IASB at the time the Consolidated Financial Statements were prepared, but only become applicable in later reporting periods and the Group does not apply them ahead of their respective effective dates:

Standard	Title	Date of initial application	Intended initial application
	Endorsed		
Changes IFRS 3	Definition of a business operation	January 1, 2020	January 1, 2020
Changes IAS 1 / IAS 8	Definition of materiality	January 1, 2020	January 1, 2020
Changes framework concept	Revised framework concept	January 1, 2020	January 1, 2020
	Endorsement pending		
IFRS 17	Insurance contracts	January 1, 2021	January 1, 2021

Application of the new standards in the 2020 financial year did not result in any significant effects.

2 Consolidation scope and consolidation methods

2.1 Consolidation scope

The Consolidated Financial Statements of FCR AG include the financial statements of the parent company and the financial statements of the companies controlled by the parent company (its subsidiaries) The Company gains control if

- it has the power to dispose over the company in which it holds an interest
- its own return depends on the performance of the company in which it holds an interest
- its power to dispose allows it to influence the amount of the return

The Company reassesses whether or not it controls a company in which it holds an interest if there are facts or circumstances that point to a change in one or a number of the three criteria determining control stated above.

A subsidiary is included in the Consolidated Financial Statements from the point in time at which the Company gains control over the subsidiary until the point in time at which the Company's control over it ends. The results of the subsidiaries acquired or disposed over the course of the year are recognized in the Consolidated Statement of Comprehensive Income and the other consolidated earnings after taxes beginning on the actual acquisition date, or respectively until the actual disposal date.

The consolidation fully eliminates all intragroup assets, liabilities, equity positions, earnings, expenses and cash flows associated with transactions between group companies.

All companies included in the Consolidated Financial Statements of FCR AG are specified in the table of participating interests included in the other disclosures (see: 8.7 Participating interest pursuant to Section 313 (2) in conjunction with Section 285 no. 11 German Commercial Code). All subsidiaries listed in the table make use of the simplification rule provided for in Section 264 (3) German Commercial Code. The business partnerships also listed in the table of participating interests make use of the simplification rule provided for in Section 264b German Commercial Code.

The consolidation scope comprises the parent company and 102 (2018: 64; as of January 1, 2018: 63) subsidiaries. They have been included in the Consolidated Financial Statements in accordance with the full consolidation rules.

The balance sheet dates of the subsidiaries included in the Consolidated Financial Statements are identical to the balance sheet date of the parent company. The financial statements are prepared on the basis of uniform accounting and measurement principles.

As of the balance sheet date, there are no (2018:4; as of January 1, 2018: 0) companies that are not included in the consolidation scope due to them only having minor business operations or no business operations at all, and due to the fact that they are of subordinate significance for the purpose of portraying a net asset, financial and earnings position that reflects the actual circumstances.

Acquisitions and disposals of companies

The number of group companies that are fully consolidated in the Consolidated Financial Statements has developed as follows in the reporting period:

	2017	2018	2019
as of January 1	**21**	**42**	**64**
Acquisitions	0	1	0
New company formations	27	26	34
Initial consolidations	0	0	4
Associated companies	6	5	3
as of December 31	**42**	**64**	**99**

We refer the reader to the explanations set out below.

Transactions of a material nature for the Group are explained under acquisitions and disposals of companies below.

New company formations or initial consolidations

In the following table, the companies' registered office is located in Pullach and the capital contribution is €100 in each case.

The general partner of the limited partnerships (a GmbH & Co. KG under German law) presented below is in each case FCR Verwaltungs GmbH, which is part of the consolidation scope. The voting rights and capital share held by FCR Immobilien AG and FCR Verwaltungs GmbH in each case amount to 100%.

All companies included in the financial statements were fully consolidated.

All companies, including those of a subordinate significance, were included in the Consolidated Financial Statements for the 2019 financial year, while they were not included in the Consolidated Financial Statements of previous years.

The following companies were newly formed in financial year 2019:

Company

FCR Aschersleben GmbH & Co. KG	FCR Hamm GmbH & Co. KG	FCR Rövershagen GmbH & Co. KG
FCR Bergisch Gladbach GmbH & Co. KG	FCR Herford GmbH & Co. KG	FCR Schwalbach GmbH & Co. KG
FCR Brandenburg Logistik GmbH & Co. KG	FCR Holzhausen GmbH & Co. KG	FCR Schwandorf GmbH & Co. KG
FCR Cadolzburg GmbH & Co. KG	FCR Höchstadt GmbH & Co. KG	FCR Schwerin GmbH & Co. KG
FCR Cloppenburg GmbH & Co. KG	FCR Jüterbog GmbH & Co. KG	FCR Stendal GmbH & Co. KG
FCR Duisburg 2 GmbH & Co. KG	FCR Kaiserslautern GmbH & Co. KG	FCR Strullendorf GmbH & Co. KG
FCR Ehrenfriedersdorf GmbH & Co. KG	FCR Landau GmbH & Co. KG	FCR Teistungen GmbH & Co. KG
FCR Gronau GmbH & Co. KG	FCR Magdala GmbH & Co. KG	FCR Uelzen Office GmbH & Co. KG
FCR Guben GmbH & Co. KG	FCR Meerane GmbH & Co. KG	FCR Weidenberg GmbH & Co. KG
FCR Gummersbach 2 GmbH & Co. KG	FCR Münchberg GmbH & Co. KG	FCR Zeithain GmbH & Co. KG
FCR Görlitz Hugo-Meyer GmbH & Co. KG	FCR Münster GmbH & Co. KG	FCR Zwickau GmbH & Co. KG
FCR Hagen GmbH & Co. KG	FCR Netzschkau GmbH & Co. KG	
FCR Hambühren GmbH & Co. KG	FCR Prettin GmbH & Co. KG	

The following companies were newly formed in financial year 2018:

Company		
FCR II Pelagone s.r.l.	FCR Kaltennordheim GmbH & Co. KG	FCR Stuhr GmbH & Co. KG
FCR Pelagone GmbH & Co. KG	FCR Lichtentanne GmbH & Co. KG	FCR Uelzen GmbH & Co. KG
FCR Aken GmbH & Co. KG	FCR Monument Investment S.L.	FCR Wasungen GmbH & Co. KG
FCR Bottrop GmbH & Co. KG	FCR Munster GmbH & Co. KG	FCR Weissenfels GmbH & Co. KG
FCR Brandenburg GmbH & Co. KG	FCR Neumünster GmbH & Co. KG	FCR Westerburg GmbH & Co. KG
FCR Brandis GmbH & Co. KG	FCR Nienburg GmbH & Co. KG	FCR Wittingen GmbH & Co. KG
FCR Bremervörde GmbH & Co. KG	FCR Rastatt GmbH & Co. KG	FCR Würselen GmbH & Co. KG
FCR Freital GmbH & Co. KG	FCR Salzwedel GmbH & Co. KG	FCR Zerbst GmbH & Co. KG
FCR Glückstadt GmbH & Co. KG	FCR Soltau GmbH & Co. KG	FCR Innovation GmbH
FCR Görlitz GmbH & Co. KG	FCR Soltau Zentrallager GmbH & Co. KG	FCR Service GmbH

The following companies that were not included in the Consolidated Financial Statements of the previous year due to their subordinate significance were consolidated for the first time in financial year 2019:

Company	
FCR Gera AMTP GmbH & Co. KG	FCR Nienburg GmbH & Co. KG
FCR Hagen 2 GmbH & Co. KG	FCR Wismar 2 GmbH & Co. KG

There were no companies that were not included in the Consolidated Financial Statements of the previous year due to their subordinate significance and consolidated for the first time in financial year 2018:

As of December 31, 2018, the consolidation scope included the following companies:

Company	interests	Capital
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

Company	interests	Capital
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%	100
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 II Pelagone s.r.l.	100%	10,200,000
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 GmbH & CO. KG	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

As of January 01, 2018, the consolidation scope included the following companies:

Company	interests	Capital
FCR Verwaltungs GmbH	100%	25,000
FCR Pössneck GmbH & Co. KG	100%	100
FCR Salzgitter GmbH & Co. KG	100%	100
FCR Cottbus GmbH & Co. KG	100%	100
FCR Zeulenroda GmbH & Co. KG	100%	100
FCR Wismar GmbH & Co. KG	100%	100
FCR Oldenburg GmbH & Co. KG	100%	100
FCR Wismar II GmbH & Co. KG	100%	100
FCR Seesen GmbH & Co. KG	100%	100
FCR Hennef GmbH & Co. KG	100%	100
FCR Neustrelitz GmbH & Co. KG	100%	100
FCR Bernburg GmbH & Co. KG	100%	100
FCR Triptis GmbH & Co. KG	100%	100
FCR Gummersbach GmbH & Co. KG	100%	100
FCR Twistringen GmbH & Co. KG	100%	100
FCR Bückeburg GmbH & Co. KG	100%	100
FCR Bad Kissingen GmbH & Co. KG	100%	100
FCR Burg GmbH & Co. KG	100%	100
FCR Burgdorf GmbH & Co. KG	100%	100
FCR Datteln GmbH & Co. KG	100%	100
FCR Dresden GmbH & Co. KG	100%	100
FCR Schesslitz GmbH & Co. KG	100%	100
FCR Schleiz GmbH & Co. KG	100%	100
FCR Seelze GmbH & Co. KG	100%	100
FCR Würzburg GmbH & Co. KG	100%	100
FCR Rhaunen GmbH & Co. KG	100%	100
FCR Duisburg GmbH & Co. KG	100%	100
FCR Wittenberge GmbH & Co. KG	100%	100
FCR Hof GmbH & Co. KG	100%	100
FCR Grimmen GmbH & Co. KG	100%	100
FCR Aue GmbH & Co. KG	100%	100
FCR Altena GmbH & Co. KG	100%	100
FCR Bamberg GmbH & Co. KG	100%	100
FCR Gera AMTP GmbH & Co. KG	100%	100
FCR Welzow GmbH & Co. KG	100%	100
FCR Gera BIBC GmbH & Co. KG	100%	100
FCR Magdeburg GmbH & Co. KG	100%	100
FCR Genthin GmbH & Co. KG	100%	100
FCR Brandis & Co. KG	100%	100
FCR Dessau-Heide GmbH & Co. KG	100%	100
FCR Glauchau GmbH & CO. limited partnership (KG)	100%	100
FCR Kitzbühel GmbH & Co. KG	100%	100

Acquisition of subsidiaries

General information

The companies are, as a general rule, established as limited partnerships (a GmbH & Co. KG under German law) with a limited liability company as the limited partner. Their shares are usually held by one of FCR's group companies. Following the company formation, the newly established company then acquires the assets (properties).

FCR II Pelagone S.r.l.

FCR Pelagone GmbH, respectively FCR II Pelagone S.r.l., was acquired as a whole enterprise from an insolvency in financial year 2018. The acquisition effective date and transfer of assets took place on July 1, 2018. FCR Pelagone GmbH acquired all shares in FCR II Pelagone S.r.l. with registered office in Gavorrano, Italy. FCR Immobilien AG on the other hand holds all shares in FCR Pelagone GmbH with registered office in Kitzbühel, Austria.

FCR II Pelagone S.r.l. is a hotel that also hosts a golf club.

Pelagone „Villaggio" features idyllic walking paths between the romantic bungalows nestled among oleanders, pine trees and cypresses. The new section of the "Borgo" complex impresses with a sophisticated design and a fascinating, Mediterranean flair. The 123 generously sized apartments are equipped with TV, telephone, safe, air conditioning and bathrooms and also offer a balcony or garden. They masterfully combine cosiness and the country house style that is typical for the Tuscany region.

Positioned between olive groves and towering cypresses, Keith Preston from the United Kingdom created one of the most inspiring golf courses in Italy in 1999. Set among the green hills of Tuscany's Maremma, this course offers mesmerizing views. The golf facility with its 18 holes, par 71, meets international standards and was distinguished as one of the top-10 new gold courses in 2003. The varying greens require aptitude, adaptability and focus. The championship course is the venue of many Pro-Am and international tournaments, such as the Nick Faldo Series Italy Championship.

It presents the perfect challenge for experienced golfers as well as novices to the sport. Tuscany's beautiful landscape - combined with a pleasant climate that allows for year-round golf operations - make this golf course an exclusive experience.

Management problems resulted in the company slipping into insolvency. This allowed FCR AG to acquire the company and its assets at a cheap price and resulted in the recognition of income from the initial consolidation of subsidiaries in the amount of €3,278,000 in financial year 2018. All silent reserves and silent liabilities had been considered before the income from the initial consolidation was recognized in the Statement of Financial Position.

The purchase price payable was contractually agreed in an amount of €3,940,000 and paid to the insolvency administrator in 2018. In addition to the purchase price payable, the Group was also required to absorb inherited liabilities of up to €10,500,000. The following table presents the acquired assets, liabilities and provisions. The liabilities declared as inherited liabilities show the liability amount under the purchase contract. These liabilities plus the purchase price payable in cash result in the amount of €10,500,000 stipulated in the purchase contract.

€ thousand	June 30, 2018	Realization of hidden reserves	July 1, 2018
Non-current assets excl. intangible assets	12,913	4,775	17,688
Other assets	161		161
Total assets	**13,075**	**4,775**	**17,850**
Deferred tax liabilities	0	1,146	1,146
Liabilities, allocation former shareholder	6,560		6,560
Other liabilities, provisions	2,926		2,926
Total assets	**9,486**	**1,146**	**10,632**
Acquired net assets	3,588	3,629	7,217
Purchase price			**3,940**
Negative goodwill / income from initial consolidation			3,278
Paid in cash			**3,940**
Cash and cash equivalents acquired			11
Net outflow from acquisition			**3,929**
Total purchase price incl. inherited liabilities as per contract			**10,500**

Intragroup accrual

The sale of a property held in a limited partnership (GmbH & Co. KG) results in FCR Immobilien AG relinquishing its role as the general partner and the company accruing to FCR Verwaltungs AG.

The following companies accrued to FCR Verwaltungs GmbH in 2019:

Company		
FCR Burgdorf GmbH & Co. KG	FCR Salzgitter GmbH & Co. KG	FCR Würzburg GmbH & Co. KG

Overview of fully consolidated subsidiaries:

		Voting shares		
Name	**Registered office**	**December 31, 2019**	**December 31, 2018**	**January 01, 2018**
FCR Il Pelagone s.r.l.	Gavarrano, Italy	100%	100%	-
FCR Pelagone GmbH & Co. KG	Kitzbühel, Austria	100%	100%	-
FCR Aken GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Altena GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Aschersleben GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Aue GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Bad Kissingen GmbH & Co. KG	Pullach, Germany	100%	100%	100%

Name	Registered office	Voting shares December 31, 2019	Voting shares December 31, 2018	Voting shares January 01, 2018
FCR Bamberg GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Bergisch Gladbach GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Bottrop GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Brandenburg GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Brandis GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Brandenburg Logistik GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Bremervörde GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Buchholz GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Burg GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Burgdorf GmbH & Co. KG	Pullach, Germany	-	-	100%
FCR Cadolzburg GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Cloppenburg GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Cottbus GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Datteln GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Duisburg GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Duisburg 2 GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Ehrenfriedersdorf GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Freital GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Fieberbrunn GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Gera AMTP GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Gera BIBC GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Glückstadt GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Grimmen GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Gronau GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Guben GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Gummersbach GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Gummersbach 2 GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Görlitz GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Görlitz Hugo-Meyer GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Hagen GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Hagen 2 GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Hambühren GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Hamm GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Hennef GmbH & Co. KG	Pullach, Germany	100%	100%	100%

Name	Registered office	Voting shares December 31, 2019	Voting shares December 31, 2018	Voting shares January 01, 2018
FCR Herford GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Hof GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Holzhausen GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Höchstadt GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Jüterbog GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Kaiserslautern GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Kaltennordheim GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Kitzbühel GmbH & Co. KG	Kitzbühel, Austria	100%	100%	100%
FCR Köpenick GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Landau GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Lichtentanne GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Magdala GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Magdeburg GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Meerane GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Monument Investment S.L.	Illes Balears, Spain	100%	100%	-
FCR Munster GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Münchberg GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Münster GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Netzschkau GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Neumünster GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Neustrelitz GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Nienburg GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Prettin GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Pössneck GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Rastatt GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Rhaunen GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Rövershagen GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Salzgitter GmbH & Co. KG	Pullach, Germany	-	100%	100%
FCR Salzwedel GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Schesslitz GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Schleiz GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Schwalbach GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Schwandorf GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Schwerin GmbH & Co. KG	Pullach, Germany	100%	-	-

Name	Registered office	Voting shares December 31, 2019	Voting shares December 31, 2018	Voting shares January 01, 2018
FCR Seesen GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Söhlde GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Soltau GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Soltau Zentrallager GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Stendal GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Strullendorf GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Stuhr GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Teistungen GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Uelzen GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Uelzen Office GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Wasungen GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Weidenberg GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Weissenfels GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Welzow GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Westerburg GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Wismar 2 GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Wittenberge GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Wittingen GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Würselen GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Würzburg GmbH & Co. KG	Pullach, Germany	-	100%	100%
FCR Zeithain GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Zerbst GmbH & Co. KG	Pullach, Germany	100%	100%	-
FCR Zeulenroda GmbH & Co. KG	Pullach, Germany	100%	100%	100%
FCR Zwickau GmbH & Co. KG	Pullach, Germany	100%	-	-
FCR Innovation GmbH	Pullach, Germany	100%	100%	-
FCR Service GmbH	Pullach, Germany	100%	100%	-
FCR Verwaltungs GmbH	Pullach, Germany	100%	100%	100%
FCR Wismar GmbH & Co. KG	Pullach, Germany	-	100%	100%
FCR Oldenburg GmbH & Co. KG	Pullach, Germany	-	-	100%
FCR Wismar II GmbH & Co. KG	Pullach, Germany	-	-	100%
FCR Bernburg GmbH & Co. KG	Pullach, Germany	-	-	100%
FCR Triptis GmbH & Co. KG	Pullach, Germany	-	-	100%
FCR Twistringen GmbH & Co. KG	Pullach, Germany	-	-	100%
FCR Bückeburg GmbH & Co. KG	Pullach, Germany	-	-	100%

Name	Registered office	Voting shares December 31, 2019	December 31, 2018	January 01, 2018
FCR Seelze GmbH & Co. KG	Pullach, Germany	-	-	100%
FCR Genthin GmbH & Co. KG	Pullach, Germany	-	-	100%
FCR Dessau-Heide GmbH & Co. KG	Pullach, Germany	-	-	100%
FCR Glauchau GmbH & CO. Limited partnership (KG)	Pullach, Germany	-	-	100%

2.2 Capital consolidation by way of a full consolidation

All subsidiaries are fully consolidated in the Consolidated Financial Statements. The accounting of the acquired subsidiaries followed the acquisition method pursuant to IFRS 3.

According to the acquisition methods, the return consideration in a corporate merger is measured at its attributable fair value. This is derived from the total of the attributable fair values of the transferred assets at the acquisition date, the liabilities assumed by the former owners of the acquired company, and the equity instruments issued by the Group in exchange against control over the acquired company. Transaction costs associated with the corporate merger are recognized through profit or loss at the time they are incurred.

A subsidiary is included in the Consolidated Financial Statements from the point in time at which the Company gains control over the subsidiary until the point in time at which the Company's ceases control over the subsidiary. The acquisition costs are comprised of the funds used for the acquisition. The goodwill results as the surplus of the total amount of the return consideration paid and the amount of all non-controlling shares in the acquired company that exceeds the balance of the determined attributable fair values of the identifiable assets and absorbed liabilities as of the acquisition date. In the event this results - including after a reassessment - in a negative difference, the difference is recognized immediately as income through profit or loss. The profit or loss and all components of the other comprehensive income must be allocated to the shareholders of the parent company rather than the non-controlling shareholders. This must be observed even the result is a negative balance for the non-controlling shareholders. As of the balance sheet dates on January 1, 2018, December 31, 2018 and December 31, 2019, FCR Group did not have any non-controlling shareholders.

2.3 Elimination of interim results and consolidation of liabilities, expenses and income

Intragroup balances, transactions, profits and expenses of companies that are fully consolidated in the Consolidated Financial Statements are eliminated completely. Deferred tax items are formed for temporal differences resulting from the elimination of profits and losses attributable to intragroup transactions.

2.4 Currency translation

Business transactions in foreign currency are translated at the relevant currency exchange rates prevailing at the transaction date. The monetary assets and liabilities are measured at their balances on the balance sheet date and the resulting currency translation differences are recognized through profit or loss. Non-monetary items are measured at historical acquisition and production costs in foreign currency and translated at the exchange rate prevailing on the transaction date.

No material business transactions denominated in foreign currency occurred during the presented reporting periods.

3 Summary of essential accounting and measurement methods

The individual financial statements included in the Consolidated Financial Statements were prepared on the basis of uniform accounting and measurement principles. The accounting and measurement principles used to prepare the Consolidated Financial Statements are presented in the following. Additional information on selected items of the Consolidated Statement of Income and the Consolidated Statement of Financial Position together with corresponding figures can be found in the explanations presented in the following. The Consolidated Financial Statements were prepared in observance of the going-concern principle and under application of the acquisition cost principle (with the exemption of the revaluation of properties held as financial investments, which are measures at their attributable fair value using the revaluation method).

3.1 Measurement principles used in the Consolidated Statement of Financial Position

Balance sheet item	Measurement
Non-current assets	
Intangible assets	Amortized acquisition costs
Property, plant and equipment	Amortized acquisition costs
Properties held as financial investments	Attributable fair value
Long-term and other lendings	Amortized acquisition costs
Current assets	
Inventories	Lower value of net disposal value and acquisition or production costs
Securities	Amortized acquisition costs
Trade receivables	Amortized acquisition costs
Receivables from affiliated companies	Amortized acquisition costs
Other current assets	Amortized acquisition costs
Tax claims with short maturities	Amortized acquisition costs
Cash and cash equivalents	Amortized acquisition costs or at attributable fair value through profit or loss
Non-current liabilities	
Non-current provisions	Cash value of the future settlement amount
Non-current promissory note loans	Amortized acquisition costs
Non-current bank loans	Amortized acquisition costs
Current liabilities	
Current provisions	Cash value of the future settlement amount
Ongoing income tax liabilities	Amortized acquisition costs
Current promissory note loans	Amortized acquisition costs
Current bank loans	Amortized acquisition costs
Prepayments received	Amortized acquisition costs
Trade liabilities	Amortized acquisition costs
Other current liabilities	Amortized acquisition costs

3.2 Attributable fair value

The attributable fair value is the price that would be received from the sale of an asset or paid for the assignment of a liability in a ordinary business transaction between market participants. This applies independent of whether the price was directly observable or estimated using a measurement method.

In determining the attributable fair value of an asset or liability, the Group considers certain characteristics of the asset or liability (e.g. the condition and location of the asset or restrictions on its use and resale) in cases where market participants would also give consideration to these characteristics in determining the price for the acquisition of the respective asset or assignment of the respective liability on the balance sheet date. In the present Consolidated Financial Statements, the attributable fair value adopted in measurements and/or mandatory disclosures is generally determined on this basis. The following are exempt from this rule:

- Share-based compensations within the scope of IFRS 2,
- Leasing transactions recognized in accordance with IFRS 16, and
- Measurement methods similar but not identical to the attributable fair value, e.g. net disposal value pursuant to IAS 2 or value-in-use pursuant to IAS 36.

The attributable fair value is not always available as a market price. It must frequently be determined on the basis of a number of different measurement parameters. Depending on the availability of observable parameters and the significance of these parameters for determining the fair value as a whole, the attributable fair value is categorized as level 1, 2 or 3. The categorization observes following:

- Level 1 input parameters are listed prices (unadjusted) on active markets for identical assets or liabilities that are available to the company on the measurement date.
- Level 2 input parameters are input parameters that are different from the listed prices contained in level 1 and that are directly observable for the asset or the liability, or that can be derived indirectly from other prices.
- Level 3 input parameters are parameters that are not observable for the asset or liability.

3.3 Equity instrument

An equity instrument is a contract that constitutes a residual claim to a company's assets after deduction of all associated liabilities. Equity instruments are recognized at the issue proceeds received less directly attributable issue costs. Issue costs are costs that would not have been incurred without the issue of the equally instrument.

Repurchases of own equity instruments are directly deducted from the equity balance. Purchases, sales, issues or cancellations of own equity instruments are not recognized in the Consolidated Statement of Comprehensive Income.

Debt and equity instrument issued by a group company are classified as financial liabilities or equity in accordance with the commercial substance of the contractual agreement and the definitions.

3.4 Realization of revenue and revenue recognition

IFRS 15 states that revenues must be recognized in the amount of the return consideration a company can ordinarily expect to receive in return for the transfer of goods or services to a customer. The customer gains control either at a certain point in time or within a certain period of time. In the case of property sales conducted by FCR AG, control transfers at a certain point in time. The revenue is measured on the basis of the return consideration provided for in a contract with a customer.

The probability of deriving future economic benefit and the reliable quantification of the proceeds are essential prerequisites for the realization of profits from the sale of properties. In addition, the essential opportunities and risks associated with ownership of the assets must transfer to the purchaser, the legal or factual control over the assets must be relinquished and it must be possible to reliably determine the expenses already incurred for the sale or to be incurred in the future.

In the property rental and hotel operations business, proceeds are usually realized after the performance has been rendered. The reader is referred to the information in point 6 .1 with respect to the accounting and measurement methods under IFRS 15.

3.5 Realization of other income and interest income

Other income is recognized in accordance with its realization. Interest income is recognized in accordance with the effective interest method.

3.6 Realization of expenses and interest expenses

Expenses are recognized at the time a performance is utilized or at the time they are incurred. Interest expenses are recognized in accordance with the effective interest method.

3.7 Intangible assets

Intangible assets and software are recognized at their acquisition costs at the time they are acquired. In subsequent periods, they are measured at their acquisition costs less accumulative scheduled amortization and any relevant impairments.

The acquisition costs include the directly attributable purchase and delivery costs.

Scheduled amortization is applied using the straight line method. Amortization commences as soon as the asset is ready for use and ends upon expiry of the useful economic life or disposal of the asset. The amortization period is determined by the expected useful economic life. Purchased software is amortized over a period of three to six years. Other intangible assets are amortized over a period of three to seven years using the straight line method.

The amortization on intangible assets is combined with the amortization on property, plant and equipment and recognized in the item amortization, depreciation and impairment of assets in the Consolidated Statement of Comprehensive Income.

3.8 Properties held as financial investments investment property

The qualification of properties as financial investments is based on a corresponding management resolution to use these properties for the generation of rental income and to realize their potential for rental increases over an extended period of time as well as resulting increases in value. The hotel buildings held by the company are also intended to be held for value appreciation in order to sell them at a profit at a later point in time.

Properties held as financial investments are initially recognized at their value measured at acquisition or production costs. In subsequent periods, they are measured at attributable fair values that reflect the market conditions on the balance sheet date. A profit or loss from a change in the attributable fear values is recognized through profit or loss. Subsequent expenses for the extension and redevelopment of the properties are recognized in as far as they contribute to an increase in the property's attributable fair value. The value measurement also considers the best-possible use of the respective property. Changes in the use of a property are considered in the value measurement in as far as they are technically and financially feasible and legally permitted.

The value of properties held as financial investments is measured on an annual basis. If there are significant changes to the relevant input factors on the balance sheet date, the values are adjusted accordingly. The attributable fair value of properties held as financial investments is determined on the basis of reports prepared by independent external expert values using recognized valuation methods. The contracted independent expert valuers possess the necessary professional qualifications and experience required to carry out the valuation. The valuation reports are essentially based on the information made available by the company, such as current rents, maintenance and administrative expenses or currently vacant space, as well as assumptions made by the expert on the basis of market data and evaluated on the basis of the valuer's professional qualifications, e.g. future market rents, typical maintenance and administration expenses, structural vacancy rates or discount and capitalization interest rates.

The Executive Board analyzes the information made available to the expert valuer, the assumptions made and the results of the property valuation before being considered in the valuation.

All properties held by the Group as financial investments are leased or generate revenues from hotel operations, food & beverage and other hotel-related services. The resulting rental income and directly associated expenses are recognized in the Consolidated Statement of Comprehensive Income.

If there is certainty on the balance sheet date that an property classified as an investment property will be sold, on the basis of a letter of intent to purchase or signed purchase contract with settlement after the balance sheet date, the property will be recognized in the item inventories. This was not the case on January 01, 2018, December 31, 2018 and December 31, 2019 and the measurement of properties recognized as inventories is therefore not discussed in further detail.

In order to retrospectively derive the attributable fair value for the comparison periods ending on January 1, 2018 and December 31, 2018 respectively, the value of the properties was measured on the basis of market prices, purchase inquiries received, purchase contracts available after the reporting period, or expert valuations carried out in previous years.

For further information, we refer the reader to the deliberations in point 4 .1 .1 under the heading “Intangible assets”.

3.9 Business and office equipment

Business and office equipment is recognized on the acquisition date at their acquisition or production costs. In subsequent periods, they are measured at their acquisition or production costs less accumulative scheduled amortization and any relevant impairments.

The acquisition costs include the directly attributable purchase and delivery costs.

Scheduled amortization is applied using the straight line method. Amortization commences as soon as the asset is ready for use and ends upon the disposal of the asset. The amortization period is determined by the expected useful economic life. Business and office equipment is amortized over a period of three to 13 years. Assets of a low value are fully written off in the year of their acquisition.

3.10 Impairment of assets

Impairment testing is carried out for intangible assets with a limited useful economic life. It is carried out for property plant and equipment if there is concrete reason. An impairment is recognized through profit or loss in as far as the asset's recoverable amount is lower than its carrying amount. The recoverable amount is generally determined separately for each asset. If this is not possible, it is determined the basis of a group of assets that generate independent cash flows. The recoverable amount is the higher amount of the attributable fair value less disposal costs and the value-in-use. All impairments are immediately recognized through profit or loss. If the reason for an impairment recognized in previous years no longer applies, an impairment reversal up to the amount of the amortized acquisition costs will be recognized.

3.11 Inventories

The item inventory is recognizes CAM for leased properties that remain unbilled on the balance sheet date, as well as assets acquired for resale.

3.12 Financial assets

Financial instruments are contracts that give rise to a financial asset in one company and a financial instrument or equity instrument in another company. A market-standard purchase or sale of financial assets is recognized on the trading date, i.e. the day on which the Group enters into a contract to purchase or sell the asset. Financial instruments are initially measured at their attributable fair value. In as far as subsequent measurements do not recognize the financial instrument at its attributable fair value through profit or loss, the transaction costs must also be taken into account.

The attributable fair value is determined in accordance with the following measurement levels:

Level 1: prices listed on active markets for identical assets or liabilities (adopted unchanged)

Level 2: Input factors that are not listed prices in the meaning of level 1 above, but that are directly or indirectly (i.e. derived from prices) observable for the asset or liability.

Level 3: factors for the measurement of the asset or liability that are not based on observable market data (non-observable input factors)

On the reporting date, all attributable fair values determined for financial instruments were based on information and input factors that fall within **level 2** described above.

Financial assets are classified depending on the business model selected by the company and the characteristics of the contractually agreed cash flows.

Financial assets held for the purposes of a business model that pursues the objective of holding financial assets to generate contractually agreed cash flows and for which cash flows result in principal repayments and interest payments on determined dates are measured at their amortized acquisition costs.

Financial assets held for the purposes of a business model that pursues the objective of generating contractually agreed cash flows and reselling the asset and for which cash flows result in principal repayments and interest payments are measured at their attributable fair value and recognized as other comprehensive income outside of profit or loss.

Financial assets are measured at their attributable fair value and recognized through profit or loss if they are neither held for the purpose of generating cash flows, nor for the purpose of generating cash flows and resale proceeds.

The financial assets of the Group are comprised of cash and cash equivalents, trade receivables, receivables from loans advanced, other receivables and financial assets. The Group determines the classification of its financial assets at the time of their initial recognition.

FCR AG exclusively uses the simplified impairment model, which requires a risk provision in the amount of the losses expected over the entire residual term of the instrument to be recognized for all instruments, irrespective of their credit quality. Historical default probabilities are taken into account. For each balance sheet date, FCR AG determines whether financial assets measured at amortized acquisition costs are affected by a credit impairment. A financial asset is affected by a credit impairment if one or a number of events with detrimental implications for the financial asset's expected future cash flows have occurred. A credit impairment is not automatically determined if an instrument is more than 90 days past maturity, but always on the basis of the individual assessment made by credit management.

3.13 Financial liabilities

In accordance with IFRS 9, financial liabilities were already measured at amortized acquisition costs in the opening balance sheet as of January 01, 2018.

IFRS 9 retains most of the existing requirements resulting from IAS 32 with respect to the classification of financial liabilities.

Financial liabilities must be measured at either their amortized acquisition costs or attributable fair value through profit or loss.

The Group determines the classification of its financial liabilities at the time of their initial recognition. The Group's financial liabilities are comprised of trade liabilities, other liabilities, current account lines of credit and loans.

Financial assets and liabilities are only offset and reported as the net balance in the Consolidated Statement of Financial Position if there is a current legal entitlement to offset the recognized amounts against each other and if it is intended to either arrive at a net balance or to repay the associated liability with the proceeds from the respective asset. Liability to banks are offset against receivables from the same bank if the receivables are pledged as collateral for liabilities and the maturities of the receivables and liabilities are almost identical.

3.14 Derecognition of financial assets and financial liabilities

A **financial asset** is derecognized if claims for the receipt of cash flows from the financial assets have expired or been assigned, and if the group has essentially transferred all opportunities and risks resulting from the ownership in the asset.

A **financial liability** is derecognized as soon as the contractual obligation has been settled, waived or expired. The difference between the carrying amount of a financial liability that is derecognized or assigned to another party and the return consideration received, including transferred non-cash assets or assumed liabilities, is recognized as other comprehensive income or financing expenses through profit or loss.

If an existing financial liability is replaced by another financial liability owed to the same lender with substantially different contractual terms, or if the terms of an existing liability are modified to a significant extent, such a replacement or modification results in the derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognized through profit or loss.

Impairments are measured on the basis of the expected losses model. The model provides for three levels.

Level 1 contains all financial assets and measures the losses expected over the next 12 months. If a financial asset is affected by a significant credit impairment, the financial asset must be reclassified to level 2.

Level 2 determines the expected loss over the entire term of the financial asset.

The financial asset must be reclassified to **level 3** if there are objective indicators for a value impairment in addition to the significant credit impairment. The company considers the default probability at the time the asset is recognized for the first time and also considers a significantly increase in the default risk in all reporting periods. In order to determine whether the default risk has increased significantly, the company compares the default risk for the asset on the balance sheet date against the default risk at the time of the asset's initial recognition. Available reasonable and reliable forward-looking information is also considered.

3.15 Cash and cash equivalents

The cash and short-term deposits reported in the Statement of Financial Position are comprised of credit balances with banks with an original term of less than three months.

3.16 Other Provisions

Provisions are liabilities with uncertain amounts and maturity dates. The recognition of a provision generally requires a current obligation resulting from a past event with a probably resource outflow and a reliably estimable amount of the resource outflow. Provisions are measured at the best-possible estimated liability amount. They are discounted for any significant interest effects.

3.17 Taxes

ACTUAL TAXES ON INCOME AND EARNINGS

The actual tax claims and tax liabilities for the current and previous periods are measured at the expected amount of the refund from the tax authority or payment to the tax authority. The calculation of the amount is based on the tax rates and tax laws applicable on the balance sheet date.

Tax claims and tax liabilities are offset against each other if the Group has an enforceable claim to offset the actual claims for tax refunds against actual tax liabilities and these claims relate to taxes levied on the same text subject by the same tax authority.

DEFERRED TAXES

Deferred taxes are formed in application of the liability method for temporary differences between the recognized value of an asset or liability in the statement of financial position and the recognized value for tax purposes as of the balance sheet date.

Deferred tax assets are recognized for all deductible temporary differences, underutilized tax losses carried forward and underutilized tax credits to the extent it is likely that taxable income, against which the deductible temporary difference and the underutilized tax losses carried forward and tax credits can be offset, will be available.

The carrying amount of the deferred tax asset is reviewed on each balance sheet date and reduced to the extent it is no longer likely that a sufficient taxable income, from which the deferred tax assets can at least be offset partially, will be available. Unrecognized deferred tax assets are reviewed on each balance sheet date and reduced to the extent it has become unlikely that a future taxable income will allow for the realization of the deferred tax asset.

Deferred tax assets and liabilities are measured at the tax rates likely to apply in the period in which an asset is realized or a liability discharged. This is based on the tax rates and tax laws applicable on the balance sheet date. Future changes to the tax rate must be considered on the balance sheet date, provided material prerequisites for the effectiveness in the context of a legislative procedure are satisfied.

Deferred taxes that relate to items recognized directly in the equity are not recognized through profit or loss but also capitalized as equity.

Deferred tax assets and deferred tax liabilities are offset against each other if the Group has an enforceable claim to offset the actual claims for tax refunds against actual tax liabilities that relate to taxes on profits and earnings of the same tax subject and are levied by the same tax authority.

3.18 Cost of borrowed capital

The costs of borrowed capital that relate to the creation of a qualified asset are capitalized. A qualified asset is an asset that requires a significant amount of time to be brought into the desired condition for use or sale. All project developments conducted by the Group satisfy this condition. All other costs of borrowed capital are recognized as expenses in the period in which they were incurred.

3.19 Leases

The determination whether an agreement contains a lease is made on the basis of the commercial substance of the agreement at the time of its conclusion. This requires an appraisal of whether the performance of the contractual agreement depends on the use of one or number of certain assets, and whether the agreement grants a right-of-use to the asset.

Until the end of the financial year on December 31, 2018, leases that do not provide for a transfer of essentially all opportunities and risks associated with the asset from the lessor to the lessee are classified as operating leases. Initial direct costs incurred for the negotiations and conclusion of an operating lease are attributed to the carrying amount of the least item and recognized as expenses over the lease term, analogous to rental income. Conditional rent payments are recognized in the period in which they accrued.

3.20 Accounting estimations and determinations

The preparation of the Consolidated Financial Statements to a certain degree required assumptions and estimates to made. These have had an effect on the amounts and recognition of the assets and liabilities, the income and expenses as well as the contingent receivables and liabilities reported for the reporting period. Estimations are made on the basis of the latest reliable information available. The assets, liabilities, income, expenses as well as contingent receivables and contingent liabilities reported on the basis of estimations may differ from their future actual amounts. Differences are recognized through profit or loss at the time they are identified. Estimates and assumptions of a material nature are explained in further detail in the following:

INTANGIBLE ASSETS

Assumptions and estimations with respect to the other intangible assets are in particular necessary for future cash flows, returns and capitalization interest rates.

As of the balance sheet date, the carrying amount of the intangible assets, including the computer software, amounts to €197,000 (previous year: €154,000; as of January 1, 2018: €20,000).

PROPERTIES HELD AS FINANCIAL INVESTMENTS

The assumptions and estimations that entail a material risk of having to adjust the carrying amounts of assets and liabilities essentially relate to the determination of the attributable fair values of properties held as financial investments (investment properties).

The best indicator for the attributable fair value of investment properties are the current prices for comparable properties available on an active market. Due to the fact that the available data is incomplete, FCR AG relies on standardized valuation methods.

A detailed description of the applied valuation method can be found in Chapter 4.1.2 under the heading "Properties held as financial investments".

For reporting purposes, the respective market values of the investment properties held by FCR are determined in accordance with IAS 40 in conjunction with IFSR 13. Changes in relevant market conditions, such as current rent levels and occupancy rates, may affect the valuation. Changes in the attributable fair value of the property portfolio are recognized in the consolidated income for the period and may significantly affect the earnings position of FCR.

For financial year 2019, the attributable fair values of investment properties consisting of rental apartments, shop units and hotel buildings were determined by independent expert valuers on the basis of the gross rental method, the values for properties in development on the basis of the residual value method and amounts to €298,986,000 (previous year: €237,442,000; as of January 1, 2018: €73,935,000). For valuation purposes, certain factors such as future rental income and discounting rates and potential total sales proceeds and attributable costs for the construction of the properties must be estimated and have a direct and significant impact on the attributable fair value.

PROVISIONS

The determination of provisions is to significant degree based on estimations. The Group forms provisions for follow-up costs from already invoiced contracts. These estimations may change if new information becomes available. The Group forms provisions for warranty claims if the amount or date of a warranty payment is uncertain. Other provisions are formed for individual risks with uncertain amounts or payment dates. The formation of provisions requires certain factors to be estimated. The actual payment amounts and dates may differ from the original estimations.

TAXES ON PROFITS AND EARNINGS

When determining the amount of actual and deferred taxes, the Group gives consideration to the effects of uncertain tax positions and whether additional taxes and interest may be payable. This determination is made on the basis of estimations and assumptions and may involve a number of discretionary decisions with respect to future events. New information that may cause the company to change discretionary decisions with respect to the adequacy of the existing tax debt may become available; these changes to the tax debt will affect the tax expenses in the period in which the determination is made.

Deferred tax assets are recognized to the extent it can be demonstrated that there will be future taxable income that can be offset against the temporary difference. The deferred tax assets are reviewed on each balance sheet date and reduced to the extent it is no longer likely that a sufficient taxable income will become available in the future for utilizing the deferred tax claim.

Additional assumptions and estimations essentially concern the group-wide uniform determination of useful economic lives and assumptions with respect to the impairment of land parcels and buildings.

3.21 Earnings uncertainties (contingent liabilities and contingent receivables)

Earnings uncertainties are potential obligations or assets that result from past events and that are conditional on the occurrence or non-occurrence of one or number of uncertain future events that are not entirely controllable by the Group. Contingent liabilities also include current obligations resulting from past events for which the outflow of economically beneficial resources is unlikely, or for which the extent of the liability cannot be reliably estimated. Contingent liabilities are recognized at their attributable fair values, provided they were assumed in the context of a corporate acquisition. Contingent receivables are not recognized. In as far as an outflow of economic benefits is not improbably, the Notes to the Consolidated Financial Statements contain disclosures with regard to contingent liabilities. The same applies to contingent receivables, provided they are likely to be collected.

3.22 Benefits to employees

Expenses incurred from payments to public pension insurance bodies for defined contribution pension insurance plans are recognized as personnel expenses. FCR does not currently operate any defined benefit pension plans.

Defined contribution pension plans essentially consist of the employer's contributions to the public pension insurance for employees.

The expenses for defined benefit pensions plans included in the Consolidated Statement of Comprehensive Income amount to €1,205,000 (previous year: €571,000).

4 Notes to the Consolidated Statement of Financial Position - Assets

4.1 Non-current assets

The structure and development of the non-current assets as well as the amortization expenses in the financial year and the previous year (in addition to the opening balance sheet) are presented in the following:

4.1.1 Intangible assets

	2019			2018		
in € thousand	Acquisition costs	Amortization	Carrying amounts	Acquisition costs	Amortization	Carrying amounts
as of January 1	**224**	**-70**	**154**	**56**	**-36**	**20**
Additions	92	-49	43	167	-34	134
as of December 31	**316**	**-119**	**197**	**224**	**-70**	**154**

All additions to the intangible assets were acquires against payment. The amortization expenses relate exclusively to schedule amortization.

Reference is also made to the accounting and measurements methods described in Chapter 3.4 under the heading “Other intangible assets”.

4.1.2 Properties held as financial investments

	2019		2018	
in € thousand	Properties held as financial investments	Number	Properties held as financial investments	Number
as of January 1	**237,441**	**56**	**73,935**	**38**
Additions [1]	71,865	18	93,755	25
Deposits paid on additions in the next year [1]	3,874	14	3,896	2
Additions from changes to the consolidation scope [1]	0	0	17,688	
Disposals	-27,868	-7	-21,252	-9
Positive change in market values	16,054	34	70,043	54
Negative change in market values	-2,381	16	-625	4
as of December 31	**298,986**	**81**	**237,441**	**56**
[1] Acquisition costs				
Total m²	**327,355**		**233,645**	

The item "properties held as financial investments" recognizes shop units and rental apartments in an amount of €254,604,000 (previous year: €207,176,000; as of January 1, 2018: €73,935,000) and hotels in an amount of €25,832,000 (previous year: €18,084,000; as of January 1, 2018: €0), as well as properties under development in amount of €14,675,000 (previous year: €4,489,000, as of January 1, 2018: €0) and deposits paid on properties that will settle after the balance sheet date, but that will be recognized as properties held as financial investments in the future, in an amount of €3,874,000 (previous year: €3,896,000, as of January 1, 2018: €0).

The earnings for the period includes total rental income in an amount of €17,092,000 (previous year: €15,286,000) from the letting of properties held as financial investments. Repairs and maintenance of the leased properties resulted in expenses of an amount of €6,857,000 (previous year: €5,497,000). The operational expenses directly associated with these properties amounted to €4,107,000 in the reporting year (previous year: €1,908,000). This include expenses for maintenance, CAM not recoverable from tenants, expenses for property management and accounting.

As was the case in the previous year, expenses for the maintenance of properties under development were of subordinate significance.

As of the balance sheet date, a total of 81 properties (as of December 31, 2018: 56; as of January 1, 2018: 38) were held as financial investments.

The additions are broken down into new property acquisitions amounting to €70,927,000 (previous year: €88,402,000) and additions from completed construction works in an amount of €938,000 (previous year: €5,776,000).

The occupancy rate of the rental properties has developed as presented in the following:

	December 31, 2019	December 31, 2018	January 01, 2018
Vacancy rates	12%	15%	12%

Tenancy agreements with long terms:

FCR has leased the properties under tenancy agreements with long terms. These are tenancies have indefinite terms and will generate future income from minimum rental payments as follows:

in € thousand	**December 31, 2019**	December 31, 2018	January 01, 2018
Total minimum lease payments	**142,230**	**89,923**	**142,230**
Maturing within one year	19,067	12,767	19,067
Maturing in between 1 and 5 years	74,546	50,385	74,546
Maturing after 5 years (max. 15 years)	48,616	26,772	48,616

In the above table, tenancy agreements with indefinite terms are assumed to have a term of 15 years.

Fair value:

The value of all properties held by the company as of December 31, 2018 and as of December 31, 2019 was assessed by an external expert valuer. The valuation reports are based on the following methodology:

Determination of land value:

The land value is generally determined by comparing the prices for comparable land parcels. The value of the land parcels to be assessed can be obtained from comparison values or standard land values.

Determination of building values:

The determination of building values takes place on the basis of an inspection by an accredited expert valuer. The valuation is based on the documents on the valuation property met available by FCR, which are assessed on their plausibility by the expert valuer. The market values are determined the basis of the current Real Property Valuation Regulation [ImmoWertV]. This method of valuation also assures that the valuation principles under RICS or Red Book are observed.

The properties are used to generate returns. The valuation therefore takes place on the basis of the expected earnings value in accordance with the ImmoWertV.

The input factors used to determine the attributable fair values reflect IFRS 13 level 3 of the fair value hierarchy based on the following valuation models. No investment properties that are under operating leases were recognized.

Valuations were carried out analogously for the investment properties under construction. The expected average rental income achievable for these properties are estimated on the basis of market values.

A property rate is defined for the purposes of the valuation. The property rate (also called capitalization interest rate) is the average interest rate at which the market values of different types of land parcels bear interest. This must be derived in accordance with the principles of the gross rental method on the basis of suitable purchase prices and the corresponding net income for similarly developed and used land parcels and in consideration of the residual useful economic life of the buildings.

The following table presents the material assumptions made for the purposes of the described valuation method, broken down by the location of the properties:

	2019		2018	
Eastern Germany	**Mean value**	**Bandwidth**	Mean value	Bandwidth
Carrying value on the balance sheet date				
Land value				
Land value in €/m²	83	15 to 951	52	20 to 454
Gross rental method				
Gross annual income (€ thousand)	279	24 to 1,098	249	24 to 1,063
Property management expenses in %	16.0%	9.8% to 35.7%	15.8%	9.8% to 23.7%
Residual useful economic life	24	10 to 51	22	13 to 47
Property rate	5.1%	1.5% to 6.3%	5.2%	4.7% to 6.2%

	2019		2018	
Northern Germany	Mean value	Bandwidth	Mean value	Bandwidth
Carrying value on the balance sheet date				
Land value				
Land value in €/m²	51	12 to 100	52	12 to 100
Gross rental method				
Gross annual income (€ thousand)	231	86 to 716	225	86 to 716
Property management expenses in %	15.5%	10.7% to 21.4%	15.9%	12.9% to 21.4%
Residual useful economic life	25	31 to 25	25	20 to 30
Property rate	5.1%	4.5% to 6.2%	5.1%	4.5% to 6.2%

	2019		2018	
Western Germany	Mean value	Bandwidth	Mean value	Bandwidth
Carrying value on the balance sheet date				
Land value				
Land value in €/m²	293	40 to 1,960	494	37 to 1,960
Gross rental method				
Gross annual income (€ thousand)	265	58 to 833	345	162 to 833
Property management expenses in %	14.4%	11.0% to 20.0%	15.6%	9.4% to 20.0%
Residual useful economic life	22	12 to 41	18	12 to 27
Property rate	5.3%	3.7% to 7.0%	5.2%	4.7% to 5.9%

	2019		2018	
Southern Germany	Mean value	Bandwidth	Mean value	Bandwidth
Carrying value on the balance sheet date				
Land value				
Land value in €/m²	132	35 to 350	151	35 to 350
Gross rental method				
Gross annual income (€ thousand)	786	75 to 3,494	921	75 to 3,494
Property management expenses in %	12.5%	10.3% to 17.8%	11.5%	10.3% to 12.5%
Residual useful economic life	32	13 to 70	34	13 to 70
Property rate	4.7%	3.3% to 5.3%	4.6%	3.3% to 5.3%

	2019		2018	
Outside of Germany	**Mean value**	**Bandwidth**	Mean value	Bandwidth
Carrying value on the balance sheet date				
Land value				
Land value in €/m²	980	10 to 1,950	980	10 to 1,950
Gross rental method				
Gross annual income (€ thousand)	653	213 to 1,092	653	213 to 1,092
Property management expenses in %	9.7%	9.7% to 9.8%	9.7%	9.7% to 9.8%
Residual useful economic life	45	31 to 59	45	31 to 59
Property rate	3.5%	1.4% to 5.5%	3.5%	1.4% to 5.5%

An increase in the calculated sales proceeds by 1% would result in an increase of the attributable fair value by around €3.0 million (previous year: around €2.4 million), while a reduction of the calculated sales proceeds by 1% would lead to a reduction in the same amount.

An increase in the calculated sales proceeds by 1% would result in an increase of the attributable fair value by around €12,000 (previous year: around €12,000), while a reduction of the calculated sales proceeds by 1% would lead to a reduction in the same amount. An increase in the calculated production costs by 1% would result in an increase of the attributable fair value by around €68,000 (previous year: around €77,000), while a reduction of the calculated outstanding costs by 1% would lead to an increase in the same amount.

The assumptions used in the valuation of the investment properties are made by an independent expert valuer on the basis of his professional experience and are subject to uncertainties.

The positive changes in market values in financial years 2018 an 2019 essentially result from a higher occupancy rate and optimized rental contracts.

The properties are in most cases financed with bank loans, for which a mortgage of €152,312,000 (previous year: €111,479,000; as of January 1, 2018: €49.537,000) was registered.

The accounting switch to the International Reporting Standards meant that properties held as financial investments are measures at their attributable fair value. In order to allow for a retrospective consideration of the comparison periods ending on January 1, 2018 and December 31, 2018, an attempt was made to state the attributable fair values for these years. This was done by analyzing purchase price inquiries, sales prices achieved after the respective reporting period, or valuation report prepared in previous years.

A theoretical continuation of the acquisition cost model would result in a carrying value on December 31, 2018 of €163,214,000 (as of January 1, 2018: €68,774,000).

The sale of the properties generated the following earnings:

in € thousand	2019	2018
Revenues from the sale of properties held as financial investments	28,025	21,252
Expenses from the disposal of properties held as financial investments	-27,868	-21,252
Change in the value of properties held as financial investments	13,398	5,164
Profit from the sale of properties held as financial investment	**13,554**	**5,164**

The revenues from the sale of properties held as financial investments correspond to the contractually agreed purchase prices.

The expenses from the disposal of properties held as financial investments corresponds to the values reported in the respective previous year.

The change in the values of properties held as financial investments corresponds to the changes in value recognized at attributable fair values since a property acquired, which were recognized against the retained earnings and realized as earnings in the following years.

4.1.3 Property, plant and equipment

	2019			2018		
in € thousand	Acquisition costs	Amortization	Carrying amounts	Acquisition costs	Amortization	Carrying amounts
as of January 1	**5,056**	**-4,552**	**504**	**435**	**-97**	**338**
Additions	657	-312	345	474	-469	5
Changes to the consolidation scope	0	0	0	4,146	-3,985	161
as of December 31	**5,713**	**-4,864**	**849**	**5,056**	**-4,552**	**504**

The acquisition of FCR II Pelagone S.r.l. resulted in the purchase of business and office equipment with a value of €186,000 in financial year 2018.

With the exemption of the changes explained, the additions were acquired against payment within the consolidation scope. The amortization expenses relate exclusively to schedule amortization.

4.1.4 Long-term loans and other lendings

	2019			2018		
in € thousand	Acquisition costs	Impairments	Carrying amounts	Acquisition costs	Impairments	Carrying amounts
as of January 1	**159**	**0**	**159**	**105**	**0**	**105**
Additions	48	0	48	54	0	54
Disposals	-12	0	-12	0	0	0
as of December 31	**195**	**0**	**195**	**159**	**0**	**159**

The investments and divestments in non-current financial assets resulted in a repayment of b, but the received funds were expended again.

Lendings, classified at their amortized acquisition costs, bear interest at a rate of 4% (as of December 31, 2018 and January 1, 2018: 4%) and have a residual term of up to 10 years.

There were no overdue receivables on any balance sheet date.

4.2 Tax claims with

The current tax claims in an amount of €312,000 (previous year: €344,000; January 1, 2018: €371,000) in the financial year essentially consist of claims from tax overpayments and claims for VAT/sales tax refunds.

The full carrying amount of tax receivables are not overdue on the balance sheet dates, no impairment was recognized for them.

4.3 Inventories

The inventories recognize unbilled CAM from rental properties as well as inventories of the hotels in the company's portfolio.

The inventories are comprised as follows:

in € thousand	December 31, 2019	December 31, 2018	January 01, 2018
Merchandise	1,235	0	0
Unbilled CAM	505	214	248
Stock on hand	126	44	0
Total	**1,867**	**258**	**248**

The change essentially results from the acquisition of the second hotel property and the associated product stock.

A merchandise asset was also acquired in the financial year.

4.4 Current receivables and other current assets

The current receivables and other current assets are comprised as follows:

in € thousand	December 31, 2019	December 31, 2018	January 1, 2018
Trade receivables	**9,652**	**1,187**	**1,834**
Receivables from rental contracts	1,285	1,141	1,834
Receivables from property sales	8,143	0	0
Receivables form hotel operations	224	46	0
Other current (non-financial) assets	**1,840**	**898**	**985**
Total	**11,492**	**2,086**	**2,820**

The receivables from property sales were fully settled within the accounting period, after the reporting date.

Because there was no default risk and/or credit loss risk, neither the financial year nor the previous year or the accounts as of January 1, 2018 recognized any impairment of material receivables or current assets.

None of above receivables and current assets were overdue.

The current assets are comprised as follows:

in € thousand	December 31, 2019	December 31, 2018	January 01, 2018
Maintenance reserve	402	383	364
Short-term loans advanced	569	89	89
Deferred expenses and accrued income	365	283	151
Receivables from related companies	160	59	59
Security deposits from tenants	43	36	36
Other	300	47	285
Total	**1,840**	**898**	**985**

The reported receivables and current assets have a residual term of less than one year. The carrying amounts of the reported receivables and current assets correspond to their attributable fair values.

No impairments, reversals of impairments or write-offs due to non-recoverability were recognized as of the stated reporting dates.

4.5 Receivables from affiliated companies

Receivables from affiliate companies existed as of the balance sheet date. These concern receivables from affiliated but unconsolidated companies.

in € thousand	December 31, 2019	December 31, 2018	January 01, 2018
RAT Asset & Trading AG	2,493	3,513	2,604
MAMBO Vermögensverwaltung GmbH	400	400	0
Suiten am Schloss	80	0	0
Total	**2,973**	**3,913**	**2,604**

Because there was no default risk and/or credit loss risk, neither the financial year nor the previous year or the accounts as of January 1, 2018 recognized any impairment of material receivables or current assets.

4.6 Securities

For the purpose of an active liquidity management, liquid funds were invested in short-term near-money market financial investments. For this reason, €970,000 (previous year: €864,000; as of January 1, 2018: €0) was invested in securities with short maturities. They are reported in a separate item in the Statement of Financial Position.

4.7 Cash and cash equivalents

The item cash and cash equivalents is on all reporting dates comprised of credit balances with bank with maturities of not more than three months and cash at hand. The carrying amount of these assets corresponds to their attributable fair value.

5 Notes to the Consolidated Statement of Financial Position - Equity and liabilities

5.1 Equity

The development of the company's equity is presented in the Statement of Changes in Equity.

5.1.1 Subscribed capital

The share capital of €9,146,404.00 (previous year: €4,219,588.00; January 1, 2018: €4,148,000) is divided into 9,146,404 (previous year: 4,219,588; January 1, 2018: 4,148,151) ordinary shares with a par value of €1.00 and was fully paid in on all balance sheet dates.

The shares are registered shares. They carry one vote each and are eligible for dividends.

The following measures affecting the share capital were carried out in financial year 2019.

Capital increase from authorized capital

By resolution dated February 6, 2019, the Executive Board, with the approval of the Supervisory Board, resolved to carry out a capital increase of up to €521,156 by utilizing the authorized capital against issue of 521,156 new ordinary shares. This new shares were offered at a price of €17.50. Shareholders were granted a subscription right at a ration of 8:1. New shares worth €186,072.00 were placed successfully. The gross issue proceeds amounted to €3,256,260.00.

Capital increase from treasury funds

By resolution of the General Meeting on July 11, 2019, the share capital from treasury funds was increased by €4,405,660 as a result of converting €1,055,303.74 from the capital reserves and €3,350,356.26 from the retained earnings.

Capital increase from authorized capital

By resolution dated September 6, 2019, the Executive Board, with the approval of the Supervisory Board, resolved to carry out a capital increase of up to €335,084.00 by utilizing the authorized capital against issue of 335,084 new ordinary shares. This new shares were offered at a price of €9.50 and the subscription right was excluded. All shares were placed successfully. The gross issue proceeds amounted to €3,183,298.00.

Disclosures concerning the authorized capital

The capital increase in financial year 2019 fully utilized the authorized capital 2016.

The General Meeting on July 11, 2019 adopted a resolution on the authorized capital for 2019. The Executive Board, subject to approval by the Supervisory Board, is authorized to increase the share capital on or before July 30, 2024 once or multiple times up to a total of €1,774,710.00 by issue of new shares against cash or non-cash contributions (authorized capital 2019). As of the balance sheet date, the authorized capital 2019 had not been fully utilized.

As of December 31, 2019, the company's Articles of Association provided for a total authorized capital of up to €1,774,710.

The Executive Board is, subject to approval by the Supervisory Board, authorized to increase the company's share capital once or multiple times within five years from the date the authorized capital is recorded in the commercial register by up to €1,774,710 against cash and/or non-cash contributions and issue of new ordinary shares (authorized capital 2019).

5.1.2 Capital reserve

The capital reserve of €6,080 as of the balance sheet date (previous year: €1,217,000; January 1, 2018: €288,000) has increased by €4,863,000 in the reporting period.

A capital increase that was partially funded by the authorized capital 2016 was carried out during the financial year. This saw the placement of 521,156 new ordinary shares at a price of €17.50. The amount of €3,070,188 in placement proceeds that exceeded the theoretical par value of the ordinary shares was recognized in the capital reserves.

On the basis of the resolution adopted by the General Meeting on July 11, 2019, the share capital increase from treasury funds withdrew €1,055,303.74 from the capital reserve.

A capital increase that was fully funded by the remaining authorized capital 2016 was carried out during the financial year. This saw the placement of 335,084 new ordinary shares at a price of €9.50. The amount of €2,848,214.00 in placement proceeds that exceeded the theoretical par value of the ordinary shares was recognized in the capital reserves.

The capital increase carried out in 2018 has resulted in the capital reserves increasing by €929,000 to €1,217,000.

The above increases of the capital reserves took place in 2019. These capital increases resulted in the payment of premiums in an amount of €2,848,000 and €3,070,000 respectively.

This was offset by an increase of the subscribed capital from the capital reserves, which a result were reduced by €1,055,000.

From the capital reserves, the costs for the capital increases carried out in 2018 and 2019 were deducted directly from the equity. The costs relate to expenses for consultancy services, for the subscription platform and for the registration of capital increases and amount to a total of €185,000 (previous year: €131,000; January 1, 2018: €0).

5.1.3 Other reserves

The item other reserves reports the statutory reserve in an amount of €279,000 (previous year: €279,000; January 1, 2018: €100,000).

5.1.4 Retained earnings

The retained earnings recognize the profits brought forward, the earnings for the period, effects from the switch to IFRS and effects from the initial consolidation.

A cash dividend of 0.18 per share (total amount: €290,000) for financial year 2017 was distributed in financial year 2018. A cash dividend of €0.35 per share (total amount: €1.542,000) for financial year 2018 was distributed in financial year 2019.

The changes in equity from January 01, 2018 are presented in the Statement of Changes in Equity.

5.2 Promissory note loans and bank loans

The promissory note loans and bank loans have the following residual terms:

Residual terms as of December 31, 2019

in € thousand	2020	2021	2022	2023	2024	after 2024	Total
Promissory note loans	0	14,911	0	24,762	26,970	0	66,643
Bank loans	8,072	7,582	16,249	6,431	7,826	106,152	152,312
Total	**8,072**	**22,493**	**16,249**	**31,193**	**34,796**	**106,152**	**218,955**

Purs. to the agreements as of December 31, 2019, the following future interest will be payable:

in € thousand	up to 1 year	1-5 years	more than 5 years
Promissory note loans	2,601	4,791	0
Bank loans	1,821	7,625	15,480
Total	**4,422**	**12,416**	**15,480**

Residual terms as of December 31, 2018

in € thousand	2019	2020	2021	2022	2023	after 2023	Total
Promissory note loans	5,627	0	14,900	0	24,752	0	45,278
Bank loans	9,484	5,995	40,867	6,002	3,084	46,047	111,479
Total	**15,111**	**5,995**	**55,766**	**6,002**	**27,836**	**46,047**	**156,758**

Purs. to the agreements as of December 31, 2018, the following future interest will be payable:

in € thousand	up to 1 year	1-5 years	more than 5 years
Promissory note loans	2,809	7,392	0
Bank loans	2,075	8,120	16,805
Total	**4,884**	**15,512**	**16,805**

Residual terms as of January 01, 2018

in € thousand	2018	2019	2020	2021	2022	after 2022	Total
Promissory note loans	0	5,627	0	14,900	0	0	20,527
Bank loans	5,299	11,444	8,072	7,582	16,249	891	49,537
Total	**5,299**	**17,071**	**8,072**	**22,482**	**16,249**	**891**	**70,064**

Purs. to the agreements as of December 31, 2019, the following future interest will be payable:

in € thousand	up to 1 year	1-5 years	more than 5 years
Promissory note loans	2,173	10,202	0
Bank loans	1,135	11,151	18,239
Total	**3,308**	**21,353**	**18,239**

The total liabilities for promissory note loans and bank loans as of December 31, 2019 amounted to €218,955,000 (previous year: €156,758,000; as of January 1, 2018: €70,045,000).

The subscribed bonds are recognized in the items for promissory note loans.

The change in promissory note loans resulted from the repayment of two bonds (SIN A1YC5F and SIN A12TW8) with an total issue value of €5,676,000.

The bond with a volume of €25 million issued in 2018 has an interest coupon of 6% and matures on February 20, 2023. It is recognized in the item non-current liabilities. The non-current liabilities also recognize the bond with SIN A2BPUC and an issue volume of €15 million maturing on October 18, 2021.

The Group's existing financial liabilities to banks (bank loans) were secured with mortgages resulting in the encumbrance of assets with the net carrying values of €151,866,000 (previous year: €112,128,000) and/or assignments of rent receivables.

The bonds were secured with mortgages amounting to €67,229,000 (previous year: €45,676,000; January 1, 2018: €20,507,000).

The assets encumbered as security for bank loans and promissory note loans are fully recognized as property is held for financial investment in the Statement of Financial Position.

The assets pledged as collateral may be liquidated by lenders if the Group fails to satisfy its obligations from interest and principal repayments for the financial liabilities.

No underutilized lines of credit existed on any reporting date due to the fact that these funds are utilized to their full extent when a property is purchased.

Changes to the consolidation scope (corporate acquisition) resulted in bank loans increasing by €2,197,000 at the time of initial consolidation.

5.3 Provisions

The provisions recognize unpaid invoices for which the performance was rendered in the financial year, and obligations related to compliance with the retention period.

Provisions for property management, the settlement of CAM and the costs of financial reporting are also included.

The provisions for redundancy payments concern potential liabilities of the company in Italy related to the dismissal of employees and are compulsory in Italy.

The provision for purchase price adjustments concerns the inherited liabilities resulting from the acquisition of FCR II Pelagone S.r.l. that have not materialized to date, but that will have to be borne up to a maximum total purchase price of €10,500,000 upon materialization. The purchase price is explained in further detail in the disclosures pertaining to corporate marches.

The non-current provisions result from the discharge of the retention obligations.

The provisions as of December 31, 2019, December 31, 2018 and January 1, 2018 in each case reflect the expected cash outflow within the respective following year.

The total current and non-current other provisions have developed as follows:

in € thousand	January 1, 2019	Additions	Change to the consolidation scope	Utilization	December 31, 2019
Provisions for purchase price adjustments	446	0	0	0	446
Provisions for financial reporting and audit	237	201	0	237	201
Provisions for property management	216	183	0	114	183
Provisions for redundancy payments	220	175	0	220	175
Other Provisions	100	125	0	100	125
as of December 31	**1,218**	**684**	**0**	**671**	**1,130**
of which non-current	5	0	0	0	5
of which current	1,213	684	0	671	1,125

The development of the provisions between January 01, 2018 and December 31, 2018 is presented in the following:

in € thousand	January 1, 2018	Additions	Change to the consolidation scope	Reversal	Utilization	December 31, 2018
Provisions for purchase price adjustments	0	0	446	0	0	446
Provisions for financial reporting and audit	108	237	0	0	108	237
Provisions for property management	161	216	0	0	161	216
Provisions for redundancy payments	0	0	220	0	0	220
Other Provisions	590	100	0	0	590	100
as of December 31	**859**	**553**	**666**	**0**	**859**	**1,219**
of which non-current	5	0	0	0	0	5
of which current	854	553	666	0	859	1,214

5.4 Current liabilities

The current liabilities are comprised as follows:

in € thousand	December 31, 2019	December 31, 2018	January 1, 2018
Other current liabilities	2,304	2,813	1,377
Trade liabilities	2,172	2,307	592
Prepayments received	166	67	0
Total	**4,643**	**5,188**	**1,969**

The current liabilities have a residual term of less than twelve months. Due to the short maturities, there are no material differences between the debts' carrying amounts and attributable fair values.

The prepayments received concern deposits paid on guest reservations for the coming year.

The corporate merger resulted in the other current liabilities increasing by €2,440,000, the trade liabilities increasing by €1,842,000, and the prepayments received by the date of the initial consolidation increasing by €246,000.

The other liabilities are comprised as follows:

in € thousand	December 31, 2019	December 31, 2018	January 1, 2018
Interest liabilities from bonds	1,012	1,236	0
from taxes	740	331	578
from personnel liabilities	352	108	74
Deferred income and accrued expenses	66	56	20
from social obligations	57	79	2
other liabilities	78	1,004	703
Total	**2,305**	**2,814**	**1,377**
of which other financial liabilities	1,012	1,236	0
of which other non-financial liabilities	1,292	1,578	1,377

The residual terms of the remaining debt is less than one year, as was the case on December 31, 2018 and January 1, 2018.

The interest liabilities from bonds were recognized as current financial liabilities on all balance-sheet dates.

5.5 Financial assets and liabilities

The effect of the initial application of IFRS 9 on the Consolidated Financial Statements is explained in point 1.2. Due to the selected conversion method, the comparison values have not been adapted.

Due to the fact that all financial assets and liabilities were, without exemption, measured at their carrying amounts, the reader is referred to the explanations concerning the measurement risks presented in the Group Management Report.

6 Notes to the Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income is prepared in accordance with the total cost method.

Due to the additions to the properties held as financial investments - acquired in the reporting year -, the figures for the reporting and the previous year presented in the Consolidated Statement of Comprehensive Income are only comparable to a limited extent in the following.

6.1 Revenues

According to the company's business model, revenues are generated from the sale of properties, their management and administration and all associated transactions. The hotels held in the company's portfolio generate revenues from hotel operations, such as income from accommodation and food & beverage, and the associated golf camp in Italy.

The revenues are comprised as follows:

in € thousand	2019	2018
Rental income from investment properties	19,073	14,410
Income from the sale of properties held as financial investments	28,025	21,252
Revenues from hotel operations/golf club	2,572	1,616
Total	**49,670**	**37,278**

6.1.1 Performance obligations and income recognition methods

The revenue is measured on the basis of the return consideration provided for in a contract with a customer. The Group recognizes income at the time it transfers control over a good or service to a customer.

Income from property rentals
The rental income is recognized at the time the performance is rendered. The performance is rendered by making the premises, for which FCR in turn receives monthly rent payments, available.

Rent-free periods or other rental incentives are distributed over the expected term of the tenancy contract.

In addition to the income from property rentals, the CAM incurred for the rental properties are charged to the tenants.

Revenues from CAM
Revenues from CAM are recognized over the period in which the services are rendered. The tenant is granted and at the same time utilizes the benefit. The revenues are recognized on the basis of input-based methods, which means that the revenues are recognized on the basis of the incurred costs and/or consumed resources in proportion to the total input expected for the full performance of this obligation. The agreed return consideration is payable monthly. The consumed resources are the leased residential and commercial premises used by the tenants.

Proceeds from the sale of properties held as financial investments
Proceeds from the sale of properties held as financial investments are recognized at the time control over the properties has transferred to the customer.

The purchasers obtain control over properties at the time ownership, benefits and encumbrances transfer to them. An enforceable claim for payment accrues at this point in time. The revenues correspond to the contractually agreed transaction price. In most cases, the return consideration falls due after the legal title has transferred. The transaction price therefore does not include any significant financing component.

6.2 Portfolio movements

The effects of already incurred CAM that are yet to be billed to the tenants are recognized through profit or loss in the item portfolio movements.

6.3 Other operational income

The other operational income in an amount of €2,174,000 (previous year. €402,000) essentially concern income from written-off receivables in an amount of €1,650,000 (previous year: €0) and income from the reversal of provisions in an amount of €103,000 (previous year: €197,000).

6.4 Cost of materials

The cost of materials includes the costs directly attributable to the revenues incurred at the time the performances rendered and is comprised as follows:

in € thousand	2019	2018
Expenses for the generation of rental income	6,077	4,788
Land tax	851	708
Goods purchased for hotel operations	813	209
Total	**7,741**	**5,705**

The following expenses are recognized as expenses for the generation of rental income:

in € thousand	2019	2018
Heating expenses	802	589
Superintendent expenses	669	560
Property Management expenses	504	416
Electricity expenses	464	340
Maintenance expenses	401	265
Cleaning expenses	396	301
Expenses for raw materials, supplies and auxiliaries and purchased goods	603	90
Raw material purchases	387	172
Maintenance expenses	434	490
Insurance expenses (property-related)	307	227
Prepaid CAM	297	338
Property agent fees	250	84
Water expenses	233	160
Expenses for security & guards	165	108
Expenses for maintenance & repairs	156	123
Other expenses recoverable from tenants	10	524
Total	**6,078**	**4,788**

6.5 Personnel expenses

The personnel expenses are comprised as follows:

in € thousand	2019	2018
Wages and salaries	5,931	2,995
Social security levies and retirement benefits	620	326
Total	**6,551**	**3,321**

The increase in personnel expenses essentially results from the acquisition of new properties and the resulting higher administrative expenses, as well as the labor-intense hotel business.

6.6 Other operational expenses

The other operational expenses are comprised as follows:

in € thousand	2019	2018
Legal and consultancy fees	1,004	1,011
Advertising expenses	693	513
Occupancy expenses	634	295
Purchased services	691	281
Out-of-period expenses	117	63
Sales commissions	193	0
Incidental costs for monetary transactions	109	106
License fees	157	43
Vehicle and travel expenses	553	470
Insurances and contributions	134	7
Repairs and maintenance	214	103
Telephone and telecommunications	20	3
Remuneration of the Supervisory Board	56	54
Donations to charitable organizations	40	40
Other operational expenses	517	20
Total	**5,132**	**3,007**

6.7) Amortization and impairments

The amortization and impairments in financial year 2018 and 2019 result from the amortization on purchased intangible assets and property, plant and equipment.

The scheduled amortization expenses amounted to €361,000 (previous year: €503,000).

Since the properties held as financial investments pursuant to IAS 40.33-55 have been recognized at their attributable fair value, they are not subject to scheduled amortization. The buildings are valued by an expert valuer on an annual basis and recognized in the Statement of Financial Position at the resulting fair value.

6.8 Financial result

in € thousand	2019	2018
Interest on bank deposits	39	27
Interest on receivables from affiliated but unconsolidated companies	0	129
Bond interest income	637	93
Interest from compounding	54	105
Earnings from financial activities	**730**	**354**
Interest on current account balances and loans	3,218	1,655
Bond interest	3,633	2,879
Interest from discounting	53	73
Expenses from financial activities	**6,904**	**4,607**
Total	**-6,173**	**-4,253**

The interest income from bonds concerns purchased bonds that bear annual interest.

The interest expenses from bonds concern the bonds recognized in the item debentures, which bear half-yearly or quarterly interest.

6.9 Taxes on profits and earnings

Some of the companies included in the Consolidated Financial Statements are, depending on your legal form and activities, liable for German corporation tax (including solidarity surcharge) and trade tax. The determination of the tax assessment bases frequently entails additions and reductions to/from certain expense and income items. The amount of the taxes on profits and earnings is determined by the resulting taxable income or business earnings. Deferred taxes were calculated on the basis of temporary differences between tax value and the carrying value in the IFRS-conforming balance sheet. Where deferred tax assets unlikely are unlikely to be realized, and impairment up to the amount of the deferred tax liability formed for the respective tax subject is recognized.

It must be taken into account that the property holding companies and the companies that only generate investment income are exempt from trade tax pursuant to Section 2 Trade Tax Act [GewStG]. This predominantly concerns the commercial partnerships as well as FCR Immobilien AG and FCR Verwaltungs GmbH.

In most cases, the calculation of deferred taxes applied the relevant combined tax rate of 15.825% (previous year: 15.825%).

The deferred taxes are attributable to the following essential balance sheet items:

in € thousand	Deferred tax assets December 31, 2019	Deferred tax liabilities December 31, 2019	Deferred tax assets December 31, 2018	Deferred tax liabilities December 31, 2018
Non-current assets				
Properties held as financial investments	61	14,453	56	13,838
Current assets				
Trade receivables	7	6		11
Non-current liabilities				
Non-current promissory note loans		93		55
Non-current bank loans	49	16	13	4
Current liabilities				
Current promissory note loans				8
Current bank loans	1	0	1	6
Balance	-118	-118	-71	-71
Deferred taxes reported in the Consolidated Statement of Financial Position	**0**	**14,450**	**0**	**13,851**

As of the balance sheet date on January 1, 2018, deferred tax liabilities of €798,000 related to uncovered silent reserves in the properties held as financial investments and €31,000 for the adjustments for the implementation of the tendencies were directly recognized as equity and derecognized from the retained earnings. The corresponding amount on December 31, 2018 was €13,093,000.

No deferred taxes, tax income or tax expenses were recognized for discontinued activities.

The changes in deferred taxes were recognized in the item taxes on profits and earnings in the Consolidated Statement of Comprehensive Income.

The aforementioned corporate acquisition resulted in the deferred tax liabilities increasing by €1,146,000 on the initial consolidation date, which fully relate to the “properties held as financial investments”.

The taxes on profits and earnings are comprised as follows:

in € thousand	2019	2018
Actual expenses for taxes on profits and earnings	1,588	647
Deferred taxes (expenses + /income -)	598	-772
Total	**2,186**	**-125**

The deferred taxes reported in the Statement of Comprehensive Income essentially result from the measurement of the value of the properties held as financial investments, the different realization of rental income due to rental incentives, and application of the effective interest method for financial liabilities.

Development of deferred taxes:

in € thousand	2019	2018
Deferred taxes, balance at the end of the previous financial year	**13,851**	**841**
Deferred tax income (or expenses), through profit or loss: from continued activities	598	-772
Deferred taxes recognized directly in the retained earnings (equity)		
Deferred taxes on investment properties	0	13,782
Deferred taxes, balance at the end of the financial year	**14,449**	**13,851**

The actual taxes in the Consolidated Statement of Financial Position are presented in the following:

in € thousand	2019	2018
Tax claims with short maturities	312	344
Ongoing income tax liabilities	2,184	774
Total	**-1,872**	**-429**

The claims for tax refunds essentially concern VAT/sales tax input tax credits and import sales tax that are refunded with the regular VAT/sales tax activity statements.

The ongoing liabilities from taxes on profits and earnings essentially relates to provisions for corporation income tax for the current year.

Tax reconciliation

The tax reconciliation deals with the relationship between the effective tax expenses and the expected tax expenses resulting from the year's consolidated earnings before tax by applying a tax rate of 15.825% (previous year: 15.825%). The tax rate for taxes on profits and earnings is composed of 15% corporate income tax plus solidarity surcharge at around 5.5% on the resulting corporate income tax amount:

in € thousand	2019	2018
Earnings before tax	**11,935**	**2,811**
Group tax rate (%)	15.825%	15.825%
Expected tax expenses	**1,889**	**445**
Impairment of deferred taxes	666	-817
Permanent differences	-369	260
Taxes from previous periods	0	-12
Total tax expenses	**2,186**	**-125**
Effective tax rate	**18.313%**	**4.435%**

6.10 Result per share

in € thousand	2019	2018
Quota of the Group's shareholders in the earnings	9,749,509	2,936,405
Number of shares	6,682,996	4,183,870
Earnings per share in €	**1.46**	**0.70**

The undiluted earnings per share is calculated from the consolidated result divided by the weighted average number of shares in circulation during the reporting period.

No diluted financial instruments were in circulation as of the end of the reporting period. The undiluted earnings are identical to the diluted earnings.

7 Disclosures on the Consolidated Cash Flow Statement

The cash flow statement illustrates how the Group's cash and cash equivalents have changed as a result of cash in- and outflows over the course of the reporting year. A distinction is made between cash flows from ongoing business activities, from investment activities and from financing activities.

The cash flow statement breaks the cash flows down into the cash flow from ongoing business activities, the cash flow from investment activities and the cash flow from financing activities. Effects of changes to the consolidation scope are eliminated from the respective items. The determination of the cash flow from ongoing business activities follows the indirect method.

The cash flow from investment activities recognizes the cash investments and disposals, in particular those into or from properties held as financial investments and property, plant and equipment.

The cash flow from financing activities includes, among other items, deposits and withdrawals on loan accounts associated with the financing of current and non-current assets.

A dividend of €1,542,000 for financial year 2018 (previous year: €290,000 for financial year 2017) was distributed to the shareholders in the reporting year.

The company had unlimited power to dispose over the cash and cash equivalents

8 Other disclosures

8.1 Additional information pertaining to IFRS 9

Classes of financial instruments purs. to IFRS 9

€ thousand	IAS 39 measurement category	IFRS 9 measurement category
Financial assets		
Long-term and other lendings	LaR	Measured at acquisition costs
Trade receivables	LaR	Measured at acquisition costs
Cash and cash equivalents	LaR	Measured at acquisition costs
Financial liabilities		
Non-current promissory note loans	FLAC	Measured at acquisition costs
Non-current bank loans	FLAC	Measured at acquisition costs
Current bank loans	FLAC	Measured at acquisition costs
Trade liabilities	FLAC	Measured at acquisition costs
Other financial liabilities	FLAC	Measured at acquisition costs

Measured value purs. to IFRS 9 and attributable fair values as of January 1, 2018

€ thousand	IFRS 9 measurement category	Carrying amount	Amortized acquisition costs	Attributable fair value recognized in the other comprehensive income without retrospective reclassification to profit or loss	Attributable fair value recognized in the other comprehensive income without retrospective reclassification to profit or loss	Attributable fair value through profit or loss	Attributable fair value
Assets							
Long-term and other lendings	LaR	105	105				105
Trade receivables	LaR	1,834	1,834				1,834
Cash and cash equivalents	LaR	4,946	4,946				4,946
Liabilities							
Non-current promissory note loans	FLAC	20,507	20,507				20,507
Non-current bank loans	FLAC	43,078	43,078				43,078
Current bank loans	FLAC	6,460	6,460				6,460
Trade liabilities	FLAC	592	592				592
Other financial liabilities	FLAC	0	0				0

Measured value purs. to IFRS 9 and attributable fair values as of December 31, 2018

€ thousand	IFRS 9 measurement category	Carrying amount	Amortized acquisition costs	Attributable fair value recognized in the other comprehensive income without retrospective reclassification to profit or loss	Attributable fair value recognized in the other comprehensive income without retrospective reclassification to profit or loss	Attributable fair value through profit or loss	Attributable fair value
Assets							
Long-term and other lendings	LaR	159	159				159
Trade receivables	LaR	1,187	1,187				1,187
Cash and cash equivalents	LaR	3,052	3,052				3,052
Liabilities							
Non-current promissory note loans	FLAC	39,652	39,652				39,652
Non-current bank loans	FLAC	101,982	101,982				101,982
Current bank loans	FLAC	9,497	9,497				9,497
Trade liabilities	FLAC	2,307	2,307				2,307
Other financial liabilities	FLAC	1,236	1,236				1,236

Measured value purs. to IFRS 9 and attributable fair values as of December 31, 2019

€ thousand	IFRS 9 measurement category	Carrying amount	Amortized acquisition costs	Attributable fair value recognized in the other comprehensive income without retrospective reclassification to profit or loss	Attributable fair value recognized in the other comprehensive income without retrospective reclassification to profit or loss	Attributable fair value through profit or loss	Attributable fair value
Assets							
Long-term and other lendings	LaR	195	195				195
Trade receivables	LaR	9,651	9,651				9,651
Cash and cash equivalents	LaR	9,143	9,143				9,143
Liabilities							
Non-current promissory note loans	FLAC	66,643	66,643				66,643
Non-current bank loans	FLAC	149,104	149,104				149,104
Current bank loans	FLAC	3,208	3,208				3,208
Trade liabilities	FLAC	2,172	2,172				2,172
Other financial liabilities	FLAC	1,012	1,012				1,012

No reclassifications between the categories of financial instruments pursuant to IFRS 9 occurred in financial years 2018 and 2019.

With respect to the assets assigned to category "at amortized acquisition costs" purs. to IFRS 9 and "loans and receivables" purs. to IAS 39 that are measured at amortized acquisition costs, it is assumed that the attributable fair values are identical to the carrying amounts. The same assumption was made for the trade liabilities and other current liabilities classified as "other financial liabilities".

The attributable fair value of current and non-current financial liabilities measured at amortized acquisition costs is based either on the prices listed on the balance sheet date (level 1), or determined on the basis of the expected future cash flows. The latter are discounted using the current market interest rate (level 3).

8.2 Business transactions with related companies and persons

The persons and companies related to the reporting company include the members of the Executive Board and the Supervisory Board as well as board members of subsidiaries, in each case including their close family members, as well as companies on which the members of the Executive Board or Supervisory Board or their close family members can exercise a significant influence, or in which they hold a material share of the voting rights. The related companies also include companies that form a corporate group with the reporting company, or in which the reporting company holds a participating interest that allows it to exercise significant influence on the business policy of the company in which it holds an interest, as well as the major shareholders of the reporting company including its group subsidiaries.

FCR is involved in the following business relationships with related persons:

Shareholdings in FCR held by members of the Executive Board and management board members of related persons
The sole member of the Executive Board holds 66.1% (previous year: 70.5%; January 1, 2018: 81.9%) of the shares in FCR Immobilien AG.

Contracts and business relationships directly between the members of the Executive Board and FCR
As of the balance sheet dates, there were no contracts between the Executive Board and FCR other than the CEO's employment contract.

Activities of members of the Supervisory Board in companies outside of FCR

Prof. Dr. Franz-Joseph Busse (born 1948), Chairman of the Supervisory Board

Mr Prof Dr Busse also holds the following positions in corporate bodies:

- Scheelen AG, Waldshut-Tiengen, Chairman of the Supervisory Board
- Capital management company Dr. Peters Asset Finance GmbH & Co. KG, Dortmund, Member of the Advisory Board

Prof. Dr. Busse is also an investment manager with the following property umbrella funds:

- Protos Invest I, issuing house Steiner & Company, Hamburg
- Protos Invest II, issuing house Steiner & Company, Hamburg
- ISI 8 Investitions- und Beteiligungsgesellschaft, Wiesbaden
- Vorsorgeportfolio I, Deutsche Capital Management AG, issue house, Munich
- Vorsorgeportfolio II, Deutsche Capital Management AG, issue house, Munich
- Global Act 1 umbrella fund, C-Quadrat issue house, Frankfurt am Main
- C-Quadrat Portfolio fund1 umbrella fund, C-Quadrat issue house, Frankfurt am Main
- ISI 6 fund company, Düsseldorf
- DFH Deutsche Fonds Holding, issue house Stuttgart, asset structure fund Substantio

The General Meeting on July 11, 2019 elected Mr. Prof. Dr. Busse to serve as a member of the Supervisory Board until the end of the General Meeting that rules on granting discharge to the members of the Supervisory Board for financial year 2019. He was also elected to serve as Chairman of the Supervisory Board of the issuer.

Prof. Dr. Kurt Faltlhauser (born 1940), - Vice Chairman of the Supervisory Board

Prof. Dr. Kurt Faltlhauser does not hold any other positions in corporate bodies.

Frank Fleschenberg (born 1948), Member of the Supervisory Board
Mr Fleschenberg holds the following other positions in corporate bodies:

- Chairman, Deutsche Gesellschaft für Grundbesitz AG, Leipzig, since 2006

Contracts with other related persons
FCR Kitzbühel GmbH & Co. KG has been letting the apartments owned by it to the operator company Suiten am Schloss GmbH with registered office in Kitzbühel, Austria, since 2017 for an annual rent of €120,000.

Managing Director of Suiten am Schloss GmbH is Mr Thorsten Raudies, the brother of the reporting company's sole Executive Board member.

8.3 Related persons in key positions

The related persons in key positions are the members of the Executive Board and Supervisory Board presented below for the 2019 financial year.

Members of the Executive Board of the parent company
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 president since its formation.

The Financial Statement for the reporting year include unpaid remuneration of the Executive Board in an amount of €352,000.

Members of the Supervisory Board of the parent company

The members of the Supervisory Board are:

- Prof Dr Franz-Joseph Busse (Chairman), University Professor, of Munich
- Prof. Dr. Kurt Faltlhauser (Vice Chairman), Member of the Government of Bavaria, Parliamentary State Secretary at the Federal Minister for Finances in the Federal Government, Munich (appointed in June 2019)
- Frank Fleschenberg, business owner, Munich
- Arwed Fischer (Vice Chairman), businessman, Munich (resigned in June 2019)

The Supervisory Board was paid a fixed remuneration of €50,000 in financial year 2019 (previous year: €50,000).

8.4 Other financial liabilities and contingent liabilities

Other financial liabilities

The liabilities from existing lease and tenancy agreements amount to:

	up to 1 year			1 to 5 years			more than 5 years		
in € thousand	Dec. 31, 2019	Dec. 31, 2018	Jan. 1, 2018	Dec. 31, 2019	Dec. 31, 2018	Jan. 1, 2018	Dec. 31, 2019	Dec. 31, 2018	Jan. 1, 2018
Lease, tenancy and service agreements	263	256	241	363	308	375	0	0	0

The reported amounts are minimum payments.

FCR uses rented office space. This also serves the purpose of reducing the tied-up capital and leaves the investment risk with the lessor. The lease agreement for the company's headquarters in Munich results in annual rental expenses of €67,000. The lease, tenancy and service agreements relate to "operating" leases for office space, company cars and IT equipment.

The lease agreement for office space has an initial term of 6 years and provides for an option to extend the lease by another 5 years.

The company does not have the option of purchasing leases property at the end of the lease term. There were no "finance" leases.

Contingent liabilities and contingent receivables

There were no material contingent liabilities or contingent receivables as of the balance sheet date.

8.5 Risk management of the Group

FCR AG's risk management system is an integral component of the Group's business practice and comprises the individual organizational processes on different levels as well as all types of risk. The business planning and controlling processes are an important component of this system. The identification and assessment of risks is the responsibility of each individual organizational unit. Risks of a similar nature, e.g. risks in the regulatory environment, financial risks, technological risks or project risks, are grouped into risk types. These risks types are then regularly communicated to the relevant decision-makers, who are responsible for risk management.

Macroeconomic risks
Due to the regional focus of the Group's business activities, the economic situation in Germany and on the property market, especially in middle and eastern Germany, are highly important for the Group. Domestic economic risks result from the legal and taxation framework conditions, interest levels, the general development of prices and the development of supply and demand on the rental and property markets. The Group does not have control over these factors, but can merely anticipate them and manage them.

Financial risk management

The Group is exposed to different financial risks that result from the Group's operational business activities and financial activities. The financial risks with the highest significance for the Group result from the creditworthiness and solvency of its counterparties, the liquidity risk and the interest rate risk. The principles of the Group's fiscal policy are determined by the Executive Board and monitored by the Supervisory Board. Group controlling is responsible for the implementation of the fiscal policy and the ongoing risk management. Certain transactions require the prior approval by the Executive Board or the Supervisory Board, which must also be informed regularly about the extent and monetary amount of currently existing risks.

The essential risks for the Group resulting from the financial instruments include the interest rate-related cash flow, liquidity and default risks as well as market risks (including exchange rate risks).

Default risk

The Group's default risk primarily results from trade receivables. An adequate risk provision has been formed for these financial assets. Trade receivables from property sales are collateralized by a right to transfer title in the sold properties back to the vendor in the event of the customer coming into payment default.

An amount of €10,000 (previous year: €55,000) was recognized in the reporting year for bad debt or risk provisions.

The Group's default risk is mainly determined by receivables that are unpaid on their due dates. The type of revenue from which the receivables result also plays a role.

No impairment calculation is carried out for liquid funds, because the reporting entity is not expecting any impairments to materialize. The default risk with respect to credit balances from the investment of cash funds with banks is precluded by risk spreading (multiple banks) and the selection of banks with strong credit ratings.

Investigations conducted by the Group have shown that no provisions for risk have to be formed for the lendings and securities that are measured at amortized acquisition costs. The risk has remained unchanged from the acquisition date; there were no indicators pointing to a deterioration of the borrowers' ratings. The risk at the acquisition date was appraised as being immaterial.

Due to the diverse structure of counterparties, there is currently no concentration of risks within the Group. For all financial assets of the Group, the maximum credit risk in the case of a counterparty default corresponds to the instruments carrying value.

Market risk/interest risk

A market risk results from changes to the market prices of the Group's financial assets and liabilities. A market price risk may affect the Group's financial result and equity. The presentation of market risks under IFRS 7 requires sensitivity analyses that highlight the effects of hypothetical changes to the relevant risk variables on the earnings and equity.

The Group is not exposed to any exchange rate risks, because all transactions conducted by the Group are denominated in Euro. The Group is however exposed to the risk of changing interest rates. The effects in the respective periods are determined by applying the hypothetical changes to the risk variables to the inventory of financial instruments as of the balance sheet date. It is assumed that the inventory on the balance sheet date is representative for the full year.

Interest risks result from changing interest rates, which may entail negative consequences for the Group's financial result and equity. Interest rate fluctuations may result in a change of the interest income and interest expenses. The market value of certain financial assets and liabilities can also be affected.

The Group is not exposed to market value changes resulting from interest risks because these risks are usually only relevant for fixed-interest loans, which are not measured at their attributable fair value. The Group therefore waives the presentation of the market value sensitivity.

Sensitivity analyses show the effects of changes to the market interest rates on interest payments, interest income and interest expenses, other earnings components and, in certain cases, equity.

The interest sensitivity analyses are based on the following assumptions:

- Changes in market interest rates of original financial instruments with fixed interest only affect the earnings if the instruments are measured at their attributable fair value. This means that all fixed-interest financial instruments measured at amortized acquisition costs are not exposed to interest risks in the meaning of IFRS 7.
- Changes to the market interest rates affect the interest result of original variable-interest financial instruments and are therefore included in the calculation of the earnings-related sensitivities.

For fixed-interest loans, the banks offer the contractually agreed option to adjust the interest rate to changed environmental conditions; this is not to be interpreted as a variable interest rate, because this represents a change in the loan terms and not an ordinary, unconditional, direct, base rate-dependent interest rate change. A change in the market interest rate can therefore only affect the variable-interest loans.

Liquidity risk

Liquidity risks arise if financial obligations with short maturities exceed the financial assets available on short notice. The liquidity risk is managed by group-wide financial planning instruments and monitored continuously.

The Group employs a liquidity planning system to continuously monitor the risk of a liquidity bottleneck. This liquidity planning system considers the maturities of the financial liabilities as well as expected cash flows from business activities.

The Group's objective is to assure a continuously adequate liquidity by utilizing current account lines of credit and loans.

The essential liquidity outflows consist entirely of the ongoing liabilities of FCR Group, the investments in new properties, financing expenses and the planned distributions to the shareholders.

All bonds and loans that matured in the financial year 2019 were repaid or extended.

The maturities of the financial liabilities can be found in point 5.2 of the Notes to the Consolidated Financial Statements.

The expected cash flows from the promissory note loans and bank loans are stated in the following table:

	Jan. 1, 2018	Cash flows 2018			Cash flows 2019 - 2022			Cash flows > 2023		
in € thousand	Carrying amount	Fixed interest	Variable interest	Principal repay-ment	Fixed interest	Variable interest	Principal repay-ment	Fixed interest	Variable interest	Principal repay-ment
Promissory note loans	20,507	2,144	0	0	9,178	0	18,363	875	0	0
Bank loans	49,537	336	441	3,865	1,103	1,032	15,021	952	826	30,652
Total	70,045	**2,480**	**441**	**3,865**	**10,280**	**1,032**	**33,384**	**1,827**	**826**	**30,652**

	Dec. 31, 2018	Cash flows 2019			Cash flows 2020 - 2023			Cash flows > 2024		
in € thousand	Carrying amount	Fixed interest	Variable interest	Principal repay-ment	Fixed interest	Variable interest	Principal repay-ment	Fixed interest	Variable interest	Principal repay-ment
Promissory note loans	45,278	2,770	0	5,627	7,283	0	39,652	0	0	0
Bank loans	111,479	411	1,656	9,652	1,137	4,272	56,594	1,011	4,096	45,233
Total	156,757	**3,181**	**1,656**	**15,279**	**8,420**	**4,272**	**96,245**	**1,011**	**4,096**	**45,233**

	Dec. 31, 2019	Cash flows 2020			Cash flows 2021 - 2024			Cash flows > 2025		
in € thousand	Carrying amount	Fixed interest	Variable interest	Principal repay-ment	Fixed interest	Variable interest	Principal repay-ment	Fixed interest	Variable interest	Principal repay-ment
Promissory note loans	66,643	3,995	0	0	9,483	0	66,643	0	0	0
Bank loans	152,312	1,257	1,432	2,689	3,013	5,131	35,600	32,036	44,683	114,023
Total	218,955	**5,251**	**1,432**	**2,689**	**12,496**	**5,131**	**102,243**	**32,036**	**44,683**	**114,023**

Earnings risk

The assumptions made for the measurement of the value of the property portfolio could, partly or in their entirety, turn out to be inaccurate, or unexpected problems or unidentified risks associated with the property portfolio could arise. These developments, which may also materialize on short notice, have the potential to negatively affect the earnings position, diminish the value of the acquired assets and significantly reduce the revenues generated from the privatization of residential properties and ongoing rental income. The impairment of the property holdings is, in addition to each property's individual specific factors,, predominantly determined by the development of the property market and the overall economic situation. There is the risk that a negative development of the property market or the overall economic situation requires a correction of the value measurements performed by the Group.

8.6 Workforce

The Group had an average workforce of 127 full-time employees (previous year: 44) in the year 2019 (including the Executive Board).

The full-time employees are broken down into the following groups:

in € thousand	2019	2018
Employees		
Executive Board	1	1
Administration	27	24
Service	99	19
Total	**127**	**44**

8.7 Shareholdings pursuant to Section 313 (2) i.c.w. Section 285 no. 11 German Commercial Code

Company	interest held	Earnings* (€)	Equity* (€)
FCR Aken GmbH & Co. KG, Pullach	100%	22,370	-4,241
FCR Altena GmbH & Co. KG, Pullach	100%	-61,149	-188,978
FCR Aschersleben GmbH & Co. KG, Pullach	100%	-12,181	-12,081
FCR Aue GmbH & Co. KG, Pullach	100%	23,033	100
FCR Bad Kissingen GmbH & Co. KG, Pullach	100%	90,384	100
FCR Bamberg GmbH & Co. KG, Pullach	100%	-256,858	-356,577
FCR Bergisch Gladbach GmbH & Co. KG, Pullach	100%	23,396	100
FCR Bottrop GmbH & Co. KG, Pullach	100%	66,218	100
FCR Brandenburg GmbH & Co. KG, Pullach	100%	85,541	100
FCR Brandis GmbH & Co. KG, Pullach	100%	868,906	100
FCR Bremervörde GmbH & Co. KG, Pullach	100%	55,733	100
FCR Buchholz in der Nordheide GmbH & Co. KG, Pullach	100%	85,352	100
FCR Burg GmbH & Co. KG, Pullach	100%	-6,039	100
FCR Cadolzburg GmbH & Co. KG, Pullach	100%	-1,130	-1,030
FCR Cloppenburg GmbH & Co. KG, Pullach	100%	8,716	100
FCR Cottbus GmbH & Co. KG, Pullach	100%	42,680	100
FCR Datteln GmbH & Co. KG, Pullach	100%	92,469	100
FCR Duisburg GmbH & Co. KG, Pullach	100%	521,239	100

* The earnings and equity are reported in accordance with the rules resulting from the German Commercial Code.

Company	interest held	Earnings* (€)	Equity* (€)
FCR Duisburg 2 GmbH & Co. KG , Pullach	100%	13,113	100
FCR Ehrenfriedersdorf GmbH & Co. KG, Pullach	100%	-2,682	-2,582
FCR Freital GmbH & Co. KG, Pullach	100%	586,941	100
FCR Gera AMTP GmbH & Co. KG, Pullach	100%	-78,518	-67,669
FCR Gera BIBC GmbH & Co. KG, Pullach	100%	26,563	100
FCR Glückstadt GmbH & Co. KG, Pullach	100%	36,688	100
FCR Görlitz GmbH & Co. KG, Pullach	100%	40,747	100
FCR Görlitz Hugo-Meyer GmbH & Co. KG, Pullach	100%	144	100
FCR Grimmen GmbH & Co. KG, Pullach	100%	99,587	100
FCR Gronau GmbH & Co. KG, Pullach	100%	21,799	100
FCR Guben GmbH & Co. KG, Pullach	100%	13,283	100
FCR Gummersbach GmbH & Co. KG, Pullach	100%	-62,116	-18,846
FCR Gummersbach 2 GmbH & Co. KG, Pullach	100%	-1,021	-921
FCR Hagen GmbH & Co. KG, Pullach	100%	3,858	100
FCR Hagen 2 GmbH & Co. KG, Pullach	100%	21,622	100
FCR Hambühren GmbH & Co. KG, Pullach	100%	33,834	100
FCR Hamm GmbH & Co. KG, Pullach	100%	15,119	100
FCR Hennef GmbH & Co. KG, Pullach	100%	3,200,304	100
FCR Herford GmbH & Co. KG, Pullach	100%	46	100
FCR Höchstadt GmbH & Co. KG , Pullach	100%	-3,141	-3,041
FCR Hof GmbH & Co. KG, Pullach	100%	38,313	100
FCR Innovation GmbH, Pullach	100%	-64,564	-48,179
FCR Jüterbog GmbH & Co. KG, Pullach	100%	-1,610	-1,510
FCR Kaiserslautern GmbH & Co. KG , Pullach	100%	13,831	100
FCR Kaltennordheim GmbH & Co. KG, Pullach	100%	37,357	100
FCR Kitzbühel GmbH & Co. KG, Kitzbühel (AT)	100%	-47,450	-212,344
FCR Köpenick GmbH & Co. KG, Pullach	100%	4,309	-1,403
FCR Landau GmbH & Co. KG, Pullach	100%	-791	-691
FCR Lichtentanne GmbH & Co. KG, Pullach	100%	19,736	-7,637
FCR Magdeburg GmbH & Co. KG, Pullach	100%	32,414	100
FCR Meerane GmbH & Co. KG, Pullach	100%	2,457	100
FCR Monument Investment S.L., Cala Serena (ES)	100%	-58,728	-91,951
FCR Munster GmbH & Co. KG, Pullach	100%	36,723	100

* The earnings and equity are reported in accordance with the rules resulting from the German Commercial Code.

Company	interest held	Earnings* (€)	Equity* (€)
FCR Neumünster GmbH & Co. KG, Pullach	100%	64,316	100
FCR Neustrelitz GmbH & Co. KG, Pullach	100%	72,063	100
FCR Nienburg GmbH & Co. KG, Pullach	100%	93,992	100
FCR Pelagone GmbH & Co. KG, Kitzbühel (AT)	100%	-530,415	3,014,391
FCR Pössneck GmbH & Co. KG, Pullach	100%	71,163	100
FCR Prettin GmbH & Co. KG, Pullach	100%	8,697	100
FCR Rastatt GmbH & Co. KG, Pullach	100%	683,854	100
FCR Rhaunen GmbH & Co. KG, Pullach	100%	88,117	100
FCR Salzwedel GmbH & Co. KG, Pullach	100%	100,502	100
FCR Schesslitz GmbH & Co. KG, Pullach	100%	16,083	100
FCR Schleiz GmbH & Co. KG, Pullach	100%	-90,946	-209,487
FCR Schwalbach GmbH & Co. KG, Pullach	100%	-2,743	-2,643
FCR Schwandorf GmbH & Co. KG, Pullach	100%	-822	-722
FCR Seesen GmbH & Co. KG, Pullach	100%	-431,972	100
FCR Service GmbH, Pullach	100%	33,317	100
FCR Söhlde-Hoheneggelsen GmbH & Co. KG, Pullach	100%	55,486	100
FCR Soltau GmbH & Co. KG, Pullach	100%	90	-15,516
FCR Soltau Zentrallager GmbH & Co. KG, Pullach	100%	228,319	100
FCR Strullendorf GmbH & Co. KG, Pullach	100%	-770	-670
FCR Stuhr GmbH & Co. KG, Pullach	100%	59,645	100
FCR Teistungen GmbH & Co. KG, Pullach	100%	-8,334	-8,234
FCR Uelzen GmbH & Co. KG, Pullach	100%	148,328	100
FCR Uelzen Office, Pullach	100%	133	100
FCR Verwaltungs GmbH, Pullach	100%	-202,533	-234,922
FCR Wasungen GmbH & Co. KG, Pullach	100%	45,006	100
FCR Weidenberg GmbH & Co. KG, Pullach	100%	8,784	100
FCR Weissenfels GmbH & Co. KG, Pullach	100%	5,091	-20,046
FCR Welzow GmbH & Co. KG, Pullach	100%	52,809	100
FCR Westerburg GmbH & Co. KG, Pullach	100%	64,148	100
FCR Wismar II GmbH & Co. KG, Pullach	100%	-37,025	-116,306
FCR Wittenberge GmbH & Co. KG, Pullach	100%	8,523	100
FCR Wittingen GmbH & Co. KG, Pullach	100%	54,607	100
FCR Würselen GmbH & Co. KG, Pullach	100%	64,778	100
FCR Zeithain GmbH & Co. KG, Pullach	100%	250,837	100
FCR Zerbst GmbH & Co. KG, Pullach	100%	55,865	100
FCR Zeulenroda GmbH & Co. KG, Pullach	100%	-33,419	-151,618

* The earnings and equity are reported in accordance with the rules resulting from the German Commercial Code.

8.8 Exemption pursuant to Section 264 (3) and Section 264b German Commercial Code

The following domestic subsidiaries in the legal form of a partnership in the meaning of Section 264a German Commercial Code invoke the exemption provision pursuant to Section 264b German Commercial Code for financial year 2019:

FCR Aken GmbH & Co. KG	FCR Görlitz Hugo-Meyer GmbH & Co. KG	FCR Salzgitter GmbH & Co. KG
FCR Altena GmbH & Co. KG	FCR Hagen GmbH & Co. KG	FCR Salzwedel GmbH & Co. KG
FCR Aschersleben GmbH & Co. KG	FCR Hagen 2 GmbH & Co. KG	FCR Schesslitz GmbH & Co. KG
FCR Aue GmbH & Co. KG	FCR Hambühren GmbH & Co. KG	FCR Schleiz GmbH & Co. KG
FCR Bad Kissingen GmbH & Co. KG	FCR Hamm GmbH & Co. KG	FCR Schwalbach GmbH & Co. KG
FCR Bamberg GmbH & Co. KG	FCR Hennef GmbH & Co. KG	FCR Schwandorf GmbH & Co. KG
FCR Bergisch Gladbach GmbH & Co. KG	FCR Herford GmbH & Co. KG	FCR Schwerin GmbH & Co. KG
FCR Bottrop GmbH & Co. KG	FCR Hof GmbH & Co. KG	FCR Seesen GmbH & Co. KG
FCR Brandenburg GmbH & Co. KG	FCR Holzhausen GmbH & Co. KG	FCR Söhlde GmbH & Co. KG
FCR Brandis GmbH & Co. KG	FCR Höchstadt GmbH & Co. KG	FCR Soltau GmbH & Co. KG
FCR Brandenburg Logistik GmbH & Co. KG	FCR Jüterbog GmbH & Co. KG	FCR Soltau Zentrallager GmbH & Co. KG
FCR Bremervörde GmbH & Co. KG	FCR Kaiserslautern GmbH & Co. KG	FCR Stendal GmbH & Co. KG
FCR Buchholz GmbH & Co. KG	FCR Kaltennordheim GmbH & Co. KG	FCR Strullendorf GmbH & Co. KG
FCR Burg GmbH & Co. KG	FCR Kitzbühel GmbH & Co. KG	FCR Stuhr GmbH & Co. KG
FCR Burgdorf GmbH & Co. KG	FCR Köpenick GmbH & Co. KG	FCR Teistungen GmbH & Co. KG
FCR Cadolzburg GmbH & Co. KG	FCR Landau GmbH & Co. KG	FCR Uelzen GmbH & Co. KG
FCR Cloppenburg GmbH & Co. KG	FCR Lichtentanne GmbH & Co. KG	FCR Uelzen Office GmbH & Co. KG
FCR Cottbus GmbH & Co. KG	FCR Magdala GmbH & Co. KG	FCR Wasungen GmbH & Co. KG
FCR Datteln GmbH & Co. KG	FCR Magdeburg GmbH & Co. KG	FCR Weidenberg GmbH & Co. KG
FCR Duisburg GmbH & Co. KG	FCR Meerane GmbH & Co. KG	FCR Weissenfels GmbH & Co. KG
FCR Duisburg 2 GmbH & Co. KG	FCR Monuments Investment SL	FCR Welzow GmbH & Co. KG
FCR Ehrenfriedersdorf GmbH & Co. KG	FCR Munster GmbH & Co. KG	FCR Westerburg GmbH & Co. KG
FCR Freital GmbH & Co. KG	FCR Münchberg GmbH & Co. KG	FCR Wismar 2 GmbH & Co. KG
FCR Fieberbrunn GmbH & Co. KG	FCR Münster GmbH & Co. KG	FCR Wittenberge GmbH & Co. KG
FCR Gera AMTP GmbH & Co. KG	FCR Netzschkau GmbH & Co. KG	FCR Wittingen GmbH & Co. KG
FCR Gera BIBC GmbH & Co. KG	FCR Neumünster GmbH & Co. KG	FCR Würselen GmbH & Co. KG
FCR Glückstadt GmbH & Co. KG	FCR Neustrelitz GmbH & Co. KG	FCR Würzburg GmbH & Co. KG
FCR Grimmen GmbH & Co. KG	FCR Nienburg GmbH & Co. KG	FCR Zeithain GmbH & Co. KG
FCR Gronau GmbH & Co. KG	FCR Prettin GmbH & Co. KG	FCR Zerbst GmbH & Co. KG
FCR Guben GmbH & Co. KG	FCR Pössneck GmbH & Co. KG	FCR Zeulenroda GmbH & Co. KG
FCR Gummersbach GmbH & Co. KG	FCR Rastatt GmbH & Co. KG	FCR Zwickau GmbH & Co. KG
FCR Gummersbach 2 GmbH & Co. KG	FCR Rhaunen GmbH & Co. KG	
FCR Görlitz GmbH & Co. KG	FCR Rövershagen GmbH & Co. KG	

8.9 Auditor's fees

The auditor invoiced fees of €74,000 (previous year: €59,000) for auditing services related to financial year 2019.

8.10 Material events after the balance sheet date

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

The corona crisis presents a great challenge for the entire country and all companies.

We are expecting the recent adoption of the law to mitigate the effects of the CVID-19 pandemic and the increasing spread of the virus to have negative implications for FCR's earnings position.

We do however believe that the company is positioned well with its portfolio structure. The majority of our rental income is generated in the retail segment - with emphasis on food and local supplies - as well as in the office and logistics segment, which are not affected by the lockdown measures. We expect that only some of our tenants will reduce or suspend their rental payments in the preliminary period from April to June 2020. We are expecting rental payments with a volume of €150,000 to be deferred. We also expect €200,000 in rental income to be lost irrecoverably.

Our company's current liquid funds of around 10 million Euro offer a solid foundation to duly and fully satisfy our financial obligations in the current financial year.

We believe that its highly profitable property portfolio and strong management team will put FCR Immobilien AG in a very good position to continue the company's successful development over the past years in the upcoming years 2020 and 2021.

We are expecting the year 2020 to once again deliver positive earnings on a high level and a further increase in our investment income.

The properties are also financed by the issue of bonds. To facilitate its further growth, FCR Immobilien AG has issued a bond with a volume of up to €30 million in the current financial year.

8.11 Proposed appropriation of the profit

The Executive Board and the Supervisory Board propose to the General Meeting to distribute an amount of €2,743.921 across the 9,146,404 shares in the share capital as of December 31, 2019 to the shareholders in the form of a dividend of €0.30 per share from the net profit of the financial year of €9,750,000, and to carry the remaining amount of €7,005,588 forward to the new accounts, or to appropriate this amount to additional dividends paid on shares with dividend rights as of the date of the General Meeting that exceed the share capital as of December 31, 2019.

9 Declaration by the Executive Board

The Executive Board of FCR Immobilien AG is responsible for the preparation, completeness and accuracy of the Consolidated Financial Statements and the Combined Management Report for the Company and the Group.

The Executive Board has approved these financial statements for presentation to the Supervisory Board on April 17, 2020. The Supervisory Board is requested to review the Consolidated Financial Statements and declare whether they are approved by it.

The Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable within the EU.

The Combined Management Report for the Company and the Group contains analyses on the Group's net asset, financial and earnings position as well as further disclosures required pursuant to Section 315 German Commercial Code.

Declaration of responsibility from the
legal representatives of FCR Immobilien AG (Group)

I hereby warrant that, in accordance with the applicable accounting principles, the Consolidated Financial Statements portray, to the best of my knowledge, a true and accurate picture of the Group's net asset, financial and earnings position, and that the Condensed Management Report for the Group and the Company presents the course of business including the Group's business performance and position in a way that conveys an accurate and true picture of the actual circumstances and that it describes the essential opportunities and risks inherent in the Group's expected development.

Consolidated Cash Flow Statement

For the period from January 1 to December 31, 2019

In € thousand	December 31, 2019	December 31, 2018
Consolidated earnings after taxes	**9,750**	**2,936**
Adjustments to the net profit/loss for the period for reconciliation with the operating cash flow:		
Taxes on income and earnings recognized through profit or loss	2,186	-125
Financial expenses recognized through profit or loss	6,904	4,607
Financial income recognized through profit or loss	-730	-354
Proceeds from the sale of properties held as financial investments recognized through profit or loss	-157	0
Amortization and impairment of other intangible assets and property, plant and equipment	361	503
Change in the value of properties held as financial investments	-13,674	0
Proceeds from initial consolidation of subsidiaries	0	-3,278
other non-cash effects	0	0
Change in inventories, receivables and other assets not attributable to investment activities	-6,907	-3,829
Change in liabilities not attributable to financing activities	-634	7,121
Interest paid from operating activities		
Interest received from operating activities		
Payments of taxes on profits and earnings	-774	-203
Cash flow from operating activities	**-3,674**	**7,379**
Investments in other intangible assets, software and property, plant and equipment	0	-166
Cash inflows from the sale of properties held as financial investments	17,650	21,252
Cash outflows for properties held as financial investments	-75,197	-118,569
Cash outflow for the acquisition of securities and current assets	-931	-902
Cash inflows from the disposal of securities and current assets	825	2,601
Cash inflows from the repayment of lendings to companies	940	0
Cash outflows for lendings to companies	0	-1,366
Interest received	730	427
Cash outflow from investment/divestment activities	**-55,984**	**-96,723**
Cash inflow from the issue of new shares	6,440	1,000
Issue of bonds	27,229	25,000
Bond repayments	-5,676	0
New loans assumed	54,280	83,388
Loan principal repayments	-11,278	-17,258
Cash outflow for dividends paid to shareholders	-1,542	-290
Interest paid	-3,728	-4,401
Cash inflow from financing activities	**65,725**	**87,439**
Change in cash and cash equivalents from initial consolidation	**23**	**11**
Net change in cash and cash equivalents	**6,091**	**-1,895**
Cash and cash equivalents as of January 1	**3,052**	**4,946**
Cash and cash equivalents as of December 31	**9,143**	**3,052**

The reader is referred to the supplementary explanations in the Notes to the Consolidated Financial Statements under the heading "7. Consolidated Cash Flow Statement".

The company had unlimited power to dispose over the cash and cash equivalents on the balance sheet dates.

Consolidated Statement of Changes in Equity

For the period from January 1 to December 31, 2019

in € except for the number of shares		Equity attributable to the shareholders of FCR Immobilien AG					
	Notes no.	Number of shares in circulation	Subscribed capital	Capital reserve	Other reserves	Retained earnings	Equity
as January 1, 2018		**4,148,151**	**4,148,151**	**288,274**	**100,488**	**6,611,265**	**11,148,177**
Net profit/loss for the period						2,936,405	2,936,405
Total earnings		**4,148,151**	**4,148,151**	**288,274**	**100,488**	**9,547,670**	**14,084,582**
Capital increase	5.1.1	71,437	71,437	928,681			1,000,118
Costs related to the capital increase				-131,417			-131,417
Transfer to the statutory reserve					178,428	-178,428	0
Dividend payment	5.1.5					-290,371	-290,371
Adjustments due to changes in value							
Re-measurement of the value of properties held as financial investments	4.1.2					69,418,858	69,418,858
Deferred taxes on the remeasured value of properties held as financial investments						-13,093,003	-13,093,003
as of December 31, 2018		**4,219,588**	**4,219,588**	**1,085,538**	**278,915**	**65,404,728**	**70,988,768**
Net profit/(loss) for the period	5.1.5					9,749,509	9,749,509
Total earnings		**4,219,588**	**4,219,588**	**1,085,538**	**278,915**	**75,154,237**	**80,738,278**
Capital increase	5.1.1/5.1.2	186,072	186,072	3,070,188			3,256,260
Sale of securities	5.1.1/5.1.2	335,084	335,084	2,848,214			3,183,298
Costs related to the capital increase				-184,715			-184,715
Initial consolidations	5.1.5					170,898	170,898
Transfer to retained earnings					3,350,356	-3,350,356	0
Capital increase from treasury funds	5.1.1/5.1.2	4,405,660	4,405,660	-1,055,304	-3,350,356		0
Dividend payment						-1,541,981	-1,541,981
as of December 31, 2019		9,146,404	9,146,404	5,763,920	278,915	70,432,798	85,622,038

The reader is referred to the supplementary explanations in the Notes to the Consolidated Financial Statements.

Group Management Report of FCR Immobilien AG
for the Financial Year 2019

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 AG consists of the acquisition, active asset management and successful sale of specialist retail centers and shopping centers in Germany. FCR Immobilien AG 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, corporate properties) is also a possible option for FCR Immobilien AG.

FCR Immobilien AG 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, 2019, the property portfolio of FCR Immobilien AG and its subsidiaries was comprised of 76 properties with a usable floor space of around 326,000 m².

1.1.1 Acquisition and investment strategy

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

FCR Immobilien AG further focuses its efforts on the acquisition of properties in extraordinary situations, e.g. insolvency assets, with the aim of generating rental yields that are significantly above average. FCR Immobilien AG 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 AG aims to contract on the basis of loan agreements that contain a non-recourse clause. In these cases, FCR Immobilien AG makes its decision on short- or long-term bank loan finance on a case-by-case basis and in consideration of the planned period for which the property is to be held in FCR Group's portfolio.

As of the reporting date December 31, 2019, the weighted residual term of the fixed interest contracts was approx. 5 years with an average interest rate of 1.8% 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, 2019, the principal repayment rate across the entire property portfolio of FCR Immobilien AG was around 5.0% p.a.

1.1.3 Active asset management and portfolio holding

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

1.1.4 Earnings model

FCR Immobilien AG 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.

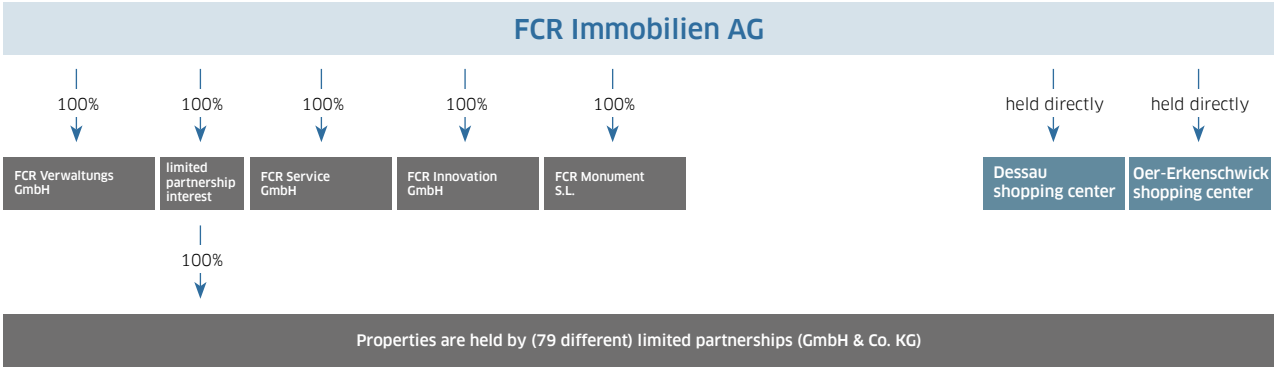
a) FCR Verwaltungs GmbH
FCR Verwaltungs GmbH is a fully owned subsidiary of FCR Immobilien AG. The subsidiary's business activities are limited to asset management.

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, 2019 presents as follows:



1.3 Property portfolio as of December 31, 2019

1.3.1 Movements in the property portfolio 2019

At the beginning of the year, on January 1, 2019, the directly or indirectly held property portfolio of FCR Immobilien Group AG consisted of a total of 58 properties with a total usable floor space of approx. 248,000 m².

25 additional properties with a usable floor space of 125,000 m² were acquired during the financial year, 7 other properties with a usable floor space of approx. 34,000 m² were sold in the same year. This resulted in an expansion of the overall property portfolio of FCR Group by 91,000 m² to now 76 properties with a total usable floor space of 326,000 m² and a project development space of 12,000 m² as of December 31, 2019.

New acquisitions:

25 additional properties were acquired in the year 2019 (in alphabetic order): Aken, Aschersleben, Bergisch Gladbach, Brandburg, Cloppenburg, Duisburg, Ehrenfriedersdorf, Görlitz, Gronau, Guben, Hagen (2 properties), Hambühren, Hamm, Herford, Kaiserslautern, Köpenick, Meerane, Prettin, Söhlde, Uelzen, Weidenberg, Westerburg, Würselen and Zeithain. All new acquisitions were integrated in the portfolio of FCR Group via separate property holding companies.

The total net rental income from the newly acquired properties amounted to €6.7 million p.a., while the total new investments - meaning the total purchase prices (excl. incidental acquisition expenses) amounted to €68.0 million.

Property sales:

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

FCR Group successfully sold a total of seven properties in the 2019 financial year. The sale of the properties (in alphabetic order) in Brandis, Duisburg, Freital, Hennef, Rhaunen, Salzgitter and Würzburg returned a leasable floor space of 34,000 m² to the market.

The grand total of the sales prices for the seven properties amounted to €28 million.

Overview of portfolio movements 2019

	Number Properties	Usable floor space (in thousand m²)	Net rental income (in million Euro)	Transaction volume (in million Euro)
Acquisitions 2019	25	125	6.7 mil.	68.0 mil.
Sales 2019	7	34	2.0 mil.	28.0 mil.
Net portfolio growth	18	91	4.7 mil.	40.0 mil.

The past financial year saw FCR Group's annual net rental income after adjustment for additions and disposals increase to €19.5 million.

The net investments, i.e. the balance of property additions and disposals, measured at purchase prices excluding incidental expenses amounted to €40 million.

1.3.2 Property portfolio as of December 31, 2019

As of December 31, 2019, the directly or indirectly held property portfolio of FCR Immobilien AG consisted of a total of 76 properties with a total usable floor space of approx. 326,000 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, 2019.

Description	Region	Usable floor space	Occupancy rate
Supermarket in Aken	Saxony-Anhalt	1,043	100%
Mixed residential and commercial building Altena	North Rhine-Westphalia	12,363	36%
Supermarket in Aschersleben	Saxony-Anhalt	996	100%
Specialist retail store in Aue	Saxony	650	100%
Supermarket in Bad Kissingen	Bavaria	1,037	100%
Project development student residence in Bamberg	Bavaria	Development	Development
Specialist retail store in Aschersleben	North Rhine-Westphalia	2,725	100%
Commercial building in Bottrop	North Rhine-Westphalia	5,137	100%
Specialist retail center in Brandenburg	Brandenburg	12,862	88%
Specialist retail store in Bremervörde	Lower Saxony	2,713	100%
Specialist retail store in Buchholz	Lower Saxony	4,800	100%
Specialist retail store in Burg	Schleswig-Holstein	2,047	100%
Specialist retail center in Cottbus	Brandenburg	4,513	47%
Specialist retail store in Cloppenburg	Lower Saxony	3,111	100%
Supermarket in Datteln	North Rhine-Westphalia	1,037	100%
Specialist retail center in Dessau	Saxony-Anhalt	3,754	80%
Specialist retail store in Duisburg	North Rhine-Westphalia	2,200	100%
Hardware store in Ehrenfriedersdorf	Thuringia	1,891	100%
Project development Frankenberg	Hesse	Development	Development
Shopping center in Gera (Amthor-Passage)	Thuringia	8,137	61%
Shopping center in Gera (Bieblach-Center)	Thuringia	18,038	72%
Specialist retail store in Glückstadt	Schleswig-Holstein	2,000	100%
Specialist retail center in Görlitz	Saxony	1,004	100%
Mixed residential and commercial building Görlitz	Saxony	14,159	40%
Specialist retail center in Grimmen	Saxony	2,045	100%
Specialist retail store in Gronau	North Rhine-Westphalia	2,305	100%
Supermarket in Guben	Brandenburg	1,830	100%
Shopping center in Gummersbach	North Rhine-Westphalia	4,520	80%

Description	Region	Usable floor space	Occupancy rate
Specialist retail store in Hagen	North Rhine-Westphalia	408	100%
Specialist retail store in Hagen	North Rhine-Westphalia	2,561	100%
Specialist retail center in Hambühren	Lower Saxony	5,379	96%
Specialist retail store in Hamm	North Rhine-Westphalia	2,032	100%
Specialist retail store in Herford	North Rhine-Westphalia	2,540	100%
Specialist retail store in Hof	Bavaria	928	100%
Specialist retail store in Kaiserslautern	Rhineland-Palatinate	2,350	100%
Supermarket in Kaltennordheim	Thuringia	1,045	100%
Residential building in Köpenick	Berlin	470	100%
Hotel Kitzbühel	Tyrol (Austria)	768	
Specialist retail center in Lichtentanne	Saxony	1,496	97%
Specialist retail center in Magdeburg	Thuringia	2,803	91%
Specialist retail center in Meerane	Saxony	2,700	100%
Development project Monument	Mallorca (Spain)	Development	Development
Specialist retail store in Munster	Lower Saxony	2,347	100%
Specialist retail store in Neumünster	Schleswig-Holstein	3,100	100%
Specialist retail center in Neustrelitz	Mecklenburg-Western Pomerania	2,596	100%
Specialist retail store in Nienburg	Lower Saxony	3,029	100%
Specialist retail center in Oer-Erkenschwick	North Rhine-Westphalia	6,228	90%
Pelagone	Tuscany (Italy)	6,081	
Specialist retail center in Pössneck	Thuringia	7,564	100%
Supermarket in Prettin	Saxony-Anhalt	1,046	100%
Shopping center in Rastatt	Baden-Württemberg	21,685	76%
Specialist retail store in Salzwedel	Saxony-Anhalt	6,017	100%
Supermarket in Schesslitz	Bavaria	930	100%
Specialist retail center in Schleiz	Thuringia	6,540	59%
Shopping center in Seesen	Lower Saxony	7,764	54%
Supermarket in Söhlde	Lower Saxony	1,710	100%
Specialist retail store in Soltau	Lower Saxony	3,600	100%
Office and logistics building in Soltau	Lower Saxony	8,430	100%
Specialist retail center in Stuhr	Lower Saxony	1,904	100%
Specialist retail store in Uelzen	Lower Saxony	5,082	100%

Description	Region	Usable floor space	Occupancy rate
Specialist retail store in Uelzen	Lower Saxony	2,514	100%
Office building in Uelzen	Lower Saxony	5,018	100%
Supermarket in Wasungen	Thuringia	1,064	100%
Specialist retail center in Weidenberg	Bavaria	1,719	82%
Residential buildings in Weissenfels	Saxony-Anhalt	1,523	100%
Specialist retail center in Welzow	Brandenburg	1,588	98%
Hotel Westerburg	Saxony-Anhalt	5,200	
Shopping center in Wismar	Mecklenburg-Western Pomerania	3,791	46%
Supermarket in Wittenberge	Brandenburg	1,602	84%
Specialist retail store in Wittingen	Lower Saxony	4,261	100%
Specialist retail store in Würselen	North Rhine-Westphalia	3,380	100%
Office and logistics building in Zeithain	Saxony	45,045	75%
Specialist retail store in Zerbst	Saxony-Anhalt	6,615	100%
Shopping center in Zeulenroda	Thuringia	5,088	75%

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 AG employed an average of 127 persons in the reporting period. An average of 90 persons were employed in the first quarter (January 1–March 31, 2019), 141 persons in the second quarter (April 1–June 30, 2019), 152 persons in the third quarter (July 1–September 30, 2019), and 125 persons in the fourth quarter (October 1–December 31, 2019).

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

2. Economic Report

2.1 Fundamental macroeconomic conditions

According to calculations by the Federal Statistics Office (Destatis), Germany's economy recorded a growth of 0.6% in the year 2019. The inflation-adjusted gross domestic product (GDP) continued to rise for the tenth consecutive year, but the growth dynamic has continued to decline. GDP growth was at 1.5% in the year 2018 and 2.5% in the year before. When compared to the average growth in the past 10 years of 1.3%, this means that the German economy experienced below-average growth in 2019. This development was already noticeable in the early quarters of the year. In the third quarter of 2019, the country's GDP increased by 0.1% over the previous quarter. It contracted by 0.2% in the second quarter. In the first quarter of 2019, Germany's economy still reported a growth of 0.5%.

The main drivers behind the economic growth in 2019 were private and public consumption spending, which were 2.5% or 1.6% higher after adjustment for inflation. The higher gross fixed capital investments also contributed to the growth: Investments in buildings increased by 3.8% over the previous year after adjustment for inflation, with the bulk of investments flowing into residential construction and civil engineering. Investments in equipment grew at a slower pace of 0.4%. The inflation-adjusted gross investments, which in addition to the gross capital formation investments also included inventory changes, declined by 1.7% from the previous year.

The development of the gross value added fluctuated across the economic sectors. The growth was strongest in the construction industry with 4%. The manufacturing industries excl. the construction industry contracted by 3.6 from the previous year. This affected the entire gross value added, which only increased by 0.5%.

Germany's exports in 2019 grew at a slower pace than in the previous year: after adjustment for inflation, the export of goods and services increased by 0.9%. As a result, the growth in exports fell short of the growth in imports, which recorded an inflation-adjusted increase of 1.9%.

With 45.3 million people in gainful employment at a workplace in Germany, the country recorded the highest employment levels since records began. The figure represents an increase of 0.9% over the previous year. 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]

2.2. Industry situation

2.2.1. The commercial property market in Germany [2]

The prevailing low-interest environment continued to positively effect the commercial property market in Germany. Despite economic risks such as the trade conflict between the USA and China, a new record transaction volume of €91.3 billion was achieved in the year 2019. The figures published by Jones Lang LaSalle (JLL) also include the use category "living". This category includes multiple-occupancy buildings and residential portfolios with 10 or more units, apartment buildings, student residences, retirement/nursing care properties and hospitals. The transaction volume was 16 percent higher than in the previous year. The fourth quarter of 2019 with a transaction volume of €34 billion was the strongest quarter since records began.

Office properties were among the asset class with the highest turnover, accounting for 40% of the total transaction volume. With 24%, the segment "living" accounted for the second-highest share. Retail properties represented 12% of the transaction volume. Within this segment, shopping centers have become less popular with investors, the yield for the full year increased from 4.1% to 4.5%. Specialist retail centers—especially those with a food anchor—continue to be in high demand with investors.

The big-7 locations Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart once again attracted the lion share of the capital invested in German properties, accounting for a total transaction volume of €52.6 billion or a share of 58%. This represents an increase in the trade volume of 14% over the year 2018. Town and cities rated as B-rated locations also attracted higher capital investments: The volume in these locations amounted to €38.7 billion in 2019, a 17% increase over the year 2018.

[1] https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20_018_811.html
[2] This section refers to the study by ones Lang Lasalle (JLL), investment market overview - Q4/2019 from January 2020

JLL is not expecting a trend reversal for the high demand for German properties. In light of the low interest rate environment, real property appears to be an asset class without alternative for institutional investors. The experts from JLL believe that the German sovereign bonds with a volume of more than €800 billion, which mature within the next five years, could potentially release additional capital for the property market as a consequence of capital being redeployed into property as a result of the expected yields. JLL believes that the high economic and political stability in Germany continues to causes both domestic and foreign investors to place great confidence in German properties and that there is a good chance that real property will retain a prominent position in their acquisition strategies.

2.2.2. Retail properties [3]

According to calculations by CBRE, the transaction volume for German retail properties amounted to around €10.1 billion in 2019. This means that investments in retail properties have broken through the €10 billion mark for the third time in the current decade. While their share in the total volume has decreased, this asset class still accounted for around 12% of the total property investment market and came in on the third place after office and residential properties. The transaction volume decreased for the second consecutive year, albeit the fall of 4% was lower rate than in the previous year.

44% of the transaction volume was attributable to specialist retail stores and specialist retail centers. Compared to the previous year's figure, this represents a slight uptick of 1%. The minimal impact of online shopping on retail properties with a focus on food retail resulted in a high demand for these properties. The high demand also affected the yield generated by this property class: it fell by 0.1% to 4.15%.

The demand side on the market for retail properties continued to be dominated by domestic players. In 2019, their share in the transaction volume accounted for 61 percent, up from 59 percent in the previous year. With a share of 56%, the supply side was dominated by foreign vendors.

CBRE expects retail properties to retain their important role in the portfolios of investors in the year 2020. Due to the size of the market, low unemployment and rising wages, CBRE believes that investors appreciate German retail properties as relatively secure investments. CBRE accordingly expects 2020 to deliver a transaction volume that is on par with the long-term average of just above €10 billion.

2.2.3. Earnings position

As a consequence of transitioning from the reporting standards resulting from the German Commercial Code to the International Financial Reporting Standards (IFRS) in the 2019 financial year, the values from the previous year have been converted to IFRS-conforming reporting. This means that the previous year's values stated in the following Management Report are not comparable to the Consolidated Financial Statements for the previous year. A reconciliation account with explanations on the changes is contained in the Notes.

FCR Immobilien Group generated revenues of €49.7 million (previous year: approx. €37.3 million) in the past financial year. The increase was attributable to higher rental income and the sale of six 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 €52.3 million (previous year: €40.9 million).

The cost of materials increased from €5.7 million to €7.7 million and includes the performance-associated costs that are directly attributable to the revenues.

As a result of the expansion of the property portfolio and business activities, the personnel expenses increased from €3.3 million to €6.6 million.

The scheduled amortization expenses amounted to €0.3 million (previous year: €0.5 million).

[3] CBRE, Marketview, Retail investment market Germany, Q4 2019:
http://cbre.vo.llnwd.net/grgservices/secure/Germany_Retail_Investment_Q4_2019_de.pdf?e=1580215746&h=05c457d84b03ff503cd38c0a51129a5b

Since the properties held as financial investments pursuant to IAS 40.33-55 have been recognized at their attributable fair value, they are not subject to amortization. The buildings are valued by an expert valuer on an annual basis and recognized in the Statement of Financial Position at the resulting fair value.

The financial year's other operational expenses amounted to €5.1 million (previous year: €3 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 €4.6 million to €6.9 million.

FCR Immobilien Group generated total earnings before taxes of €11.9 million (previous year: €2.8 million).

After deduction of taxes, FCR Immobilien Group generated a total net profit for the year of €9.7 million (previous year: €2.9 million).

2.2.4 Net asset and financial position

The financial year saw the company's non-current assets increasing by €62 million from €238.3 million to €300.3 million.

The item "properties held as financial investments" contains shops and rental apartments in an amount of €244.2 million (previous year: €191.8 million), hotels in an amount of €33.7 million (previous year: €26 million), other properties under development in an amount of €17.7 million (previous year: €16.8 million) and deposit payments on properties, for which title will transfer after the balance sheet date and that will be recognized as financial investments in the future, in an amount of €3.3 million (previous year: €2.9 million).

The increase in current assets from €10.5 million to now €26.8 million was in particular attributable to trade receivables. As of the balance sheet date, FCR Group had liquid funds of €9.1 million (previous year: €3.1 million).

The total assets increased by approx. €78.2 million from €248.8 million to now €327 million.

The capital increase in 2019 and the consolidated net profit for the year resulted in FCR Immobilien Group's equity increasing by €14.6 million to now €85.6 million (previous year: €71 million).

The equity ratio of FCR Immobilien Group was 26.2% (previous year: 28.5%) as of the balance sheet date.

The non-current liabilities increased to €226 million (previous year: €155.5 million) in the financial year. As a result of the expansion of the property portfolio and business activities, the long-term bank loans increased from €102.0 million to €144.9 million, while bond liabilities increased from €39.7 million to €66.6 million.

The current liabilities decreased from €22.3 million to €15.4 million in 2019.

3. Report on opportunities, risk and outlook

3.1 Report on opportunities

The Executive Board of FCR is confident to utilize the current positive market environment to achieve a further and sustainable improvement of FCR Group's net asset and earnings position.

The Executive Board expects the sales prices for specialist retail and shopping centers to continue their upward trend despite the COVID-19 pandemic, 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 Immobilien AG and its property holding companies 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 Immobilien AG has, for example, developed a project calculation system and a revenue and liquidity planning system that allow it to identify potential risks that could have a negative effect on the company's future development and thereby jeopardize the continued existence of the company. The system is geared to the currently small size of the company with its flat hierarchy.

In this organizational structure, important functions associated with the early detection of risks are assumed

directly by the Executive Board. The risk management system employed by FCR Immobilien AG 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 company'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 Immobilien AG's business activities.

3.2.1 Risks from property acquisitions

Risks stemming from investment activities and property selection:
The business activities of FCR Immobilien AG are based on the acquisition of suitable commercial properties at reasonable prices and terms. Additional competitors entering the target market of FCR Immobilien AG 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

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

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

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

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

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

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

Risk of contaminations and structural defects:
FCR Immobilien AG 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 Immobilien AG has limited legal recourse to evade this type of liability. FCR Immobilien AG counters possible interferences by employing its extensive market expertise before purchasing properties, if necessary with the help of expert investigation reports. No risks of this nature are known from today's perspective.

3.2.3 Financial risks

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

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

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

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

Risks from the breach of financial covenants:
There is the risk of a decline in rental income and/or the properties' market values. This could result in a deteriorated loan-to-value ratio ("LTV"), debt service coverage ratio ("DSCR") or capacity to service loans. As a consequence, FCR Immobilien AG 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 the liquidity of FCR Immobilien AG and its property holding companies 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 Immobilien AG'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 Immobilien AG or its subsidiaries become involved in legal disputes with tenants, buyers and vendors of properties, or shareholders.

Personnel risks:
FCR Immobilien AG 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 Immobilien AG.

Risks related to information technology:
Important data could be lost irrecoverably from FCR Immobilien AG'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 [4]
With a plus of 0.6% in the year 2019, Germany's economy continued to grow for the tenth consecutive year, but the country almost slipped into a recession. In its annual economic report for the year 2020, the Federal Ministry for the Economy and Energy expects an inflation-adjusted GDP growth of 1.1% for the year 2020. The Federal Ministry believes that the economic environment will continue to be affected by uncertainties such as international trade conflicts or Brexit, which bear the risk of further subduing global trade and the global industrial production.

In its annual report for 2019/20, the expert panel for assessing the macroeconomic development forecasts an inflation-adjusted economic growth of 0.9% for Germany in the year 2020. The expert panel mainly attributes the subdued economic dynamic to the industrial sector that is experiencing a cyclical downturn. The downward trend in equipment investments and exports are weighing on the economic growth. Positive impetus for growth is expected from public and private consumptions pending as well as construction investments.

Industry development
According to calculations by CBRE, transactions involving retail properties accounted for a volume of around €10 billion in 2019 and made this asset class the second-strongest property segment among the commercial properties after office properties. This represented a market share of 12% in the total property transaction volume in Germany. Colliers International believes that retail properties in Germany will continue to be in high demand with investors due to the stable domestic economy and the population's high propensity to consumption spending. The great variety of locations and business types also allow for a selective investment approach. In light of the disruptive effect of online shopping, specialist retail stores with a food anchor are perceived as crisis-proof source of revenues. According to CBRE, specialist retail stores and specialist retail centers were the strongest segment among the retail property transactions, accounting for a share of 44%. Measured by the number of deals (Colliers International), they even accounted for 61% of all retail property transactions. Due to the yields that are higher than in other retail property segments, Colliers is expecting the high demand for specialist retail centers to continue in 2020. With respect to the total transaction volume for retail properties, Colliers expects the €10 billion mark to be exceeded once again. Due to the high yields for retail properties, the favorable fundamental conditions and increasing real wages, CBRE is also expecting a transaction volume of at least €10 billion in 2020.

3.3.2 Outlook for FCR Immobilien Group

The corona crisis presents a great challenge for the entire country and all companies.

We are expecting the recent adoption of the law to mitigate the effects of the CVID-19 pandemic and the increasing spread of the virus to have negative implications for FCR's earnings position.

We do however believe that the company is positioned well with its portfolio structure. The majority of our rental income is generated in the retail segment—with emphasis on food and local supplies—as well as in the office and logistics segment, which are not affected by the lockdown measures. We expect that only some of our tenants will reduce or suspend their rental payments in

[4] https://www.bmwi.de/Redaktion/DE/Publikationen/Wirtschaft/jahreswirtschaftsbericht-2020.html
https://www.sachverstaendigenrat-wirtschaft.de/jahresgutachten-2019.html
CBRE, Marketview, Retail investment market Germany, Q4 2019
Colliers International, retail investment Germany, market report 2019/2020

the preliminary period from April to June 2020. We are expecting rental payments with a volume of €150,000 to be deferred. We also expect €200,000 in rental income to be lost irrecoverably.

Our company's current liquid funds of around €10 million offer a solid foundation to duly and fully satisfy our financial obligations in the current financial year.
We believe that its highly profitable property portfolio and strong management team will put FCR Immobilien AG in a very good position to continue the company's successful development over the past years in the upcoming years 2020 and 2021.

We are expecting the year 2020 to deliver a clearly positive annual result and another significant increase of our investment income.

The properties are also financed by the issue of bonds. To facilitate its further growth, FCR Immobilien AG has issued a bond with a volume of up to €30 million in the current financial year.

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, April 17, 2020
FCR Immobilien AG

Falk Raudies
CEO

Audit certificate issued by the auditor of the financial statements

Attn. FCR Immobilien AG

Audit findings

We have audited the Consolidated Financial Statements of FCR Immobilien AG and its subsidiaries (the Group) consisting of the Consolidated Statement of Financial Position as of December 31, 2019, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Capital and the Consolidated Cash Flow Statement for the financial year from January 1, 2019 to December 31, 2019, as well as the Notes to the Consolidated Financial Statements including a summary of material accounting methods. We have further audited the Group Management Report of FCR Immobilien AG for the financial year from January 1, 2019 to December 31, 2019.

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

- the attached Consolidated Financial Statements in all essential aspects conform with the IFRS as applicable in the European Union and the supplementary applicable requirements under Section 315e (1) German Commercial Code, and that they portray an accurate picture of the true net asset and financial position of the Group as of December 31, 2019 and its earnings position for the financial year from January 1, 2019 to December 31, 2019 in compliance with these requirements.

- 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 German Commercial Code, we declare that our audit has not resulted in any objections against the regularity of the Consolidated Financial Statements and the Group Management Report (unqualified audit certificate).

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 German Commercial Code and in observance of the German principles of proper auditing of financial statements promulgated by the German Institute of Public Auditors (IDW). 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 Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for the preparation of consolidated financial statements that comply in all material aspects with the IFR as applicable within the European Union and the supplementary statutory provisions applicable pursuant to Section 315e (1) German Commercial Code, and for assuring that the Consolidated Financial Statements portray an accurate picture of the Group's true net asset, financial and earnings position in compliance with these requirements. 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—intentional or unintentional—misrepresentations.

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. They are further responsible to assure that the accounting is based on the principle of continued business activities, unless there is an intention to liquidate the group or discontinue its business operations, or if there is no realistic alternative to such action.

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 Report 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 Consolidated Financial Statements and the Group 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 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 IFRS as applicable in the European Union and the supplementary applicable statutory provisions under German law resulting from Section 315e (1) German Commercial Code 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.

Munich, April 17, 2020

H.R.S. GmbH Wirtschaftsprüfungsgesellschaft

COSTA
Auditor

Legal notice

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