



2020

HALF-YEAR FINANCIAL REPORT

as of June 30, 2020

GROUP FINANCIALS

EUR k	Jan. 1 – June 30, 2020	Jan. 1 – June 30, 2019	Change
Revenues and earnings			
Revenues	87,218	93,121	-6.3 %
Net rental income	76,037	80,352	-5.4 %
Consolidated profit for the period	-33,254	278,951	-111.9 %
FFO ¹⁾	54,375	55,673	-2.3 %
Earnings per share (EUR)	-0.19	1.57	-112.1 %
FFO per share (EUR) ¹⁾	0.31	0.31	0.0 %

¹⁾ Excluding minorities.

EUR k	June 30, 2020	Dec. 31, 2019	Change
Balance sheet			
Investment property	4,363,656	4,438,597	-1.7 %
Total assets	5,310,527	5,029,328	5.6 %
Equity	3,143,360	3,175,555	-1.0 %
Liabilities	2,167,167	1,853,773	16.9 %
Net asset value (NAV) per share (EUR)	17.70	17.88	-1.0 %
Net loan-to-value (Net LTV, %)	26.3	27.1	-0.8 pp

G-REIT figures	Jan. 1 – June 30, 2020	Jan. 1 – June 30, 2019	Change
G-REIT equity ratio (%)	71.7	70.9	0.8 pp
Revenues including other income from investment properties (%)	100	100	0.0 pp

EPRA figures ¹⁾	Jan. 1 – June 30, 2020	Jan. 1 – June 30, 2019	Change
EPRA earnings per share (EUR)	0.31	0.34	-8.8 %
EPRA cost ratio A (%) ²⁾	27.6	26.4	1.2 pp
EPRA cost ratio B (%) ³⁾	23.0	21.6	1.4 pp

	June 30, 2020	Dec. 31, 2019	Change
EPRA NRV per share (EUR)	19.49	19.67	-0.9 %
EPRA NTA per share (EUR)	17.73	17.91	-1.0 %
EPRA NDV per share (EUR)	17.71	17.61	0.6 %
EPRA net initial yield (%)	3.4	3.3	0.1 pp
EPRA 'topped-up' net initial yield (%)	3.8	3.8	0.0 pp
EPRA vacancy rate (%)	7.9	8.1	-0.2 pp

¹⁾ For further information, please refer to EPRA Best Practices Recommendations, www.epra.com.

²⁾ Including vacancy costs.

³⁾ Excluding vacancy costs.

PORTFOLIO OVERVIEW

Key metrics	June 30, 2020	Dec. 31, 2019
Number of properties	111	116
Market value (EUR bn) ¹⁾	4.4	4.5
Annual contractual rent (EUR m)	200.0	208.3
Valuation yield (% , contractual rent/market value)	4.6	4.7
Lettable area (m ²)	1,447,400	1,509,200
EPRA vacancy rate (%)	7.9	8.1
WAULT (years)	6.4	6.3
Average value per m ² (EUR)	3,027	2,966
Average rent/m ² (EUR/month) ²⁾	12.81	12.62

¹⁾ Including fair value of owner-occupied properties.

²⁾ Average rent of office space.

Real Estate Operations

Letting metrics (m ²)	Jan. 1 – June 30, 2020	Jan. 1 – June 30, 2019	Change
New leases	42,000	81,800	-39,800
Renewals of leases	38,100 ¹⁾	66,700	-28,600
Total	80,100	148,500	-68,400

¹⁾ Including option drawings from existing tenants.

As expected, the leasing volume (measured in terms of new leases and lease extensions) was lower in the first half of 2020 compared to the same period of the previous year, developing in line with the overall market in Germany*.

* <https://pdf.euro.savills.co.uk/germany-research/2020/mim-bueromarkt-deutschland-juli-2020.pdf>

The signing of the following lease contracts had a substantial impact on the development of the new leases over the first six months of 2020:

Asset	City	Let area (m ²)	Net rent/m ² (EUR)	Net rent p. a. ¹⁾ (EUR k)	Lease length (years)	Rent-free ²⁾ (%)
Bamlerstr. 1–5	Essen	3,100	11.50	500	10.5	5.6
Gasstr. 18	Hamburg	6,100	15.90	1,200	10.0	0.0
Berliner Str. 91–101	Ratingen	9,200	10.20	1,400	6.9	7.2
Heidenkampsweg 99–101	Hamburg	5,000	15.05	1,000	10.0	3.3

¹⁾ Rounded to one hundred thousand Euros.

²⁾ In % of lease length.

Transactions

In the financial year 2020, alstria performed the following transactions:

Disposals

Asset	City	Disposal price (EUR k)	Gain/loss to book value (EUR k) ^{1), 2)}	Signing SPA	Transfer of benefits and burdens
Werner-von-Siemens-Platz 1	Laatzen	16,680	-700	13.12.2019	31.03.2020
Balgebrückstr. 13–15	Bremen	2,900	-800	19.12.2019	29.02.2020
Earl-Bakken-Platz 1	Meerbusch	20,700	525	29.01.2020	01.05.2020
Josef-Wulff-Str. 75	Recklinghausen	32,500	4,800	30.01.2020	12.03.2020
D2 Park 5	Ratingen	9,400	180	12.02.2020	31.03.2020
Total disposals		82,180	4,005		

¹⁾ Different from the position 'Net result from the disposal of investment property' in the income statement. This position only contains contracts, which have an impact on the 2020 financial year and their transaction costs.

²⁾ Rounded to the nearest five thousand Euros.

EARNINGS POSITION

Revenues and operating results (FFO) developed largely as planned in the first six months of 2020, and the COVID-19 pandemic had only a limited impact. Rental income amounted to EUR 87,218 k in the first half of 2020, which is EUR 5,903 k below the level of the first half of the previous year (EUR 93,121 k). The decline of rental income was primarily due to the sale of properties and planned lease terminations. The voluntary rent waiver, especially in favor of small tenants, which had a direct impact on the turnover of the reporting period, amounted to EUR 126 k. Value adjustments on rent receivables amounted to EUR 1,172 k.

The operating result (FFO after minorities) of EUR 54,375 k in the reporting period was also below that in the corresponding period of the prior year (EUR 55,673 k). The decline in earnings primarily reflected the drop in rental income due to the sale of properties. However, a reduction in property operating costs and an improvement in net financial income largely compensated for the lower rental income, so that the decline in operating income (EUR –1,298 k) was significantly lower than the decline in rental revenues (EUR –5,903 k).

The consolidated result for the period under review amounted to EUR –33,254 k and was thus significantly lower than the consolidated result of EUR 278,951 k achieved for the first half of 2019. The major reason for the change in earnings was the valuation result of the property portfolio. While an uplift in market value of EUR 199,371 k was recognized to the property portfolio as of June 30, 2019, a mark-down of EUR 88,432 k was recognized during the same reporting period in 2020. On the one hand, this devaluation was related to large buildings, which could be negatively affected in the future by reduced tenant demand for large spaces. In addition, the value of properties located on the outskirts of large office centers was adjusted to reflect an expected weaker transaction market. Finally, value adjustments were made on properties occupied by tenants who were particularly affected by the restrictions on public life in the wake of the COVID-19 pandemic (e. g., in hotels, retail, restaurants, coworking, etc.) and who made corresponding requests to the company for deferral of rent.

EUR k ¹⁾	IFRS P&L	Adjust- ments	FFO Jan. 1 – June 30, 2020	FFO Jan. 1 – June 30, 2019
Revenues	87,218	0	87,218	93,121
Revenues from service charge income	22,072	0	22,072	22,147
Real estate operating expenses	–33,253	779	–32,474	–34,230
Net rental income	76,037	779	76,816	81,037
Administrative expenses	–4,008	586	–3,422	–4,053
Personnel expenses	–9,780	697	–9,083	–7,629
Other operating income	5,042	–2,689 ³⁾	2,353	1,486
Other operating expenses	–1,842	336	–1,506	–769
Net gain/loss from fair value adjustments on investment property	–88,432	88,432	0	0
Gain/loss on disposal of investment properties	4,402	–4,402	0	0
Net operating result	–18,581	83,739	65,158	70,072
Net financial result	–14,507	4,620 ⁴⁾	–9,887	–12,901
Share of the result of joint venture	–7	0	–7	–43
Net result from fair value adjustments on financial derivatives	0	0	0	0
Pre-tax income / FFO (before minorities)²⁾	–33,095	88,359	55,264	57,128
Income tax expenses	–159	159	0	0
Consolidated profit	–33,254	88,517	55,264	57,128
Minority interest	0	–889	–889	–1,454
Consolidated profit / FFO (after minorities)	–33,254	87,628	54,375	55,673
Number of outstanding shares (k)			177,593	177,593
FFO per share (EUR)			0.31	0.31

¹⁾Rounding differences may occur in the totals columns.

²⁾FFO is not a measure of operating performance or liquidity under generally accepted accounting principles – in particular IFRS – and it should not be considered an alternative to the Company's income or cash flow measures as determined in accordance with IFRS. Furthermore, there is no standard definition for FFO. Thus, alstria's FFO values and the measures with similar names presented by other companies may not be comparable.

³⁾Other operating income includes income from the write-down of limited partnership interests.

⁴⁾The adjustments in the net financial result relate in particular to the interest expense for bond 1, which is due at the beginning of 2021 and was already refinanced by the issue of bond 4 in September 2019, thus no longer serving the operating business.

FINANCIAL AND ASSET POSITION

Investment properties

The fair value of the investment properties amounted to EUR 4,363,656 k as of June 30, 2020 (December 31, 2019: EUR 4,438,597 k). The revaluation of the entire property portfolio carried out as of June 30, 2020 by the external appraiser Savills resulted in an impairment loss of EUR 88,432 k (for a more detailed description, see point 2 Earnings Position).

The next external property valuation is scheduled to take place as part of the half-year financial report as of December 31, 2020.

EUR k

Investment properties as of December 31, 2019	4,438,597
Investments	70,411
Acquisitions	0
Acquisition costs	0
In prior-period advance payments	0
Disposals	-36,920
Transfers to assets held for sale	-20,000
Net loss/gain from the fair value adjustment on investment property	-88,432
Investment portfolio as of June 30, 2020	4,363,656
Advance payments	0
Investment property as of June 30, 2020	4,363,656
Carrying amount of owner-occupied properties	17,065
Fair value of assets held for sale	0
Interest in joint venture	1,010
Carrying amount of immovable assets	4,381,731

For a detailed description of the investment properties, please refer to the Group Management Report 2019.

Further key figures of the financial and asset position

As of June 30, 2020, alstria's cash and cash equivalents amounted to EUR 619,555 k (December 31, 2019: EUR 298,219 k), and its short-term investments amounted to EUR 249,719 k (December 31, 2019: EUR 199,750 k). The issuance of a capital market bond with a volume of EUR 350,000 k on June 16, 2020 contributed to the significant increase in cash and cash equivalents and short-term financial assets. The proceeds further improved the company's financial flexibility. In addition, a promissory note (Schuldschein) with a volume of EUR 37,000 k due on May 6, 2020 was repaid during the reporting period.

The total equity decreased by EUR 32,195 k to EUR 3,143,360 k as of June 30, 2020 (December 31, 2019: EUR 3,175,555 k). This decrease was primarily due to the devaluation of the real estate portfolio (EUR 88,432 k), which more than compensated the positive operating result (EUR 54,374 k).

Loans

The loan facilities in place as of June 30, 2020 are as follows:

Liabilities	Maturity	Principal amount drawn as of June 30, 2020 (EUR k)	LTV ¹⁾ as of June 30, 2020 (%)	Principal amount drawn LTV as of Dec. 31, 2019 (%)	Principal amount drawn as of Dec. 31, 2019 (EUR k)
Loan #1	June 28, 2024	34,000	14.2	65.0	34,000
Loan #2	Mar. 28, 2024	45,900	31.3	75.0	45,900
Loan #3	June 30, 2026	56,000	27.5	65.0	56,000
Loan #4	Sept. 29, 2028	60,000	34.0	n/a	60,000
Total secured loans		195,900	25.6	–	195,900
Bond #1	Mar. 24, 2021	326,800	–	–	326,800
Bond #2	Apr. 12, 2023	325,000	–	–	325,000
Bond #3	Nov. 15, 2027	350,000	–	–	350,000
Bond #4	Sept. 26, 2025	400,000	–	–	400,000
Bond #5	June 23, 2026	350,000	–	–	0
Schuldschein 10y/fix	May 6, 2026	40,000	–	–	40,000
Schuldschein 7y/fix	May 8, 2023	37,000	–	–	37,000
Schuldschein 4y/fix	May 6, 2020	0	–	–	37,000
Revolving credit line	Sept. 14, 2022	–	–	–	–
Total unsecured loans		1,828,800	–	–	1,515,800
Total		2,024,700	46.2	–	1,711,700
Net LTV			26.3		

¹⁾Calculation based on the market values of the properties serving as collateral in relation to the loan amount drawn down.

COVENANT REPORT

Compliance with and calculation of the Covenants referring to §11 of the Terms and Conditions*

In case of the incurrance of new Financial Indebtedness that is not drawn for the purpose of refinancing existing liabilities, alstria needs to comply with the following covenants:

- › The ratio of the Consolidated Net Financial Indebtedness to Total Assets will not exceed 60 %
- › The ratio of the Secured Consolidated Net Financial Indebtedness over Total Assets will not exceed 45 %
- › The ratio of Unencumbered Assets over Unsecured Consolidated Net Financial Indebtedness will be more than 150 %

In the first quarter of 2020, alstria did not incur any Financial Indebtedness.

Furthermore, alstria needs to maintain a ratio of the Consolidated Adjusted EBITDA over Net Cash Interest of no less than 1.80 to 1.00. The calculation and publication of the ratio should be performed at every reporting date following the issuance of the bond, starting after the fifth reporting date.

* The following section refers to the Terms and Conditions of the Fixed Rate Notes, issued on November 24, 2015, April 12, 2016, and November 15, 2017, as well as to the Terms and Conditions of the Schuldschein, issued on May 6, 2016 (for further information, please refer to www.alstria.de). Capitalized terms have the meanings defined in the Terms and Conditions.

EUR k	Q3 2019 – Q2 2020 cumulative
Earnings Before Interest and Taxes (EBIT)	297.502
Net profit/loss from fair value adjustments to investment property	- 166.963
Net profit/loss from fair value adjustments to financial derivatives	0
Profit/loss from the disposal of investment property	- 3.689
Other adjustments ¹⁾	15.882
Consolidated Adjusted EBITDA	142.732
Cash interest and other financing charges	- 23.993
One-off financing charges	0
Net Cash Interest	- 23.993
Consolidated Coverage Ratio (min. 1.80 to 1.00)	5,9

¹⁾ Depreciation and amortization and nonrecurring or exceptional items.

As of June 30, 2020, no covenants under the loan agreements and/or the terms and conditions of the bonds and Schuldschein have been breached.

RISKS AND OPPORTUNITIES

Through its business activities, alstria is exposed to various risks. Please refer to the detailed descriptions in the Annual Report 2019.

The COVID-19 pandemic has added to alstria's risk situation. The management board is informed daily through internal monitoring about the impacts on rental income and on development projects. Future risks from the COVID-19 pandemic arise in particular from possible rent losses due to the insolvency of larger tenants and longer vacancy periods as a result of falling demand for office space. The resulting permanent effects on rental revenues could also be reflected in the valuation of the property portfolio.

RECENT DEVELOPMENTS AND OUTLOOK

Recent developments

Please refer to the table on page 3 for more details regarding the transactions that have an impact on financial year 2020.

Outlook

The global COVID-19 pandemic and the resulting restrictions on public life have had a clearly negative impact on the German economy. According to the Federal Statistical Office, the German gross domestic product (GDP) fell by 10.1 % in the second quarter of 2020 compared to the previous quarter. The German government*, however, claims the country's economy has already begun to recover noticeably by the easing of infection control measures at home and abroad. The increase in incoming orders indicates that production will pick up in the coming months. According to the German government, though, risks exist, including in particular in the further development of the non-Euro zone.

*<https://www.bmwi.de/Redaktion/EN/Pressemitteilungen/Wirtschaftliche-Lage/2020/20200713-the-economic-situation-in-germany-in-july-2020.html>

In view of the further course of the year, further negative macroeconomic developments cannot be ruled out. These could result particularly from the expected subsequent wave of insolvencies, as the statutory suspension of the obligation to report insolvencies ends on September 30, 2020. In addition, the extensive public sector support measures introduced immediately after the start of the economic lockdown to stabilize the economy (liquidity support for companies, short-term working benefits for employees, etc.) will expire in the foreseeable future. Whether new government measures will be taken to bridge the economic slump cannot be predicted at present.

As a result of the temporary lockdown of parts of the German economy, a total of 141 tenants with a monthly rental volume of EUR 2.0 m have made use of the legal possibility of a temporary rent deferral. As a result, the impact of the COVID-19 pandemic on alstria's revenues and earnings has been limited.

Considering that more than 90 % of the contractual rents in alstria's portfolio have been paid on time in the past four months and that the loss of rent in the first half of 2020 is expected to be limited, alstria confirms its guidance for the full year 2020, with expected revenues of around EUR 179 m and an operating result (FFO) of EUR 108 m. In the context of the postponement of the annual general meeting and in order to strengthen the current liquidity position due to the uncertainties caused by the COVID-19 pandemic, alstria has provisionally withdrawn its dividend proposal of EUR 0.52 per share with a total payout of approximately EUR 92.3 m. A new dividend proposal will be made at the time of the invitation to the annual general meeting.

DISCLAIMER

The management report contains statements related to anticipated future developments. These statements are based on current assessments and are, by their very nature, exposed to risks and uncertainty. Actual developments may differ from those predicted in these statements.

GROUP NUMBERS

Consolidated income statement

for the period from January 1 to June 30, 2020

EUR k	Note	Q2 2020	Q2 2019	H1 2020	H1 2019
Net rental revenues		42,893	46,364	87,218	93,121
Service charge income		6,765	7,711	22,072	22,147
Real estate operating costs		-11,386	-13,490	-33,253	-34,916
Net Rental Income		38,272	40,585	76,037	80,352
Administrative expenses		-1,970	-2,540	-4,008	-4,586
Personnel expenses	6.1	-4,411	-4,495	-9,780	-9,236
Other operating income	6.2	3,060	611	5,042	13,635
Other operating expenses	6.2	-760	-2,689	-1,842	-5,701
Net result from fair value adjustments on investment property	7.1	-88,384	199,432	-88,432	199,371
Gain on disposal of investment property	6.3	-23	-49	4,402	18,063
Net Operating Result		-54,216	230,855	-18,581	291,898
Net financial result		-7,380	-6,435	-14,507	-12,901
Share of the result of joint venture		3	-133	-7	-169
Pre-Tax Income (EBT)		-61,593	224,287	-33,095	278,828
Income tax result	6.4	91	28	-159	123
Consolidated profit for the period		-61,502	224,315	-33,254	278,951
Attributable to:					
Owners of the company		-61,502	224,315	-33,254	278,951
Earnings per share in EUR					
<i>based on the profit attributable to alstria's shareholders</i>					
Basic earnings per share	6.5	-0.35	1.26	-0.19	1.57
Diluted earnings per share	6.5	-0.35	1.26	-0.19	1.57

Consolidated statement of comprehensive income

for the period from January 1 to June 30, 2020

EUR k	Q2 2020	Q2 2019	H1 2020	H1 2019
Consolidated profit for the period	-61,502	224,315	-33,254	278,951
Other comprehensive result for the period	0	0	0	0
Total comprehensive result for the period	-61,502	224,315	-33,254	278,951
Total comprehensive profit / loss attributable to:				
Owners of the company	-61,502	224,315	-33,254	278,951

Consolidated statement of financial position

as of June 30, 2020

Assets

EUR k	Notes	June 30, 2020	Dec. 31, 2019
Non-Current Assets			
Investment property	7.1	4,363,656	4,438,597
Equity-accounted investments		1,010	1,070
Property, plant and equipment		18,766	19,055
Intangible assets		138	232
Financial assets	7.3	39,108	39,108
Total Non-Current Assets		4,422,678	4,498,062
Current Assets			
Trade receivables		7,421	3,877
Financial assets	7.3	249,719	199,750
Tax receivables		1,230	1,231
Other financial receivables		9,924	8,601
Cash and cash equivalents	7.2	619,555	298,219
Assets held for sale	7.1	0	19,588
Total Current Assets		887,849	531,266
Total Assets		5,310,527	5,029,328

Equity and Liabilities

EUR k	Notes	June 30, 2020	Dec. 31, 2019
Equity			
	8.1		
Share capital		177,593	177,593
Capital surplus		1,449,768	1,448,709
Retained earnings		1,512,514	1,545,768
Revaluation surplus		3,485	3,485
Total Equity		3,143,360	3,175,555
Non-Current Liabilities			
Liabilities minority interests		67,815	70,504
Long-term loans, net of current portion	8.2	1,684,006	1,661,080
Other provisions		0	1,226
Other financial liabilities		12,727	11,532
Total Non-Current Liabilities		1,764,548	1,744,342
Current Liabilities			
Liabilities minority interests		22	24
Short-term loans	8.2	335,098	50,590
Trade payables		6,573	4,611
Profit participation rights		456	457
Liabilities of current tax		5,984	5,793
Other provisions		2,100	2,505
Other current financial liabilities		52,386	45,451
Total Current Liabilities		402,619	109,431
Total Liabilities		2,167,167	1,853,773
Total Equity and Liabilities		5,310,527	5,029,328

Consolidated statement of cash flow

for the period from January 1 to June 30, 2020

EUR k	Notes	H1 2020	H1 2019
1. Operating activities			
Consolidated profit		-33,254	278,951
Interest income	6.4	-469	-379
Interest expense	6.4	14,976	13,280
Result from income taxes	6.5	159	-123
Unrealized valuation movements		85,789	-194,446
Other non-cash expenses (+)/income(-)		5,430	-4,292
Gain (-)/Loss (+) on disposal of fixed assets		-4,402	-18,063
Depreciation and impairment of fixed assets (+)		586	533
Decrease (+)/Increase (-) in trade receivables and other assets that are not attributed to investing or financing activities		-2,675	-64
Decrease (-)/increase (+) in trade payables and other liabilities that are not attributed to investing or financing activities		1,924	-6,017
Cash generated from operations		68,065	69,380
Interest received		469	379
Interest paid		-18,364	-18,141
Income tax received (+)/paid (-)		32	-1,287
Net cash generated from operating activities		50,202	50,331

EUR k	Notes	H1 2020	H1 2019
2. Investing activities			
Acquisition of investment properties	7.1	-70,770	-83,847
Proceeds from sale of investment properties	7.1	82,180	126,937
Payment of transaction cost in relation to the sale of investment properties		-911	-100
Acquisition of other property, plant and equipment		-203	-88
Proceeds from the equity release of interests in joint ventures		46	0
Payments for investment in financial assets		-50,000	0
Net cash generated from/used in investing activities		-39,658	42,902
3. Financing activities			
Payments for the acquisition of limited partnerships of minority shareholders	8.1	-3	-43
Distributions on limited partnerships of minority shareholders		0	7,350
Proceeds from the issue of bonds and borrowings	7.3	350,000	0
Payments of transaction costs		-2,205	0
Payments of dividends	9	0	-92,257
Payments of the redemption of bonds and borrowings		-37,000	-34,000
Net cash used in/ generated from financing activities		310,792	-118,950
4. Cash and cash equivalents at the end of the period			
Change in cash and cash equivalents (subtotal of 1 to 3)		321,336	-25,717
Cash and cash equivalents at the beginning of the period		298,219	132,899
Cash and cash equivalents at the end of the period (thereof restricted: EUR 0; previous year: EUR 0)	7.2	619,555	107,182

Consolidated statement of changes in equity

for the period from January 1 to June 30, 2020

EUR k	Notes	Share capital	Capital surplus	Retained earnings	Revaluation surplus	Total Equity
As of December 31, 2019		177,593	1,448,709	1,545,768	3,485	3,175,555
Changes H1 2020						
Consolidated profit		0	0	-33,254	0	-33,254
Other comprehensive income		0	0	0	0	0
Total comprehensive income		0	0	-33,254	0	-33,254
Share-based remuneration	11; 12	0	1,059	0	0	1,059
As of June 30, 2020		177,593	1,449,768	1,512,514	3,485	3,143,360

for the period from January 1 to June 30, 2019

EUR k	Notes	Share capital	Capital surplus	Retained earnings	Revaluation surplus	Total Equity
As of December 31, 2018		177,416	1,538,632	964,554	3,485	2,684,087
First-time adoption from IFRS 16		0	0	-7	0	-7
As of January 1, 2019		177,416	1,538,632	964,547	3,485	2,684,080
Changes H1 2019						
Consolidated profit		0	0	278,951	0	278,951
Other comprehensive income		0	0	0	0	0
Total comprehensive income		0	0	278,951	0	278,951
Payments of dividends	9	0	-92,257	0	0	-92,257
Share-based remuneration	11; 12	0	971	0	0	971
Conversion of convertible participation rights	8	177	177	0	0	354
As of June 30, 2019		177,593	1,447,523	1,243,498	3,485	2,872,099

NOTES

alstria office REIT-AG, Hamburg
Notes to the condensed interim consolidated financial statements
as of June 30, 2020

1. Corporate information

alstria office REIT-AG (hereinafter referred to as 'the Company' or 'alstria office REIT-AG', together with its subsidiaries, referred to as 'alstria' or 'the Group'), is a German stock corporation based in Hamburg. The Group's principal activities are described in detail in Section 1 of the Notes to the consolidated financial statements for the financial year ending on December 31, 2019.

The condensed interim consolidated financial statements for the period from January 1, 2020, to June 30, 2020 (hereinafter referred to as the 'consolidated interim financial statements'), were authorized for publication by a resolution of the Company's Management Board on August 7, 2020.

2. Basis of preparation

These consolidated interim financial statements were prepared in accordance with IAS 34, 'Interim Financial Reporting'. They do not contain all the disclosures and explanations required in the annual financial statements; they should therefore be read in conjunction with the consolidated financial statements as of December 31, 2019.

3. Significant accounting policies

The applied accounting policies are consistent with the policies applied and outlined in the Group's annual financial statements for the year ending on December 31, 2019.

The following new interpretations and amendments to standards and interpretations are mandatory for the financial reporting period beginning on January 1, 2020:

EU Endorsement	Standard/ interpretation	Content	Applicable for FY beginning on/after	Effects
Apr. 21, 2020	Amendments to IFRS 3	Business combinations: Definition of a business	Jan. 1, 2020	None
15.01.2020	Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform, requiring additional disclosures in IFRS 7 around uncertainty arising from the interest rate benchmark reform	Jan. 1, 2020	None
10.12.2019	Amendments to IAS 1 and IAS 8	Definition of 'material'	Jan. 1, 2020	None
06.12.2019	Amendments to IFRS Framework		Jan. 1, 2020	None

The changes to standards and to the framework concept did not have any material effects on the Group's net assets, financial position and results of operations.

The following new standards, interpretations and amendments to the published standards have been issued, but they are not in effect for the 2020 financial year and were not applied by the Group prior to becoming mandatory:

EU Endorsement	Standard/ interpretation	Content	Applicable for FY beginning on/after	Effects
Not yet endorsed	IFRS 17	New standard 'Insurance contracts'	Jan. 1, 2021	None
Not yet endorsed	Amendments to IFRS 3	Business Combinations: Update of an outdated reference in IFRS 3 without significantly changing its requirements.	Jan. 1, 2022	None
Not yet endorsed	Amendments to IFRS 4	The effective date of IFRS 17, which will replace IFRS 4, is now Jan. 1, 2023; the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 has been deferred to Jan. 1, 2023	Jan. 1, 2021	None
Not yet endorsed	Amendment to IFRS 16	Leases: Covid 19 – Related Rent Concessions	June 1, 2020	None
Not yet endorsed		Annual Improvement 2018–2020	Jan. 1, 2021	None
Not yet endorsed	Amendments to IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Jan. 1, 2022	None
Not yet endorsed	Amendments to IFRS 10 and IAS 28	Selling or depositing assets in associates or joint ventures	tbd	None
Not yet endorsed	Amendments to IAS 16	Property, plant and equipment	Jan.1, 2022	None
Not yet endorsed	Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Jan.1, 2022	None

No significant impact on financial reporting is expected from new standards and amendments to the existing standards listed above.

4. Consolidated group

One Group Company, Balgebrückstrasse GmbH & Co. KG, was sold during the reporting period. The effect of this change on the consolidated group was immaterial. There have been no further changes to the consolidated Group since the preparation of the consolidated financial statements as of December 31, 2019.

5. Key judgements and estimates

Preparing the consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made for various items. These assumptions and estimates affect the amounts of disclosures concerning assets, liabilities, income and expenses. Actual amounts may vary from these estimates.

Compared to the key judgments and estimates described in the consolidated financial statements for the fiscal year ended December 31, 2019, adjustments were made to determine the expected credit loss in accordance with IFRS 9 in order to estimate the impairment requirement for June 30, 2020 (for further explanation of the adjustments see point 14). There were no other changes compared to the key judgments and estimates described in the consolidated financial statements for the year ending December 31, 2019.

6. Notes to the consolidated income statement

6.1 Personnel expenses

EUR k	Jan. 1 to June 30, 2020 (unaudited)	Jan. 1 to June 30, 2019 (unaudited)
Salaries and wages	5,273	4,486
Social insurance contribution	938	874
Bonuses	1,303	1,218
Expenses for share-based compensation	1,928	2,351
<i>thereof relating to virtual shares and stock options</i>	1,064	1,466
<i>thereof relating to convertible profit participation certificates</i>	864	855
Amounts for retirement provisions and disability insurance for the members of the Management Board	169	133
Other	169	174
Total	9,780	9,236

6.2 Other operating income and expenses

Other operating income mainly includes the valuation result for the liability for non-controlling interests limited partnership (EUR 2.7 m) and compensation payments from tenants (EUR 1.1 m). Other operating expenses for the reporting period mainly consist of the valuation result for trade receivables (EUR – 1.2 m) and financial assets (EUR – 0.3 m).

6.3 Gain on disposal of investment property

EUR k	Jan. 1 to June 30, 2020 (unaudited)	Jan. 1 to June 30, 2019 (unaudited)
Proceeds from the disposal of investment property – transferred to buyer	82,180	137,057
Carrying amount of investment property disposed of – transferred to buyer	–76,867	–118,894
Costs in relation to the sale of investment properties – transferred to buyer	–911	–100
Gain on disposal of investment property – transferred to buyer	4,402	18,063
Agreed selling price of held for sale investment properties	0	0
Carrying amount of investment property at the time of reclassification to held for sale	0	0
Costs in relation to the sale of investment properties – held for sale	0	0
Valuation result of held for sale investment properties	0	0
Gain on disposal of investment property	4,402	18,063

6.4 Income taxes

As a consequence of its status as a G-REIT, alstria office REIT-AG is exempt from the German corporation tax (Körperschaftsteuer) and trade tax (Gewerbesteuer). With the change of legal form of the alstria office Prime companies, with a tax effect in the 2016 financial year, the alstria office Prime Group was transferred to the tax-exempt REIT structure.

Tax payment obligations may arise for affiliates serving as general partners in a partnership or for REIT service companies and based on tax field audits for fiscal periods before inclusion in the REIT structure.

6.5 Earnings per share

The tables below show the income and share data used in the earnings per share computations:

	Jan. 1 to June 30, 2020 (unaudited)	Jan. 1 to June 30, 2019 (unaudited)
Basic earnings per share		
Profit attributable to shareholders (EUR k)	-33,254	278,951
Average number of outstanding shares (thousands)	177,593	177,454
Basic earnings per share (EUR)	-0,19	1,57

7. Notes to the consolidated balance sheet – Assets

7.1 Investment property

In accordance with IFRS 13, alstria office REIT-AG uses the fair-value model for revaluation purposes. An external appraisal was obtained to determine the respective values as of June 30, 2020. For a detailed description of the process for determining asset value, please refer to Section 2.4 of the consolidated financial statements as of December 31, 2019.

In the first half of 2020, alstria office REIT-AG sold five investment properties with a transaction volume of EUR 82,180 k. Two of these with a transaction volume of EUR 19,580 k, were held for sale at the end of the previous year.

Reporting Period:

Property transaction	Disposal	
	Number of properties	Transaction amount (EUR k)
Contract signed before Dec. 31.2019, transferred in H1 2020	2	19,580
Contract signed and transferred in H1 2020	3	62,600
Contract signed in H1 2020, transfer expected after June 30, 2020	0	0
Total	5	82,180

Property transaction	Acquisition		Disposal	
	Number of properties	Transaction amount (EUR k)	Number of properties	Transaction amount (EUR k)
Contract signed before Dec. 31.2018, transferred in H1 2019	2	15,820	3	29,620
Contract signed and transferred in H1 2019	2	22,335	3	107,436
Contract signed in H1 2019, transfer expected after June 30, 2019	0	0	0	0
Total	4	38,155	6	137,056

A reconciliation of the investment properties for the reporting period is shown in the following table:

EUR k	Jan. 1,– June 30, 2020	Jan. 1,– Dec. 31, 2019
Investment properties at the beginning of period	4,438,597	3,938,864
Acquisitions	0	47,891
Investments	70,411	116,268
Disposals	-36,920	-103,814
Reclassification to held for sale property	-20,000	-20,586
Net result from the adjustment of the fair value of investment property	-88,432	454,767
First application of IFRS 16	0	5,207
Investment properties at the end of period	4,363,656	4,438,597

The external assessors have carried out sensitivity analyses on their fair value assessments, which show the effect of changes in capitalization rates (adjusted yield) on fair market values.

Fair value of investment properties

Capitalization rates	June 30, 2020 (EUR m)	Dec. 31, 2019 (EUR m)
-0.25 %	4,687	4,771
0.00 %	4,364	4,439
0.25 %	4,080	4,147

7.2 Cash and cash equivalents

Cash and cash equivalents, which refer to cash held at banks, are in the amount of EUR 619,555 k. A portion EUR 369,774 k is available on daily basis whereas an amount of EUR 249,781 k has a total term of three months. As of June 30, 2020, the cash was not subject to any further restrictions.

7.3 Financial assets

Financial assets of EUR 39,108 k are related to long-term deposits in the amount of EUR 38,864 k and a term up to the end of the 2032 financial year. A further amount of EUR 244 k is attributable to a below 3%-share in a stock corporation on which alstria cannot exert any significant influence.

Current financial assets are bank deposits with a term of between 90 and 365 days. There were no value adjustments for noncurrent financial assets as of the balance sheet date, whereas the gross book value of current financial assets of EUR 250,000 k was impaired by EUR 281 k.

8. Notes to the consolidated balance sheet – Equity and liabilities

8.1 Equity

Please refer to the consolidated statement of changes in equity for details.

Treasury shares

As of June 30, 2020, the Company held no treasury shares.

8.2 Financial liabilities

As of June 30, 2020, alstria's total interest-bearing debt, which consists of corporate bonds and loan balances drawn, amounted to EUR 2,024,700 k (as of December 31, 2019, it was EUR 1,711,700 k). The lower carrying amount of EUR 2,019,104 k (non-current: EUR 1,684,006 k; current: EUR 335,098 k) takes into account the interest liabilities and transaction costs allocated according to the effective interest rate method at the time when the loans in question were taken out. Financial liabilities with a maturity of up to one year are recognized as current loans. The fair value of non-current and current financial liabilities amounted to EUR 2,021,444 k as at the reporting date.

At the end of the reporting period, the company had issued a corporate bond with a nominal of EUR 350 million, a coupon of 1.500% and a term ending June 23, 2026. In addition, a portion of the promissory note loan (Schuldschein) of EUR 37 million was repaid. At the beginning of the second quarter 2020 the company used a credit line in an amount of EUR 100 million. The loan was repaid at the end of the quarter.

As a result, financial Liabilities include bank loans in the nominal amount of EUR 195,900 k, the promissory note loan with a nominal value of EUR 77,000 k and corporate bonds in the nominal amount of EUR 1,751,800 k, as of June 30, 2020.

For a detailed description of the loans, including their terms and securities, please refer to Section 7.3 of the consolidated financial statements as of December 31, 2019.

9. Dividends paid

	2020 (unaudited)	2019 (unaudited)
Dividends on ordinary shares ¹⁾ in EUR k (not recognized as a liability as of June 30)	n/a	92,257
Dividends per share (EUR)	n/a	0.52

¹⁾ Refers to all shares at the dividend payment date.

The annual general meeting of alstria office REIT-AG in the financial year 2020 has been postponed to a date after the date of publication of this report, in accordance with the law to mitigate the consequences of the COVID-19 pandemic. As a result, no decision has yet been made to distribute a dividend in the 2020 financial year. A dividend has not yet been distributed.

As part of the postponement of the annual general meeting and to strengthen the current liquidity due to the uncertainties caused by the COVID-19 pandemic, alstria has provisionally withdrawn its dividend proposal of EUR 0.52 per share with a total payout of approx. EUR 92.3 m. A new dividend proposal will be made at the time of the invitation to the annual general meeting.

10. Employees

From January 1 to June 30, 2020, the Company had 166 employees on average (average for January 1 to June 30, 2019: 151 employees). The average number of employees was calculated based on the total number of employees at the end of each month. On June 30, 2020, 168 people (December 31, 2019: 165 people) were employed at alstria office REIT-AG, not including the Management Board.

11. Share-based remuneration

A share-based remuneration system was implemented for members of the Management Board as part of alstria's success-based remuneration. This share-based remuneration is made up of a long-term component, the Long-Term Incentive Plan (LTI), and a short-term component, the Short-Term Incentive Plan (STI). For the variable compensation components granted until the end of the 2017 financial year, the remuneration was granted in each case as a cash-settled share-based remuneration (issuance of so-called virtual shares) From the financial year 2018 on, an equity-settled share-based remuneration was provided. The latter are referred to as 'stock awards'.

The development of the virtual shares and stock awards through June 30, 2020, is shown in the following table:

Number of virtual shares and stock awards	H1 2019 (unaudited)		2018 (audited)	
	LTI	STI	LTI	STI
As of Jan. 1	263,158	8,313	273,730	17,662
Granted in the reporting period	45,977	0	62,354	0
Terminated in the reporting period	-68,318	-8,313	-72,926	-9,349
As of June 30/Dec. 31	240,817	0	263,158	8,313

In the first half of 2020, the LTI and the STI generated remuneration expenses with a total balance of EUR 1,064 k (expenses in H1 2019: EUR 1,466 k). In addition, the LTI and STI resulted in provisions amounting to EUR 1,343 k at the end of the reporting period (December 31, 2019: EUR 2,941 k). In the first quarter of 2020, 68,318 virtual shares from the LTI were exercised, resulting in a reclassification of EUR 2,315 k in other liabilities. The Group recognizes the obligation arising from vested virtual shares that were issued as cash-settled share-based payments as items within other provisions.

The 45,977 stock awards issued under the LTI in the reporting period are equity-settled share-based payments, the change in value of which is taken into account in the capital reserve. Please refer to Section 13.1 of the consolidated financial statements as at December 31, 2019, for a detailed description of the employee profit participation rights program.

12. Convertible profit participation rights program

During the reporting period, the following share-based payment agreements (certificates) were in place with respect to the convertible profit participation rights scheme that the Supervisory Board of alstria office REIT-AG established:

Number of certificates

Granting date of tranche	April 27, 2018	May 23, 2019	Total
Jan. 1, 2020	204,825	252,375	457,200
Expired due to termination of employment	-1,000	0	-1,000
Converted	0	0	0
Newly granted certificates	0	0	0
June 30, 2020	203,825	252,375	456,200

For a detailed description of the employee profit participation rights program, please refer to Section 13.2 of the consolidated financial statements as of December 31, 2019.

13. Related parties

No significant legal transactions were executed with respect to related parties during the reporting period, except for virtual shares being granted to the members of the Company's Management Board, as laid out in detail in note 11.

14. Impact of COVID-19

Based on various regulations applied by the state to mitigate the medical risks of the COVID-19 pandemic, the expectation of a cooling business climate was taken into account regarding the valuation of assets.

The clustering of receivables was refined in accordance with the internal monitoring of the effects of the pandemic. In addition, adjustments were made for the calculation of the expected credit loss according to IFRS 9 for all trade receivables, which should cover the possible effects of the pandemic on the respective customers. As of June 30, 2020, the trade receivables were adjusted by a total of EUR 1,727 k (Dec. 31, 2019: EUR 436 k). The fair value determination of investment properties was adapted too. In the reporting period, the valuation of the real estate portfolio led to an impairment of EUR 88,383 k. The impairment mainly concerned assets with tenants who were particularly affected by the restrictions on public life in the context of the COVID-19 pandemic (hotels, retail, restaurants, co-working etc.).

Revenues and operating results (FFO) developed largely as planned in the first three months of 2020, and the impact of the COVID-19 pandemic had only a limited impact. The voluntary rent waiver, especially in favor of small tenants, had a direct impact on the turnover of the reporting period of EUR 126 k.

15. Significant events after the end of the reporting period

No significant events were arising after the end of the reporting period.

16. Management board

As of June 30, 2020, the members of the Company's Management Board are Mr. Olivier Elamine (Chief Executive Officer) and Mr. Alexander Dexne (Chief Financial Officer).

17. Supervisory board

In accordance with Section 9 of the Company's Articles of Association, the Supervisory Board consists of six members, all of whom are elected by the shareholders at the Annual General Meeting.

The members of the Supervisory Board, as of June 30, 2020, are listed below:

Dr. Johannes Conradi (Chairman)
 Mr. Richard Mully (Vice-Chairman)
 Dr. Bernhard Düttmann
 Ms. Stefanie Frensch
 Mr. Benoît Hérault
 Ms. Marianne Voigt

Hamburg, Germany, August 7, 2020

Olivier Elamine
 Chief Executive Officer

Alexander Dexne
 Chief Financial Officer

MANAGEMENT COMPLIANCE STATEMENT

'To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.'

Hamburg, Germany, August 7, 2020

Olivier Elamine
Chief Executive Officer

Alexander Dexne
Chief Financial Officer

REVIEW REPORT

To alstria office REIT-AG, Hamburg

We have reviewed the condensed interim consolidated financial statements of the alstria office REIT-AG, Hamburg – comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flow, the consolidated statement of changes in equity and the notes to the condensed interim consolidated financial statements as at June 30, 2020 – together with the interim group management report of the alstria office REIT-AG, Hamburg, for the period from January 1 to June 30, 2020, that are part of the semi annual financial report according to § 115 WpHG ['Wertpapierhandelsgesetz': 'German Securities Trading Act']. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting' as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Hamburg, August 7, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Schmidt
Wirtschaftsprüfer
[German Public Auditor]

Drotleff
Wirtschaftsprüfer
[German Public Auditor]

BUILDING YOUR FUTURE

Steinstr. 7
20095 **Hamburg**
+49 (0)40/22 63 41-300

Platz der Einheit 1
60327 **Frankfurt/Main**
+49 (0)69/153 256-740

Rankestr. 17
10789 **Berlin**
+49 (0)30/89 67 795-00

alstria office REIT-AG
www.alstria.de
info@alstria.de

Elisabethstr. 11
40217 **Düsseldorf**
+49 (0)211/30 12 16-600

Danneckerstr. 37
70182 **Stuttgart**
+49 (0)711/33 50 01-50

