



**FIANCIAL STATEMENTS PURSUANT
TO GERMAN GAAP AND
MANAGEMENT REPORT**

for the Financial Year 2015

alstria office REIT-AG, Hamburg

**MANAGEMENT REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2015**

Translation: German version prevails

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alstria office REIT-AG, Hamburg

1.1 MANAGEMENT DISCUSSION AND ANALYSIS 2015

ECONOMICS AND STRATEGY

ECONOMIC CONDITIONS

The German economy again proved to be solid in 2015. Germany's GDP increased by 1.7%, which showed a similar growth level as in 2014 (1.6%) and again above the average growth of the last 10 years (+1.3%).* This development was also reflected in the German labour market, resulting in a decrease of the unemployment rate by 0.3 percentage points to 6.4% in comparison to 2014. The employment level reached a peak of 43.03 million employees, or 0.8% more than last year.**

The German real estate market developed in a positive manner in 2015. The total investment volume on the commercial real estate market rose to approx. EUR 55.1 bn and was therefore 38% higher than in the previous year. Domestic and international investors preferred the stable German real estate market, which appears to be very attractive with regard to its risk/return profile, to others.***

Overview of the German office property market

Development of office rents

In 2015, prime rents for office space developed positively at the most important commercial real estate sites, namely Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich and Stuttgart - the 'Big-7'. They were at EUR 35.50 per sqm in Frankfurt and at EUR 34.00 per sqm in Munich. In Hamburg, prime rents were at EUR 25.00 per sqm, in Berlin at EUR 24.00 per sqm and at EUR 20.00 per sqm in Stuttgart. Prime rents in Düsseldorf (EUR 26.00 per sqm) and Cologne (EUR 22.00 per sqm) remained at the previous year's level.

* Federal Statistics Office (Statistisches Bundesamt).

** Federal Employment Agency (Bundesagentur für Arbeit).

*** All further numbers referred to in this section are sourced from Jones Lang Lasalle's Market Report.

Take-up in major German cities

The vacancy rate of office properties in German cities decreased from 7.6% in 2014 to 6.4% in 2015, which represents a total vacancy of 5.69 million sqm (decrease of 1.12 million sqm). Comparing the Big-7, the highest vacancy rate was noted in Frankfurt (9.1%), followed by Düsseldorf (8.8%), Berlin (6.3%), Hamburg (5.9%), Cologne (5.6%), Munich (5.3%) and Stuttgart (4.6%).

New lease-ups

In 2015, new lease contracts for more than 3.65 million sqm of office space were signed in the seven major German cities. This reflects an increase of 0.6 million sqm, or 20.6%, compared to the previous year. The highest increases were registered in Düsseldorf (46.0%), Berlin (42.6%), Munich (19.3%) and Cologne (18.2%), followed by minor increases in Stuttgart (4.2%), Frankfurt/Main (3.5%) and Hamburg (2.9%).

New office supply

In 2015, the delivery of new office and commercial spaces amounted to approx. 870,000 sqm. Compared to last year this was a decrease of around 12.0%, which is mainly due to a decrease in completion volume in Frankfurt (-61.7%), Düsseldorf (-36.3%), Munich (-12.5%) and Hamburg (-3.5%). On the other hand, completion of developments increased in Cologne (246.3%), Berlin (60.9%) and Stuttgart (17.7%). For 2016, an increase of the completion volume (approx. 1,300,000 sqm) is forecasted.

Investment markets

The positive trend in the investment markets continued in fiscal year 2015. Total investment volume was about 40% (EUR 55.1 bn for commercial assets) higher than the previous year's results. The transaction volume in 2015 thus represents the highest volume since 2007. The Big-7 cities recorded a transaction volume of around EUR 31.0 bn, of which one quarter was registered in Berlin (EUR 8.0 bn).

Although the investors still focus on core assets (approx. 50% of the transaction volume in 2015), which are characterized by their good condition, good location and a long-term, attractive letting status, the investments in Value-Add, Core-plus or opportunistic assets rose by EUR 5.0 bn up to EUR 28.0 bn compared to 2014. With regard to the deal structure, approx. 65% of the commercial investment turnover in fiscal year 2015 related to single asset deals, whereas the share of portfolio transactions amounted to 35%.

STRATEGY AND STRUCTURE

alstria office REIT-AG (hereafter referred to as “alstria”, or “company”) is a real estate company listed on the Frankfurter stock exchange.

In August 2015, alstria published an offer document for a voluntary public takeover offer of DO Deutsche Office AG by means of an exchange into new alstria shares. The acceptance rate was 90.6%. Upon registration of the new alstria shares in the Commercial Register on October 27, 2015, alstria obtained control over DO Deutsche Office AG and all of its subsidiaries (hereafter referred to as “Deutsche Office”), leading in the consolidation of the Deutsche Office into the alstria Group. As of December 31, 2015, the alstria Group consisted of the corporate parent alstria office REIT-AG as well as 66 direct and indirect subsidiaries (hereafter referred to as “alstria” or “Group”). Operational decisions are made at parent-company level. As a result of the consolidation, 62 assets were held by subsidiaries (of which 49 assets are held by Deutsche Office AG or its subsidiaries) and 58 assets were held directly by alstria office REIT-AG as of December 31, 2015. alstria follows a long term investment strategy for its portfolio, which is essentially based on the following assumptions:

- The German real estate market will offer limited growth in terms of rents and capital value in the future.
- Overall, the currently existing office space is sufficient to host the entire demand for office space.
- The markets’ vacancy rates will remain relatively stable in average.

alstria faces these challenges with a long-term strategy, characterized by a high price discipline in terms of its acquisitions as well as by an active Asset and Property Management. Key aspects of this management approach are as follows:

- The focus is on the tenant. Only those who know the needs of their tenants will be successful with their letting activities in the long-run.
- Continuous investments secure the quality of the assets. Increase in value can only be realized by a constant level of modernization measures and reduction of vacancy.
- Realizing the potential of value enhancements through comprehensive repositioning and development of assets.
- The best value for money secures the lettability of the assets. Many tenants are price sensitive, and only the lessor who offers better conditions than the competition is successful.

The aim of this strategy is the steady development of revenues and operating profit (FFO).

Due to its active Asset Management approach and its high level of discipline regarding prices, alstria has been able to achieve above-average returns throughout the past years. The pre-conditions that this will be also true for the future are supported by the following facts:

- alstria has a long-term leased-portfolio (around 6.3 years weighted average unexpired lease term - WAULT). Approx. 65% of the rental income is derived from a small number of high-

quality tenants. Around 35% of rental income is generated from public authorities or institutionals, which are not immediately affected by economic developments.

- alstria pursues a non-trading strategy and focuses on long-term value creation through conducting work on and with the building (i.e. classic Asset and Property Management). At alstria these activities are handled internally, which positively differentiates the Company from competitors. In the course of financial year 2016, the Real Estate Operations Management (Asset and Property Management) for the former Deutsche Office assets, which is momentarily partly conducted by external service providers, will also be integrated into alstria's operations.
- A key element of alstria's strategy is supporting tenants in optimizing their real estate operating costs. From the tenants' point of view low real estate operating expenses are crucial in the decision making process for or against a rental agreement. alstria believes that active Asset and Property Management in terms of optimizing costs offers new potential for future successful letting activities.

FINANCIAL ANALYSIS

EARNINGS POSITION

The following table shows the key operating figures of the audited income statements for the financial years 2015 and 2014:

Profit and Loss Statement

in EUR k	2015	%	2014	%	Change
	of oper.perf.		of oper.perf.		
Total operating performance	80,998	100.0	82,425	100.0	-1,427
Other operating income	35,805	44.2	27,596	33.5	8,209
Cost of purchased services	-15,862	-19.6	-15,764	-19.1	-98
Personnel expenses	-11,175	-13.8	-7,793	-9.5	-3,382
Depreciation	-38,328	-47.3	-41,305	-50.1	2,977
Other operating expenses	-29,042	-35.9	-17,651	-21.4	-11,391
Net financial result	-196,528	-242,6	-24,128	-29,3	-172,400
Net result for the year	-174,132	-215,0	3,380	4,1	-177,512

OPERATING PERFORMANCE 2014

The net result for the financial year of 2015 is EUR -174,132 k (2014 net result of EUR 3,380 k). As the Company is exempt from income tax, no expenses arose due to taxes in 2015. Therefore, the consolidated net loss is equal to the loss before tax.

The decrease of the net result by EUR 177,512 k was significantly influenced by the reduction of the net financial result by EUR 172,400 k, the increase of other operating expenses by EUR 11,391 k, the increase of personnel expenses by EUR 3,382 k and the decrease of total operating performance by EUR 1,427 k.

This effect was partly compensated by an increase of other operating expenses by EUR +8,209 k, as well as a lessened requirement for depreciation by EUR 2,977 k.

Total operating performance

alstria's total operating performance decreased in the financial year 2015, primarily due to a decline of let area, mainly as a result of the disposal of land and buildings during the period. In the reporting period revenues amounted to EUR 82,621 k. Along with the changes in inventories by EUR -1,623 k, alstria's total operating performance amounted to EUR 80,998 k (previous year EUR 82,425 k).

Other operating income

The increase of other operating income by EUR 8,209 k is mainly based on an increase of property disposal proceeds by EUR 14,944 k. The proceeds resulted from disposals of 4 objects and a property right.

The increase was partly compensated by the reduction of income from reversal of accruals by EUR 3,161 k. The decrease is mainly based on reduced reversal of provisions for contingent losses concerning financial derivatives. Since the last interest swap matured in the reporting period, the remaining amount of provisions was reversed completely. Additionally, the proceeds from compensation for early lease termination decreased by EUR 2,508 k. Next to this, proceeds from appreciations on land and buildings decreased by EUR 1,639 k. The appreciations are a result of increased market values concerning eight objects.

Cost of purchased services

The cost of purchased services is comprised of rental surcharge expenses passed on to tenants, including costs concerning vacant area. They were capitalized at an amount of EUR 10,617 k as works in progress. Along with the revenues, the cost of purchased services remained nearly constant, with a slight increase of EUR 98 k.

Personnel expenses

Personnel expenses amounted to EUR 11,175 k in the reporting period. The increase of EUR 3,382 k as compared to the previous year primarily results from an increase in expenses for equity-based compensation (EUR +1,867 k) as well as expenses for performance-related payments (EUR 816 k). The increase in expenses for equity-based compensation is mainly based on growth of share prices over the last financial years. The increase of expenses for performance-related payments is due to the conversion of two tranches of the profit participation rights in the reporting period. Expenses for performance-related payments relate to expenses from payroll tax deductions due to participation certificates. Proceeds arising from these transactions are recognised in other operating income at the exact same amount, hence having a neutralising effect. Apart from that the personnel expenses increased due to a growth of the average number of employees from 62 in the financial year 2014 to 66 in the reporting period.

Depreciation and amortisation

Compared to the previous year, depreciation and amortisation decreased by EUR 2,977 k to EUR 38,328 k as of December 31, 2015. This effect is mainly due to a decline in extraordinary depreciation on fixed assets by EUR 776 k as well as reduced book values of tangible assets compared to the previous period.

Other operating expenses

Other operating expenses increased by EUR 11,391 k as compared to the fiscal year 2014 to EUR 29,042 in the reporting period. The increase is mainly due to a growth of legal and consulting fees (EUR +7,315 k) as well as real estate operating expenses (EUR +5,307). The legal and consulting fees were mounted mainly due to expenses in the course of the acquisition of DO Deutsche Office AG (TEUR 4,700). The increase of real estate operating expenses is mainly due to tenant fit-outs.

The effect was partly compensated by a decrease of depreciations of derivative financial instruments by EUR 687 k, due to a reduced decrease of market value as per balance sheet date. Moreover, the previous year's amount includes property disposal losses of EUR 589 k.

Financial result

in TEUR	2015	2014	Change (in %)
Interest expense syndicated loan	-7,914	-9,335	-15.2
Interest expense other loans	-1,714	-2,212	-22.5
Interest result derivatives	-10,403	-11,271	-7.7
Interest expenses bond	-1,168	0	n/a
Interest expenses convertible bond	-2,180	-2,184	-0.2
Other interest expenses	-4,957	-476	>100
Financial expenses	-28,336	-25,478	11.2
Income from participating interests	168	314	-46.7
Other interests and similar income	1,077	1,071	0,6
Write down on longterm financial assets	-169,437	-35	>100
Net financial result	-196,528	-24.128	>100

Compared to the previous period, **Financial expenses** increased by EUR 2,858 k to EUR 28,336 k. The growth is mainly due to an increase in transaction costs by EUR 4,395 k, primarily based on incidental costs of the bond (EUR 3,905 k). Next to this, interest expenses increased by EUR 1,168 k, due to the rise of a bond in the last quarter of the reporting period.

The increase of financial expenses was partly compensated by a reduction of interest expenses concerning the other loans (EUR -1,919 k). The reduction is based on a decline of loan utilization as well as reduced average interest rates.

The **income from participating interests** of EUR 168 k is due to a profit distribution of an associated company.

The **Depreciation of financial assets** results mainly from depreciations on shares of the DO Deutsche Office AG. Due to an impairment test the shares of DO Deutsche Office AG were written down by EUR 169,309 k to their fair value. A further impairment on the book value of a participating interest led to depreciations of EUR 128 k.

FINANCIAL AND ASSET POSITION

On the balance sheet date, alstria owned 58 real estate properties (in 2014: 60). The following table illustrates alstria's change in investment property in 2015:

Change in Land and Buildings (in EUR m)

Land and Buildings on December 31, 2014	1,075.60
Investments	20.09
Adjustments	18.91
Disposals	-38.30
Appreciation	7.49
Extraordinary depreciation	-10.93
Ordinary Depreciation	-26.97
Land and Buildings as at December 31, 2015	1,045.89

The line item **Land and Buildings** decreased by EUR 29.71 m. During the reporting period, three properties were purchased at a total price of EUR 17.52 m. An amount of EUR 2.57 m was invested in the existing portfolio. Adjustments of EUR 18.91 m resulted from constructions in progress that were completed during the period. The disposals are concerning the sale of three properties as well as the exchange of a property and a property right against properties and cash payments. The carrying amount of disposed properties and property rights totalled to EUR 38,302 k. At sales prices of EUR 54,379 k in total, the transfer resulted in an accounting profit of EUR 16,077 k.

The following table shows the real estate transactions during the period:

Asset	City	Sales price (EUR k) ¹⁾	Signing SPA	Transfer of benefits and burdens
Disposals				
Arnulfstraße 150	Munich	16,500	18/06/2015	31/12/2015
Siemensstraße 33	Ditzingen	19,200	26/08/2015	01/11/2015
Emil-von-Behrning-Straße 2	Frankfurt am Main	12,800	09/07/2015	31/12/2015
Exchanges				
Siemensstraße 33	Ditzingen	1,109	03/03/2015	01/11/2015
Hoffmannstraße 51 (Property Right)	Munich	4,770	16/05/2014	23/07/2015
Total		54,379		
Acquisitions				
Karlstraße 123-127	Düsseldorf	11.576	26/09/14	03/09/2015
Exchanges				
Siemensstraße 33	Ditzingen	65	03/03/15	01/11/2015
Hoffmanstraße 51	München	4.770	16/05/14	23/07/2015
Total		16,411		

¹⁾ Excluding transaction costs.

Appreciations on land and buildings at an amount of EUR 7,493 k resulted from increased market values on investment properties. Extraordinary depreciation of properties, plants and equipment of an amount of EUR 10,928 k was based on decreased market values. The prepayments and constructions in progress increased by EUR 36,403 k to EUR 58,987 k compared to the previous balance sheet

date. The increase is mainly due to a prepayment of EUR 39,906 k on an investment property. Benefits and obligations were transferred in the fiscal year 2016. Additionally an amount of EUR 15,404 k was invested in constructions in progress. Due to the completion of several projects a reclassification reduced the line item finally by EUR 18,907 k.

Compared to December 31, 2013 **financial assets** increased by EUR 789,026 k to EUR 1,008,409 k by December 31, 2015. The increase resulted from the acquisition of the majority of DO Deutsche Office AG shares. The acquisition cost of EUR 829,237 k was determined by the value of alstria's shares (new alstria shares) issued at the time of their registration in the commercial register and incidental acquisition expenses. Due to an impairment test, the shares of DO Deutsche Office AG were depreciated to their fair value of EUR 659,928 k.

Additionally, alstria granted DO Deutsche Office AG a loan of EUR 149,356 k as per the balance sheet date. The loan, which was recognized under the financial assets, raised the line item by the same amount. Another loan to an affiliate with an amount of EUR 7,700 k was settled in the reporting period, reducing the increase of financial assets. Finally, an equity withdrawal concerning an associated company reduced the increase of financial assets by another EUR 12,250 k.

Inventories decreased by EUR 1,623 k to EUR 20,931 k as compared to the previous balance sheet date. The reduction is mainly a result of a decrease in area let.

Receivables from affiliated companies decreased by EUR 59,853 k to an amount of EUR 80,490 k, as compared to the previous balance sheet date. Especially due to the settlement of a loan with an amount of EUR 61,465 k on behalf of a subsidiary the cash pool receivables increased by the same amount.

The Company's **cash position** increased by EUR 353,478 k to an amount of EUR 387,460 k. The decline is a result of fund inflows from equity and loans, reduced by the use of funds for investments, the dividend payments and the cash inflow from rental income.

Total **equity** amounted to EUR 1,345,812 k, reflecting an equity ratio of 50.8 %. This represents an increase as compared to 44.1 % in the prior year. The increase of the equity by EUR 708,317 is based with an amount of EUR 822,683 k on a capital increase in return for a contribution in kind concerning the acquisition of DO Deutsche Office AG, with an amount of EUR 102,724 on a capital increase in return for a contribution in cash as well as further capital increases with an amount of EUR 512 k in total. The effect is partly compensated by a net loss with an amount of EUR 174,132 k as well as distributions with an amount of EUR 43,470 k.

Other provisions decreased by EUR 163 k compared to the previous balance sheet date to an amount of EUR 15,807 k as per December 31, 2015. They include mainly accruals due to outstanding balances (EUR 8,291 k), share-based remuneration (EUR 3,470 k), bonuses (EUR 1,578 k), rental guarantees (EUR 1,152 k), Supervisory Board compensation (EUR 383 k), risks of litigation (EUR 300 k), audit fees (EUR 292 k), and miscellaneous provisions (EUR 341 k).

Additionally, **liabilities** increased by EUR 494,103 k as compared to the prior year, mainly due to raise of a bond with an amount of EUR 500,000 k, as well as the increase of payables to affiliated

companies. The increase of payables to affiliated companies is mainly based on the contribution of bank accounts with an amount of EUR 18,610 k in the groups cash pool by a subsidiary. The increase of liabilities was partly reduced by the decline of bank loans and overdrafts of EUR 30,293 k. The reduction is mainly due to redemptions on the syndicated loan with an amount of EUR 30,514 k.

Other liabilities decreased by EUR 208 k to EUR 2,920 k as compared to December 31, 2014. The line item includes rent deposits of an amount of EUR 1,613 k and security deductions with an amount of EUR 991 k.

FINANCIAL MANAGEMENT

alstria's financial management is carried out at corporate level. Individual loans and corporate bonds are taken out at both property level and portfolio level. alstria's main financial goal is to establish a sustainable long-term finance structure. An integral part of this structure is for example the coverage of long-term floating loans by corresponding hedging instruments, more precisely swaps and caps. A substantial extension of the financing strategy is the issuance of an unsecured, fixed "interest rate" bond. Depending on the individual situation, fixed interest-rate loans are used. The aim of this strategy is to largely eliminate short-term interest-rate volatility from the profit and loss account while providing the group with operational flexibility.

CORPORATE MANAGEMENT

alstria proactively focuses on the following key financial performance indicators: revenues and funds from operations (FFO). Revenues are mainly comprised of rental income, which derives from the leasing activities of the Company. FFO is the operating result deriving from real estate management, excluding valuation effects and other adjustments, such as non-cash expenses/income and non-recurring effects.

For financial year 2015, the Company originally forecasted revenues of EUR 98 m. The forecast has been amended to around EUR 116 m due to the takeover of Deutsche Office. In essence, this forecast has been achieved. The forecast of the FFO has also been amended due to the takeover of Deutsche Office (from originally EUR 49 m to EUR 59 m). In financial year 2015, FFO totaled EUR 60.0 m and is in line with the amended forecast.

The Company also monitors the progress of its LTV, the G-REIT equity ratio and its liquidity. alstria's LTV of the loan financing was at 52.1% as of December 31, 2015, compared to 49.3% as at the end of financial year 2014. The G-REIT equity ratio accounted for 49.4%, compared to 50.2% in the previous year and the statutory rate of minimum 45%.

RISK AND OPPORTUNITY REPORT

RISK REPORT

Risk Management

alstria has implemented a Group-wide structured risk management and an early warning system in accordance with Section 91 (2) of the German Stock Corporation Act (AktG). All risks are recorded, evaluated and monitored on an at least quarterly basis. The aim of alstria risk management strategy is to minimize or, where possible, completely avoid the risks associated with entrepreneurial activity in order to safeguard the company against potential losses, and against risks to the company going concern. The company's risk identification process allows the early identification of sources of any potential new risks on an ongoing basis. Risk mitigation measures are defined in order to undertake any necessary steps to circumvent the identified risks, i.e., to insure, diversify, manage or avoid risks.

For alstria, risk management is the targeted securing of existing and future potential for success, along with improving the quality of the Company's planning processes.

The risk management system of alstria office REIT-AG is an integral part of the management and control system of the alstria. The risk management system is integrated into the regular reporting to the Management Board and Supervisory Board in order to ensure that risks are dealt with proactively and efficiently. The risk management system thereby focuses on a full coverage of the risks. The identification and assessment of opportunities is not part of the risk management system of alstria office REIT-AG.

Structure of risk management system

Risk management is coordinated independent from the individual business divisions. The risk manager prepares a risk report on a quarterly basis and provides it to the Management Board. The bases for the preparation of the risk report are the reports from the risk owner, who is responsible for a particular area of risk.

alstria faces various areas of risk within the context of its business activities, which are divided into the following four categories:

- > strategic risks
- > operational risks
- > compliance risks
- > financial risks

Each risk category is assigned to a so-called risk owner. Inherent to his position in the Company the risk owner represents the area in which the identified risks could possibly materialize and is at the same time responsible for the assigned risk category:

alstria's areas of risk and risk categories

Risk category	Risk owner
Strategic risks	Finance & Controlling
Operational risks	Real Estate Operations
Compliance risks	Legal
Financial risks	Finance & Controlling

The risk report presents the findings that are observed during risk identification, assessment, evaluation and monitoring. At the same time, the comprehensive documentation of this report ensures an orderly assessment, which is conducted by the responsible departments and by the Supervisory Board.

In addition, the divisions report their respective risks and opportunities to the Management Board in weekly meetings. The Management Board must be notified of any risks immediately via ad-hoc announcements, which represent a potential economic loss of more than EUR 2.0 m.

Risk valuation

Risks are assessed according to their likelihood of occurrence and their magnitude of impact. Accordingly, they are categorized as “high”, “medium” or “low”. The potential damage is any potential negative deviation from the forecasts and objectives of the alstria.

Classification according to likelihood

Probability/likelihood of occurrence	Description
1 to 15%	very unlikely
16 to 35%	unlikely
36 to 55%	possible
56 to 75%	likely
76 to 99%	highly likely

According to this framework, a very unlikely risk is defined as one that will occur only in exceptional circumstances and a highly likely risk as one that can be expected to occur within a specified period of time.

Classification according to degree of impact

Expected impact in EUR m	Degree of impact
Between 0.0 and 0.6	minor
Between 0.6 and 1.5	low
Between 1.5 and 6.0	moderate
Between 6.0 and 15	high
Greater than 15	critical

The magnitude of the classification by degree of impact has been changed compared to the previous year. Due to the takeover of the Deutsche Office essential financial figures such as revenues, investment property and finance expenses have roughly doubled. Accordingly, both the expected po-

tential impact and the risk-bearing capacity increased. For this reason, the values were doubled compared to the end of the previous year reporting period.

Based on the likelihood that a risk will occur and the impact it would have on alstria’s business, financial position, profit, and cash flow, risks are classified as “high”, “medium” or “low” according to the following matrix.

Risk classification					
Probability					
highly likely	L	M	H	H	H
likely	L	M	M	H	H
possible	L	L	M	M	H
unlikely	L	L	L	M	M
very unlikely	L	L	L	L	M
Degree of impact	minor	low	moderate	high	critical

L = low risk
M = medium risk
H = high risk

alstria office REIT-AG’s risk management system was not exposed to any significant changes, apart from the increase in the risk impact classification amounts, compared to the previous year.

Key characteristics of the accounting-related internal control and risk management system

The objective of the control and risk management system regarding the reporting process is to make sure that the reporting is consistent and in line with legal requirements, the generally accepted accounting principles and the International Financial Reporting Standards (IFRS), and internal guidelines. Only then can it provide true and reliable information to the recipients of the annual financial statements. To this end alstria has implemented an internal control and risk management system that combines all relevant principles, processes and measures.

The internal control system consists of two areas: control and monitoring. In organizational terms, the divisions’ treasury, controlling and accounting divisions are responsible for control.

The monitoring measures consist of elements incorporated in the process as well as external, independent elements. Among others, the integrated measures include process related system based technical controls such as the “dual control principle”, which is applied universally, and software-based checking mechanisms. In addition, qualified employees, who have the appropriate expertise, and specialized departments such as controlling, legal and treasury perform monitoring and control functions as part of the various processes.

The Management Board and the Supervisory Board (in particular the Audit Committee) as well as a firm of auditors are involved in the monitoring system. They perform various checks that are independent of the Company’s processes.

The accounting acts as the central interlocutor for special technical questions and complex reporting issues. If required, external experts (auditors, qualified accounting specialists, etc.) are consulted.

In addition, monitoring related to accounting is executed by the controlling department of the Company. All items and main accounts of the income statements and the balance sheets of the consolidated companies as well as the consolidated income statements and the consolidated statement of financial position are reviewed regularly for accuracy and plausibility. This is conducted both for the consolidated financial statements and for the individual financial statement of alstria. Accounting-related data are monitored monthly or on a quarterly basis, depending on the frequency of their preparation.

The accounting-related risk management system forms part of the alstria Group's risk management system. The risk owner responsible for the area of risk "finance" monitors risks that are relevant for the accuracy of accounting-related data. Risks are identified on a quarterly basis and are assessed and documented by the risk management committee. Appropriate action is taken to monitor and optimise accounting-related risks throughout the alstria-Group.

Description and assessment of risks

In accordance with alstria's risk management system, all material risks inherent to the future development of alstria Group's position and performance are described in this chapter. The individual risks described relate to the planning period from 2016 to 2018.

Corporate risks

	Likelihood	Risk impact	Risk level	Change since prior year
Strategic risks				
Market environment	unlikely	moderate	L	unchanged
Risks in relation to changes to the legal environment	unlikely	moderate	L	unchanged
Risk due to inefficient organisational structures	unlikely	moderate	L	unchanged
Operational risks				
Maintenance risks	possible	high	M	unchanged
Refurbishment projects	possible	high	M	unchanged
Vacancy risk	unlikely	high	M	unchanged
Risks relating to property transactions	unlikely	moderate	L	unchanged
HR-related risks	possible	low	L	unchanged
IT risks	possible	low	L	unchanged
Shortfall of rental payments	very unlikely	high	L	unchanged
Environmental risks	unlikely	low	L	unchanged
Compliance risks				
Risks resulting from not complying with G-REIT legislations	unlikely	moderate	L	unchanged
Risks arising from fraud/non-compliance	unlikely	moderate	L	unchanged
Litigation risks	unlikely	moderate	L	unchanged
Financial risks				
Valuation risks	possible	high	M	unchanged
Breach of covenants	unlikely	high	M	unchanged
Tax risks	unlikely	high	M	unchanged
Liquidity risk	unlikely	moderate	L	unchanged
Refinancing on unfavourable terms	unlikely	high	M	increased
Interest rate risk	unlikely	high	M	increased
Counterparty risk	very unlikely	high	L	unchanged

Strategic risks

Strategic risk management addresses factors influencing the Company's market environment, its regulatory environment and its strategic corporate organization.

Market environment risks

For alstria Group, market environment risks are derived from macro-economic developments and their impact on respective real estate markets. An economic downturn in the German market could result in a decreasing number of employees and in turn be reflected in lower demand for rental areas in office properties. For alstria this would lead to a higher risk of vacant space or lower rental income. The further development of growth in developing and emerging countries, particularly China and Russia, has recently slowed. Further uncertainties may arise from the increasing political instability in certain countries in crisis. The impact of the recent decline in oil prices and the continuing low interest rate policy of the European Central Bank cannot yet be concluded. The unclear situation in the financial markets and the discussion about the high debt of certain states as well as the efforts of these countries to consolidate their budgets are not yet over. These developments might also affect the German markets through a decrease in demand for goods and services from these markets. To date, however, the German market has proven to be unimpressed and stable in spite of such circumstances.

No direct impact on the overall strategic risk situation that can be linked to the macroeconomic environment can currently be identified.

As long as there is no substantial change in the economic environment, the market environment risk level will remain at a stable low (L).

Risks in relation to changes to the legal environment

Risks related to the Company's legal environment result from changes to regulations and laws. These may, in turn, have an impact on the key regulatory requirements as well as the corporate constitution of the alstria companies. These are e.g. alstria office REIT-AG's classification as a REIT and other regulations concerning publicly listed companies. New laws and regulations may result in new regulatory requirements, resulting in higher expenses.

Overall, risks regarding the legal environment are, like in the previous year, classified as low (L).

Risk of inefficient organisational structures

Further risks exist as part of the strategic direction of the business organization, due to inefficient organizational structures and the Company's dependence on IT systems and -structures. Both the organizational structure and the IT infrastructure support strategic and operational objectives. The risk of strategic corporate organization therefore remains classified as low (L).

Operational risks

alstria's operational risk management deals with property-specific risks and general business risks. This includes, among others, vacancy risk, the creditworthiness of tenants and the risk of falling market rents. Personnel-related risks such as loss of know-how and competences due to fluctuation of staff are also monitored in this risk area. alstria applies various early warning indicators to monitor these risks. Ongoing insurance checks such as rent projections, vacancy analyses, the control of lease terms and termination clauses are designed to help identify potential dangers and risks.

Vacancy risk

In the case of lease terminations, non-extended leases or existing vacancy there is a risk that the rental area cannot be re-let as planned. Consequentially this results lower than anticipated revenues.

alstria's budgeting is based on the assumption that rental areas can be re-let within a defined period following the end of a lease. During the reporting period leases for some larger rental areas expired. At the same time the re-letting activities for these areas achieved a high positive response. As in the previous year, the overall vacancy risk is assessed as medium (M).

Shortfall of rental payments

An operational risk, which could still materialize as a result of the sovereign debt crisis, is, as before, mainly due to a potential shortfall of rental payments from one or more major tenants. Due to the fact that all of alstria's main tenants are public institutions or highly rated, the risk of shortfall in payments is currently, and as in the previous year, limited (L).

Maintenance risk

In order to plan for the requirements for maintenance measures, the Company makes assumptions about the condition and the intended standard of the property. Undetected defects, repair requirements resulting from external damage, new legal requirements regarding the condition of the building or an incorrect assessment of the maintenance requirement, could result in higher than planned maintenance costs. Due to alstria's high maintenance budgets the maintenance risk is categorized as medium (M) as in the previous year.

Refurbishment projects

alstria realises a significant number of refurbishment projects. All risks related to these projects are managed by extensive project controlling and a related budget management process. Potential risks are e.g. the risk of not-in-time completion, risk of budget overrun, as well as the risk of deficiencies in the construction. Unchanged from the end of the previous reporting period the risk resulting from refurbishment projects is categorised as moderate level (M).

Employees

The skills and motivation of alstria's employees are decisive factors in the company's success. A risk of losing knowledge results from the fluctuation of staff and from not recruiting sufficiently qualified experts to fill vacancies in the company in good time. Both cases could result in a shortfall

of suitable experts and key personnel, which could endanger alstria's competitive advantages in its markets as well as its further growth opportunities. alstria mitigates these risks through the following measures: selective, needs-oriented skills-development of the existing staff, strengthening its image as an attractive employer, university marketing, promoting employee motivation through strong leadership and corporate culture and profit-oriented variable remuneration schemes. Overall, alstria estimates the described risks to be at a low level (L), which corresponds to the situation at the end of the previous year.

IT security

The majority of our business processes are supported by efficient IT systems. Any fault affecting the reliability or security of the IT system could lead to delays or interruptions of operating activities. alstria protects itself against IT risks by constant examination and enhancement of the information technology deployed. In addition, modern hardware and software solutions and safeguards against attacks are installed. Structural security measures are in place to protect the computer center. All data is backed up daily in an internal data depository, and in a separate data depository once a week. Workstations have access restrictions so that employees are only able to access the systems they need for their work. Overall, therefore IT risks are assessed to be unlikely to materialize and as in the prior year, their possible consequences are considered to be low (L). Last year, the risk was classified as low risk as well.

Property transactions

alstria is exposed to risks related to the acquisition and disposal of real estate properties. Related risks are the partial or complete non-detection of the risks and liabilities associated with properties in the due diligence process. In case of the disposal of real estate assets alstria usually gives certain warranties to the potential purchaser regarding factual and legal matters of the property in question. It cannot be fully ruled out that alstria's management is not aware of a risk covered by certain elements and warranties given in the sales agreement. As a result, there is generally a risk that alstria (as the seller) may be charged for breach of warranty by a prospective purchaser. From a purchasing perspective, alstria is exposed to the risks that hidden deficiencies on land and/or property are not observed or unfavorable contractual agreements are transferred to the Company, resulting in additional future costs.

Both in acquisition and selling proceedings alstria responds to these risks with thorough technical, legal and tax analysis with respect to all relevant property and contractual issues. It does so by employing internal and external lawyers, tax advisors, architects, construction engineers and other required experts. As before, risks relating to transactions of properties are assessed to be of a low (L) to moderate (M) level.

Environmental risks

alstria is exposed to risks arising from environmental liabilities or possible damages resulting from natural events like fire or flooding. alstria's buildings may contain undetected hazardous materials (such as asbestos) to an unanticipated extent. It might further be contaminated or otherwise affected by environmental risks or liabilities, such as pre-existing pollution and soil contamination. Risk mitigation is implemented by a due-diligence examination that alstria customarily undertakes when acquiring new properties in addition to a warranty issued by the seller.

Furthermore insurances covering the impacts of natural catastrophes are in place. The environmental risks described are considered to be at a low (L) level, similar to in the previous year.

Compliance risks

G-REIT legislation

alstria is registered as a German REIT-AG (G-REIT) in the commercial register. The German REIT segment allows alstria to offer a high profile to investors and distinguish itself on the capital market as a REIT. The REIT shares are traded at the Frankfurt Stock Exchange. The G-REIT status does not have any influence on the admission to the Regulated Market (Prime Standard).

Certain requirements have to be met by the Company in order to qualify for and retain its designation as a G-REIT. The most significant requirements are as follows: The G-REIT must be a stock corporation listed on an organized market and its registered office and management must be in Germany. Its registered share capital must amount to at least EUR 15 m. All shares must be voting shares of the same class. Free float must be at least 15% and no investor may directly hold 10% or more of the shares, or shares that represent 10% or more of the voting rights. Furthermore, at least 75% of assets must consist of real estate and at least 75% of gross income must be generated from real estate. At least 90% of annual profits as resulting under German GAAP-accounting must be distributed to shareholders and the G-REIT's equity may not fall below 45% of the fair value of its real estate assets as recorded under IFRS.

Due to the consistent monitoring of the compliance with all described REIT criteria, the risk of non-compliance is considered to be low (L), as in the previous year

REIT corporations are fully exempt from German corporate income tax (KSt) and German trade tax (GewSt). This tax exemption has been applied for the Company with retrospective effect starting on January 1, 2007.

Capital and investment management activities maintain the Company's G-REIT status in order to support its business activities and maximize shareholder value.

alstria manages its capital structure and makes adjustments in response to changes in economic conditions. In order to maintain or adjust the capital structure, the company can issue new shares or make a capital repayment to its shareholders.

According to Section 15 of the REIT Act, alstria's equity (as reported in its consolidated financial statements) must not fall short of 45% of its immovable assets. If the minimum equity ratio is, however, not satisfied for three consecutive financial years, the exemption from corporate income tax (KSt) and trade tax (GewSt) ceases at the end of the third financial year

The G-REIT equity ratio is 49.4% on the balance sheet date. Accordingly, alstria complies with the minimum G-REIT equity ratio requirement according to section 15 G-REIT-Act (REITG). Nonetheless, the risk that alstria may fail to meet the minimum G-REIT equity ratio of 45% in the following three consecutive years remains. As stated above it would then face the prospect of losing its status as G-REIT and its tax exemption. Therefore alstria cannot lose its G-REIT status as a result of failing to meet the 45% barrier within the three-year forecast period through December 31, 2018.

Compliance risks

alstria is dependent on all employees and management respecting the compliance standards in place. alstria's business depends on employees and the members of management complying with laws, policies and procedures as prescribed by documented policies, procedures and laws. If alstria's senior management fails to document and reinforce the Company's policies and procedures or employees commit criminal, unlawful or unethical acts (including corruption), this could have a material adverse effect on alstria's business, financial condition and results of operations. It would also harm alstria's reputation in the real estate market and thereby negatively affect future business opportunities. alstria has implemented a compliance organization, which deals with adequate and documented compliance rules and regulations and provides training to all employees concerning compliance-related topics. The materialization of compliance risks is assessed to be unlikely (L) unchanged from the previous year.

Litigation

alstria office REIT-AG or any of its subsidiaries could be involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on the Group's business position at any time. Other risks might arise from legal actions taken addressing, warranty claims, repayment claims or any other claims brought forward in connection with divested properties or implemented development projects over the last few years.

Risks associated with the merger of Deutsche Office and Prime Office REIT-AG (PO REIT) in the year 2014

Some shareholders of PO REIT, which was dissolved due to the merger, have taken the view that the exchange ratio set for former PO REIT shares to shares of the Company was too low at their expense. For this reason, they used the opportunity to have the fairness of the exchange ratio reviewed in judicial arbitration proceedings and filed the necessary applications to the Munich District Court for the initiation of such proceedings. After an exchange of various written pleadings by the parties to the proceedings, a first court hearing was held on February 12, 2015. At first instance, the Munich District Court rejected the applications for an additional cash payment in favor of the former PO REIT shareholders in a ruling on August 21, 2015. Four applicants and their common legal representative have appealed against this ruling, and the proceedings will now be continued at second instance before the Munich Higher Regional Court. In the event that the court rules in a final decision that the exchange ratio has to be improved by means of a cash payment to be made by the Company, such a decision will be effective for and against all the shareholders of PO REIT in accordance with Section 13 of the German Arbitration Proceedings Act. This means that the additional cash payment fixed by the court will also be paid to shareholders who have not filed an application in the arbitration proceedings. As of the date of the merger notice published by the acquiring entity in the Commercial Register, the additional cash payment will have to be made with an annual interest of five percentage points above the base lending rate effective at that time. This right to an additional payment of an unlimited amount with interest, which in itself may be substantial due to the length of the proceedings and the level of the statutory interest rate, might result in a significant financial burden and hence have a considerable adverse impact on the net

assets, financial position and results from operations of the Deutsche Office Group. Mutual due diligence was performed prior to the merger, and the Company obtained an expert opinion with a view to establish the enterprise values and the exchange ratio. Subsequently, the calculated exchange ratio was subject to a mandatory merger audit by an independent expert, as prescribed by law. In addition to measures implemented before the litigation to reduce the risk of an additional cash payment, the Company receives legal support from external advisors in the current proceedings. Due to the takeover of the Deutsche Office Group in the business year 2015 this lawsuit was no matter the alstria Group at the end of the previous reporting period.

Apart from this lawsuit neither alstria office REIT-AG nor any of its subsidiaries are involved in pending or foreseeable court or arbitration proceedings that might have a significant impact on the Group's business position. This also applies to legal actions addressing warranty claims, repayment claims or any other remuneration brought forward in connection with divested properties or implemented development projects over the last few years. The respective Group companies have accounted for appropriate provisions to cover any potential financial charges from court or arbitration proceedings. Since none of the Group's companies are currently exposed to any civil rights proceedings or any other kind of legal dispute, nor is this expected to occur, the risk of legal disputes is classified as low (L), as in the previous year.

Financial risks

Due to alstria's refinancing strategy, its financial risk situation remained stable compared to the previous year's reporting period.

Refinancing risks

The Group's main financial instruments are bank loans and derivative financial instruments as well as a corporate bond with a notional amount of EUR 500m placed in the capital market for the first time in the business year 2015. The main purpose of the bank loans and the bond is to finance alstria's business activities. Derivative financial instruments include interest swaps and caps. The purpose of these derivative financial instruments is to hedge against interest risks arising from the Company's business activities and its sources of finance. The main risks arising from the Group's financial instruments are cash flow risks, interest rate risks and liquidity risks. The alstria Group's current Net LTV is 49.3%. This is a reasonable rate compared to the average leverage of German real estate companies. The Group's bank' loans LTVs on the balance sheet date are well below the LTVs permitted under the respective loan agreement. The risk of a covenant breach was thus encountered effectively. The creditworthiness of alstria was classified by the rating agency Standard & Poor's as unchanged at BBB ("Investment Grade") at the end of the reporting period. The rating has been applied for the first time in the business year 2015.

The refinancing of the majority of alstria's bank loan is not required prior to financial year 2020. The corporate bond has a term through March 2021. However, in line with alstria's funding strategy, it is intended to refinance some of the existing loans by the mid-2016. As a result the risk of refinancing on unfavorable terms is to be classified at the present time as moderate (M), whereas this risk was assessed a year earlier as low (L).

The next refinancing of the main part of alstria's loans will be necessary in 2020. The corporate bond has a maturity through March 2021. Thus, the risk of refinancing on unfavorable terms is limited for the time being (L) as it was the year before.

Breach of Covenants

In the process of taking out loans alstria agrees to comply with certain covenants, such as not to exceed a certain level of debt (loan to value) or to achieve a minimum income (debt service coverage ratios) from mortgaged properties. In the event of a breach of these covenants consequences, such as increased credit margins or in the worst case an extraordinary termination of a loan by the lender, would arise. The Group's current LTV ratios as described above, give significant leeway to the permitted leverage ratios. Hence, the risk of a breach of covenants is at present classified as medium (M) as it was in the previous year.

Interest rate risk

Interest rate risks result from fluctuations in market interest rates. These affect the amount of interest expenses in the financial year and the market value of derivative financial instruments used by the Company.

alstria's hedging policy allows the use of a combination of plain vanilla caps and swaps in order to limit the Company's exposure to interest rate fluctuations. It still provides enough flexibility to allow for the disposal of real estate assets, avoiding any cost linked to an over-hedged situation. The interest base for the financial liability (loan) is the three-month EURIBOR, which is adjusted every three months. The maturity of the derivative financial instruments is linked to the term of maturity of the loans. Derivative financial instruments mainly relate to interest swaps, in which the Company agrees to exchange the difference between fixed and variable interest rate amounts with its contract partners at specified intervals, as calculated by reference to an agreed notional principal amount. Interest caps were further acquired in order to cap the interest at a set maximum. If the maximum interest rate is exceeded, the difference between the actual interest rate and the cap rate is compensated.

Part of the loans including the bond are structured as fixed rate loans and therefore bear until their maturity date no interest rate risks. Loans with a volume of approximately EUR 93.0 million are based on the floating 3-month EURIBOR interest rate, without being hedged by an interest rate derivative. The reason for this is the structure of the current yield curve of the 3-month EURIBOR. Moreover, these loans are to be refinanced by fixed-interest corporate bonds until mid-2016.

As consequence the interest rate risk is currently considered to be medium (M). At the end of the previous reporting date the risk was categorized as low (L).

Liquidity risk

One of alstria's core processes is cash management. The Company manages its future cash position and monitors its progress on a daily basis. A cash-forecasting tool is used to prevent liquidity risks. As a basis for analysis this liquidity-planning tool makes use of the expected cash flows from business activities and the maturity of the financial investments.

Having implemented refinancing in the previous years including the placement of a convertible bond and corporate bond, the major liquidity risk resulting from balloon repayments on loan facilities was successfully averted. Since the main part of the loans and bonds will not be due until the year 2020, the liquidity risk resulting from repayment obligations is currently, as in the previous year, mitigated (L).

Valuation risks

The fair value of the real estate properties owned by the company reflects the market value as determined by independent appraisers. It can be subject to change in the future. Generally, the market value of real estate properties depends on a variety of factors, some of which are exogenous and may not be under alstria's control. These factors include declining rent levels, a decreasing demand or increasing vacancy rates. Many qualitative factors are also decisive in the valuation of a property, including a property's expected market rents, its condition and its location. The final assessment of the mandated appraiser is, to a certain extent, discretionary and may differ from the opinion of another appraiser. Should the factors considered or assumptions made in valuing a property change in order to reflect new developments or for other reasons, subsequent valuations of the respective property may result in a decrease in the market value ascribed to such a property. If such valuations reveal significant decreases in market value compared to prior valuations, the Company can incur significant revaluation losses with respect to such properties.

Factors such as economic changes, interest rate fluctuations and inflation may adversely affect the value of the properties. To minimize these risks, a regional diversification of investment portfolios, a consistent focus on the individual needs of tenants and detailed market research and analysis (broker reports) are applied. In addition, the market value of all of alstria's assets is determined annually at year-end by independent, internationally recognized experts. In summary, the risk of unexpected devaluations is, as in the previous year, classified as moderate (M).

Counterparty risk

alstria hedges a portion of its risk by applying third party instruments (interest rate derivatives, property insurances and others). alstria's counterparties in these contracts are internationally recognized institutions, which are rated by the leading rating agencies. alstria reviews the ratings of its counterparties on a regular basis in order to mitigate any risk of default. The financial crisis has raised doubts regarding the reliability of rating agencies' assessments. As a reaction to this objection, alstria makes use of other sources of information to challenge the rating agencies' assessments.

alstria is otherwise not exposed to any significant credit risks. Hence same as last year, they can be classified as low (L).

Tax risks

REITs are completely exempt from corporate income tax and trade tax. As a result tax risks can only arise in the case of loss of REIT status or at subsidiary-level. Additionally the Group as a whole faces risks from value added tax, real estate transfer tax and property tax. Furthermore, it is possible that changes in tax laws or their interpretations can result in a higher tax liability for prior tax periods that have not yet been finally approved. As consequence of the takeover of the DO Deutsche Office AG Group companies are included in the consolidated financial statements, which are not subject to the regulations of the REIT legislation. The planned restructuring, in particular the transformation of the legal form of the acquired companies in limited partnerships, will result in the taxable disclosure of existing hidden reserves and built-in losses. The resulting tax expenses are taken into account until December 31, 2015 by tax provisions.

Due to the income tax exemption as a REIT and consistent monitoring of tax relevant issues by internal and external tax experts, the probability of a tax loss is considered to be limited. Since certain tax-related issues, such as real estate transactions or valuations of assets and liabilities as well as a re-entry into the tax liability could result in high tax obligations over the three-year risk period, the risk impact is considered to be significant. This fact results in an overall tax risk level, which is unchanged from the previous year's average (M) control risk.

Overall risk assessment by the Management Board

alstria office REIT-AG consolidates and aggregates all risks reported by the different business units and functions adhering to its risk management policy. Compared to the previous year, the overall risk situation of alstria remained stable. In financial year 2015 only minor or immaterial changes were noted in alstria's risk level matrix for risks categorized as high (H) or medium (M). At the end of the year, as well as at the end of the preceding fiscal year 2014 risks categorised as "high" accounted for 0.0% of all identified risks while risks categorized as "medium" accounted for 47.1% (December 31, 2014: 44.4%) of all identified risks.

On the one hand this is due to the economic environment in Germany, which still proves to be relatively stable despite the expected decline in growth in the emerging markets, the continued smouldering financial problems in some European countries and the uncertainty of the further development in certain "failed state" countries. On the other hand, the company's stable funding position, conservative level of debt and its solid-REIT equity ratio support this assessment. Due to the similar structure of the acquired the DO Deutsche Office AG Group during the business year no significant effects regarding risk exposures are expected to arise, except for the expected increase in the potential risk impact amount. The risks associated with the implementation of organizational employee-related and system-based integration, have been considered in the individual risk areas.

Sufficient precautionary measures have been undertaken to counteract identifiable risks.

In addition to assessing the potential impact of the realization of risks on the value of the Group's net assets the potential liquidity requirements for selected key risks are identified to cover a period of three years. The assessed amount of liquidity amounted to EUR 33.1 m as of the balance sheet date.

In our view, the risks described in our aggregated risk report neither threaten our ability to continue as a going concern individually nor cumulatively in terms of their likelihood of occurrence and level of impact. This applies both to the single Group companies and the Group.

REPORT ON OPPORTUNITIES

Management of opportunities

alstria's opportunities management aims to identify and assess opportunities as early as possible and to initiate appropriate measures in order to take advantage of those opportunities and transform them into business success.

Growth and earnings opportunities result both from alstria's existing real estate portfolio and from its acquisition of properties, that earnings potential. Depending on the property's place in the life cycle, opportunities may be found in repositioning and development, in strengthening of tenant relationships or in selling the property.

The Company's financing activities safeguard the necessary funding to implement these activities. Here, opportunities are based on ensuring sustainable financing, including equity funding, on favorable terms.

The Company's financing activities safeguard the necessary funding to implement these activities. Here, opportunities are based on ensuring sustainable financing, including equity funding, on favorable terms.

The evaluation of opportunities is carried out in the context of annual budget planning and on an ongoing, occasional basis during the year. The process starts with a careful analysis of the market environment and of the market opportunities related to the properties held in the portfolio. These include the assessment of criteria such as tenant needs, property categories, and regulatory changes. Regular reporting supports the monitoring of growth initiatives within the budget and planning-approval processes.

The Management Board of alstria office REIT-AG is regularly (usually via a monthly report) updated on the status and progress of the initiatives being implemented. In addition, the real estate operations department receives monthly reports in which the planned costs and revenues are compared to the actual budget consumption and revenues. An indicator-based report coordinated by the central controlling department is provided to the Management Board; in this report, the planned performance indicators are compared to the actual figures. In addition, financial and liquidity planning and forecasts are updated, and changes to the project scope are clarified.

Opportunities related to real estate acquisitions

The location of a property is essential for its attractiveness. Opportunities arise when a regional market is characterized by favorable demographics and real estate dynamics. Together with optimal property management, this results in opportunities for long-term capital appreciation. alstria's acquisition strategy aims to identify properties with the described opportunity structure. Its investment strategy therefore focuses on the acquisition of properties and portfolios that have higher vacancy rates and thus are open to additional growth opportunities through the stabilization of these properties' leases. The acquisition will only be performed if the investment volume offers the prospect of achieving a sustainable increase in value.

Opportunities related to tenant relationships

Structured and active property and asset management both ensures the quality of our leasing service and is the basis for sustainable tenant relationships. Opportunities arise through a flexible response to existing or potential tenants' needs. The Company has the knowledge and resources to provide solutions and to implement the tenants' requirements. This gives rise to opportunities to generate sustainable, long-term leases.

Opportunities arising from real estate development

As a long-term-oriented owner of real estate, alstria's property portfolio also entails aging buildings that require refurbishment or repositioning. The modernization of a property opens up the opportunity for value creation by reshaping the asset for the next 20 to 30 years and strengthening its future attractiveness in the market and for tenants.

Opportunities arising from financing

alstria's financing strategy is focused on the optimal provision of funds to invest in new properties and development projects. Opportunities arise from the optimization of these financing terms. This requires implementing long-term and flexible funding at favorable conditions and safeguarding financial covenants at all times. A significant opportunity also arises out of a low debt ratio, representing a comfortable base for future funding and growth. Funding options include mortgage loans, corporate bonds and equity funding. Opportunities arise from the diversification of funding sources and with respect to the first rating obtained in the business year.

Overall Summary of the Opportunities Report

alstria's current financial situation involves a stable financial position at favorable interest rates until about mid-2020. The rating received from S&P allows for greater flexibility in terms of new funding sources. Concerning revenues, alstria benefits from long-term rental agreements with an average lease length of approximately 5.2 years and potential increases in rents due to decreases in vacancy rates and adjustments to the consumer price index. In addition, the Company possesses a range of properties that are available for attractive and value-adding refurbishment opportunities. alstria's portfolio is well-balanced and contains many first-class anchor buildings with high-quality tenants.

The takeover of the DO Deutsche Office AG Group provides opportunities because this group's

portfolios open up growth opportunities through the lease of vacant office space. Furthermore, the DO Deutsche Office portfolio enables a better focus on office properties and a geographical focus on Germany's metropolitan regions; in addition to the synergies and other economies of scale, the portfolio also allows a greater presence and more efficiency in alstria's key markets.

Therefore, alstria is well positioned to continue its buy-and-manage strategy and to successfully identify and implement relevant future market opportunities.

alstria's core competence is the management of assets. The asset repositioning and refurbishment that alstria is continuously undertaking, both as a part of joint ventures and on its own, will strengthen the basis for increased organic value across the portfolio.

SUSTAINABILITY REPORT

In November 2015, alstria published its sixth sustainability report. This year's report is organized and presented based on the latest reporting framework (GRI G4), and it is substantially improved in its scope of coverage regarding nonfinancial information. It provides information about alstria's next steps toward a carbon-neutral economy and familiarizes the reader with the Company's corporate responsibility strategy.

alstria's vision with regard to sustainability goes beyond the reporting exercise itself. Its sustainability approach is embedded in every decision and at every level of the organization. To alstria, pursuing a path of continuous improvement and innovation is what sustainability is all about.

Over the course of 2015, alstria has set up its energy management system for operational processes, according to ISO 50001. In addition, alstria received its second 'CDP Climate Action Award' for the substantial reduction (-73%) of its controlled greenhouse gas emissions (scope 1 and 2). This result was achieved through the systematic procurement of energy produced from solely renewable sources.

For further information on the Company's sustainability engagement, please refer to alstria's annual sustainability report 2015

https://www.alstria.com/fileadmin/user_upload_en/sustainability/alstria_SR2015_double.pdf

or to the Company Report.

DISCLOSURES REQUIRED BY TAKEOVER LAW

Disclosures and the explanatory report pursuant to Section 289, paragraph 4, and Section 315, paragraph 4 of the German Commercial Code (Handelsgesetzbuch, or HGB).

COMPOSITION OF SUBSCRIBED CAPITAL

On the balance sheet date of December 31, 2015, alstria's share capital amounted to EUR 152,164,285.00, which was divided into 152,164,285 no-par-value bearer shares. All shares have equal rights and obligations. Each share entitles the bearer to one vote at each general shareholders' meeting and is decisive for the shareholder's share in the profit of the Company. The individual rights and duties of the shareholders result from the provisions of the German Stock Corporation Act (*Aktiengesetz*, or AktG), particularly Sections 12, 53a *et seq.*, 118 *et seq.* and 186.

RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES

The exercise of voting rights and the transfer of shares are based on the general statutory requirements and on alstria's Articles of Association, which do not restrict either of these activities. According to Section 136 of AktG, the voting rights of the affected shares are excluded by law. No other restrictions on voting rights or on the transfer of shares exist - or, as far as they arise from agreements between shareholders, they are not known to the Management Board.

SHAREHOLDINGS EXCEEDING 10% OF THE VOTING RIGHTS

On the balance sheet date of December 31, 2015, alstria was not aware of any shareholders who directly held more than 10% of the voting rights. However, Oaktree Fund GP I, L.P.; Oaktree Capital I, L.P.; OCM Holdings I, LLC; Oaktree Holdings, LLC; Oaktree Capital Group, LLC; Oaktree Capital Group Holdings, LP; and Oaktree Capital Group Holdings GP, LLC, notified us that, via subsidiaries, they held a combined share in alstria of approximately 25.4% as of October 27, 2015. In addition, please refer to the disclosures in the Annex under no. 23.3, Voting Right Notifications.

SHARES WITH SPECIAL RIGHTS

alstria has not issued any shares with special rights of control.

SYSTEM OF CONTROL FOR ANY EMPLOYEE SHARE SCHEME IN WHICH THE EMPLOYEES DO NOT DIRECTLY EXERCISE THE CONTROL RIGHTS

The employees who hold alstria shares exercise **THE SAME** rights of control as any other shareholders in accordance with applicable law and **WITH** the Articles of Association.

APPOINTMENT AND DISMISSAL OF THE MANAGEMENT BOARD AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

alstria's Management Board consists of one or more members who may be appointed or dismissed in accordance with Sections 84 and 85 of AktG. The Articles of Association do not contain any special provisions in this respect. Pursuant to Section 84 of AktG, members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. Reappointment or extension of the term of office is permitted for a maximum of five years in each case.

Amendments to the Articles of Association are made pursuant to Sections 179 and 133 of AktG. Pursuant to Section 12, paragraph 2, of the Articles of Association, the Supervisory Board is furthermore authorized to make changes in and amendments to the Articles of Association without the shareholders passing a resolution in the general meeting if those changes merely affect wording. The Supervisory Board has also been authorized to adapt the wording of the Articles of Association to the utilization of the Conditional Capital 2013 and the Authorized Capital 2015 and after expiration of the applicable authorization periods by resolutions of the annual general meetings on May 29, 2013, and May 6, 2015.

Pursuant to Section 15, paragraph 5, of the Articles of Association and to Section 179, paragraph 2, and Section 133 of AktG, shareholders may pass resolutions regarding such amendments at a general meeting will pass with a simple majority of the votes cast and a simple majority of the share capital represented. Insofar as a larger majority is prescribed by law, such a majority shall be decisive.

The Articles of Association were last amended by a resolution passed by the Supervisory Board on November 19, 2015: In Section 5 of the Articles of Association, paragraphs 1, 2, 5 and 8, were formally adapted to the capital increases executed from the Company's conditional capitals. Furthermore, the provisions regarding Conditional Capital III in Section 5, paragraph 7, of the Articles of Association were deleted without substitution, as the Management Board's corresponding authorization had expired. Thus, the Conditional Capital III became redundant, and the Articles of Association were editorially amended.

AUTHORITY OF MANAGEMENT BOARD REGARDING THE ISSUE AND BUYBACK OF SHARES

1. Authorized Capital

The Articles of Association authorize the Management Board, with the approval of the Supervisory Board, to increase the share capital until May 5, 2017, by issuing new no-par-value bearer shares against contributions in cash and/or kind, once or repeatedly, up to a total amount of EUR 36,759,200.00. Further details are governed by Section 5, paragraphs 3, 4 and 4a, of the Articles of Association.

2. Conditional Capital

alstria holds three conditional capitals (pursuant to Sections 192 *et seq.* of AktG), which are regulated in Section 5, paragraphs 5, 6 and 8, of the Company's Articles of Association.

a) Conditional Capital 2013

The share capital is conditionally increased in an amount of up to EUR 37,979,618.00 by issuing up to 37,979,618 no-par-value bearer shares. The Management Board is authorized to determine the profit entitlement for the new shares issued on the basis of the exercise of options or conversion rights or the fulfilment of a conversion obligation at variance (from Section 60, paragraph 2, of AktG). This conditional capital increase is only carried out to the extent that the holders of option or conversion rights or those holders with conversion obligations from bonds with warrants or, convertible bonds, profit-participation rights or participating bonds which were issued based on the authorization resolved by the shareholders in the general meeting on May 29, 2013, utilize their option or conversion rights or, insofar as such holders have conversion obligations, such holders fulfil their conversion obligations, unless a cash settlement is granted or treasury shares are used to fulfill option or conversion rights.

b) Conditional Capital III 2012

The share capital is conditionally increased in an amount of up to EUR 318,500.00 by issuing up to 318,500 no-par-value bearer shares. This conditional capital increase exclusively serves shares to the holders of convertible profit-participation certificates, which the Company will issue until April 23, 2017, in accordance with the authorization of the general meeting that was held on April 24, 2012. The conditional capital increase is only carried out to the extent that the convertible profit-participation certificates are converted into shares of the Company and no treasury shares are used for servicing the certificates. The new shares shall participate in the Company's profits from the beginning of the financial year in which they come into existence as a result of the conversion of certificates.

c) Conditional Capital III 2015

Furthermore, the share capital is conditionally increased in an amount of up to EUR 500,000.00 by issuing up to 500,000 no-par-value bearer shares. This conditional capital increase shall be used exclusively for granting shares to the holders of convertible profit-participation certificates, which the Company will issue until May 5, 2020, in accordance with the authorization of the general meeting held on May 6, 2015. The conditional capital increase is only carried out to the extent that the convertible profit-participation certificates are converted into shares of the Company and no treasury shares are used to satisfy the certificates. The new shares shall participate in the Company's profits from the beginning of the financial year in which they come into existence as a result of the conversion of certificates.

3. Purchase of Treasury Shares

In the general meeting held on June 8, 2011, the shareholders authorized the Management Board to acquire shares of up to 10% of the Company's share capital at the time of the authorization until June 7, 2016. The acquired shares and other treasury shares that are in alstria's possession or otherwise attributed to it, pursuant to Sections 71a *et seq.* of AktG, may at no point amount to more than 10% of the share capital. Shares may be purchased through a stock exchange, by means of a public offer to all shareholders or by making use of financial derivatives (put or call options or a combination of both).

ALSTRIA OFFICE REIT-AG'S SIGNIFICANT AGREEMENTS THAT TAKE EFFECT UPON A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

alstria office REIT-AG's significant financing agreements contain the clauses common to such contracts regarding a change of control. In particular, the agreements entitle the lenders to request repayment of the loans or oblige alstria to repay them in case any person, company or group should directly or indirectly acquire 50% of the voting rights or a controlling influence in alstria.

The terms and conditions of the convertible bond that the Company issued in financial year 2013 also provide termination rights or an adaptation of the conversion price in case of a change of control. Such change of control occurs, in particular, if a person - or persons acting in concert - directly or indirectly acquire more than 50% of the Company's voting rights.

The terms and conditions of the fixed-interest bonds the Company issued in financial year 2015 entitle each bondholder to request that the Company redeem or purchase such bonds for 101% of the principal amount of such bond plus unpaid interest accrued if any person, company or group should directly or indirectly acquire more than 50% of alstria's voting rights. Within 120 days after such a change of control, the rating for the Company or the bond will be downgraded.

The total volume of obligations under those agreements that have corresponding change of control clauses amounted to approximately EUR 1,050 m on the balance sheet date.

COMPENSATION AGREEMENTS WITH MANAGEMENT BOARD MEMBERS AND EMPLOYEES IN CASE OF A TAKEOVER BID

No compensation agreements that take effect in case of a takeover bid are in place with Management Board members or employees.

These provisions comply with statutory requirements or are reasonable and common practice at comparable, publicly listed companies. They are not intended to hinder potential takeover bids.

ADDITIONAL GROUP DISCLOSURE

EMPLOYEES

As at December 31, 2015, alstria had 69 employees (December 31, 2014: 63). The annual average number of employees was 66 (previous year: 62). These figures exclude Management Board members.

REMUNERATION REPORT

The remuneration report (appendix to the Management Report 2015, see Page 35), which contains details of the principles for the remuneration of the Management Board and Supervisory Board, forms an integral part of the audited Group Management Report.

CORPORATE GOVERNANCE DECLARATION PURSUANT TO SECTION 289A HGB (“HANDELS-GESETZBUCH”: GERMAN COMMERCIAL CODE)

The complete corporate governance declaration is published on alstria office REIT-AG’s website (www.alstria.com).

REPORTS ON POST-BALANCE SHEET DATE EVENTS AND EXPECTED DEVELOPMENTS

REPORT ON POST-BALANCE SHEET DATE EVENTS

As at November 2015, alstria signed a purchase agreement for the acquisition of an asset. The transfer of benefits and burdens took place in January 2016. As at balance sheet date the prepayment on the purchase price of EUR 38.000 k as well as the incidental purchase expenses were recognized as prepayments and constructions in progress.

REPORT ON EXPECTED DEVELOPMENTS

Since the alstria analyses the developments at group level the following report relates to group level figures based on IFRS.

The report on expected developments contains statements related to anticipated future developments. The Company’s development depends on various factors. Some of these factors are beyond the Company’s control. Statements about expected developments are based on current assessments and are hence, by their very nature, exposed to risks and uncertainty. The actual development of the alstria Group may differ positively or negatively from the predicted development presented in the statements of this report.

Expected economic development

The German economy is still in good condition. This is reflected by the strongest economic growth in the last five years and by the employment rate, which remained at a record level in 2015. For 2016, the German government expects driven by strong consumption of private households and by the positive developments in the German labor market the macroeconomic situation to develop at

the same level as it did in 2015. Thus, the German government forecasts a growth rate of 1.7% for the German economy in 2016.¹

Development of the real estate market: Outlook for 2016

The relevance of real estate as an investment will persist at a high level in 2016 due to the continuing very low interest rates. On the investment market, the demand for core assets is expected to remain high and to greatly exceed the supply. Therefore, the trend to invest in value-adding properties will persist and could even accelerate. Consequently, top rents are expected to rise only slightly in 2016.

Outlook for the alstria Group

Based on the expected stability of the German economy and of the real estate market, the Company does not expect significant changes in alstria's direct environment. However, changes other than the expected in terms of interest rates, further property acquisitions or property disposals or other changes in the assumptions for the financial year 2016 could have an impact on the projections.

Due to the takeover of Deutsche Office AG, alstria is expecting 2016 revenues to increase in 2016 by approx. EUR 85 m to EUR 200 m as compared to revenues in 2015.

For fiscal year 2016, the Company is expecting an FFO of around EUR 115 m, of which around EUR 3 m will be attributable to minority interests. The increase in FFO as compared to the FFO of EUR 60.0 m (thereof EUR 0.6 m attributable to minority interests) as achieved in 2015 is mainly due to the full-year consolidation effect of Deutsche Office in comparison to a 2-months consolidation period in 2015 and to the further reduction of the financing costs.

Since the Company pays out a significant part of its funds from operations as dividends, future external growth largely depends on the Company's ability to raise additional equity. Consequently, further portfolio growth is highly dependent on the development of the global equity markets and is therefore difficult to predict over a longer period of time.

Hamburg, March 18, 2016

¹ Please refer to Annual Economic Report 2015 (Bundesministerium für Wirtschaft und Energie)

REMUNERATION REPORT¹

REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

The remuneration system for the members of the Management Board is determined by the Supervisory Board and is reviewed regularly. The Supervisory Board is of the opinion that an adequate remuneration for the members of the Management Board is provided, which is based on customary market terms and conditions and it also takes the long-term success of the Company into account. The remuneration system for the members of the Management Board as described below was developed by involving an external and independent remuneration expert. The shareholders approved it in the general meeting for financial year 2009. Since then, it has been applied without changes. The remuneration structure complies with the German Stock Corporation Act (AktG) and - except for the deviations declared in the Compliance Statement according to Sec. 161 of AktG - and with the recommendations of the German Corporate Governance Code.

The criteria for determining the appropriateness of the remuneration of the Management Board, which are used as part of the remuneration system, include among others:

- The duties of each individual Management Board member;
- His or her personal performance;
- The financial situation of the Company;
- The success and future prospects of the Company;
- Customary practice regarding remuneration relative to peer companies; and
- The remuneration structure of the Company, taking into account the level of compensation of the Management Board in comparison to that of the Company's senior management and its staff in general, particularly in terms of its development over time.

1. STRUCTURE OF THE REMUNERATION OF MANAGEMENT BOARD MEMBERS

The Supervisory Board determines the target remuneration for each board member. The target remuneration for each Management Board member is comprised of a fixed basic salary, short-term and long-term variable components, and ancillary benefits (benefits in kind). The majority of the target remuneration is made up of variable components that are dependent on achieving annual or multi-year targets as described below. The system also establishes caps for the different variable elements of the remuneration.

Fixed Remuneration

The fixed element of the remuneration is a basic salary, which is independent of performance and is paid as a salary on a *pro-rata* basis each month. The fixed element of the remuneration amounts to approximately 40% of the total target remuneration, excluding any ancillary benefits for the financial year.

¹ This remuneration report forms an integral part of the audited group management report and notes to the annual financial statements.

Variable Remuneration

The variable element of the remuneration amounts to approximately 60% of the total target remuneration excluding any ancillary benefits for the financial year, and it is composed of two parts: a short-term incentive and a long-term incentive.

The table below summarizes the main characteristics of each of the two programs:

	short-term incentive (STI)		long-term incentive (LTI)	
Proportion of total target remuneration	20%		20%	
Targets to assess performance	Like-for-like FFO	budgeted	Total Shareholder Return (relative to EPRA NA-REIT Europe Ex-UK)	Absolute Total Shareholder Return
Min./Max. target achievements	50%/150%		50%/150%	
Discretionary factor	0.8 / 1.2		0.8 / 1.2	
Deferred component	25%		100%	
Form of the deferred component	Virtual shares		Virtual shares	
Deferral period	2 years		4 years	
Reference share price	Average share price for the previous 20 days		Average share price for the previous 60 days	
Payout cap for the deferred components	250% of deferred amount		Virtual shares multiplied by 250% of the reference share price on grant date	

Performance target FFO for STI

As the amount of the STI for a financial year is mainly based on the achievement of a funds from operations (FFO), the Supervisory Board adapts its FFO target for a financial year if the FFO is materially impacted by acquisitions and/or disposals. In doing so, the Supervisory Board makes sure that the Management Board is not incentivized to enter into transactions to achieve any personal short-term benefits.

Min./Max. target achievements

This category reflects the minimum performance that needs to be achieved in order for any pay-out to occur (threshold), as well as the maximum performance that is considered in the pay-out calculation (cap).

Discretionary factor

This category reflects the factor that the Supervisory Board can apply to reflect the individual performance of each board member.

Deferred component

This category reflects the part of the variable remuneration, that is subject to a multi-year lock-up.

Reference share price

This is the share price used to convert the target amount into virtual shares when they are granted and to convert virtual shares into a pay-out amount at the end of the deferral period.

Virtual shares

The number of virtual shares granted is equal to the amount of the deferred component amount divided by the reference share price.

Pay-out amount

- For the STI, the pay-out amount at the end of the deferral period is equal to the number of virtual shares multiplied by the reference share price, thereby adding back any dividend per alstria share paid by the Company during the deferral period.
- For the LTI, the number of virtual shares is adjusted at the end of the deferral period, reflecting the degree of achievement of the performance target. The pay-out amount is equal to the number of virtual shares multiplied by the reference share price, then added to the dividend per alstria share paid during the deferral period and then multiplied by the discretionary factor.

The table below summarizes the number of virtual shares granted under the existing STI and LTI programs in the reporting period and outstanding as of December 31, 2015.

	Start of deferral period	Reference share price in EUR	End of deferral period	Olivier Elamine Number of virtual shares	Alexander Dexne Number of virtual shares
STI 2013	2014	9.57	2016	5,914	4,839
STI 2014	2015	10.97	2017	5,370	4,393
LTI 2012	2012	8.70	2016	50,575	41,379
LTI 2013	2013	9.29	2017	47,363	38,751
LTI 2014	2014	9.44	2018	46,610	38,136
LTI 2015	2015	10.97	2019	40,109	32,817

Ancillary Benefits

Furthermore, the members of the Management Board receive ancillary benefits granted as benefits in kind, which essentially consist of insurance premiums, pension benefits and the private use of a company car.

2. REMUNERATION OF THE MANAGEMENT BOARD IN THE FINANCIAL YEAR 2015

In the last financial year, the total target remuneration for the members of the Management Board amounted to EUR 2,192 k. The total amount paid to the Management Board in that financial year amounted to EUR 1,930 k (including pay-outs on multi-year remuneration elements). The correctness of the calculation of the pay-out amounts for the multi-year variable remuneration elements was confirmed by an independent remuneration expert.

Remuneration for the members of the Management Board for financial years 2014 and 2015

The remuneration of individual Management Board members is presented based on model tables pursuant to the German Corporate Governance Code as amended on May 5, 2015.

The table “benefits granted” shows the fixed remuneration and the target values of the variable remuneration elements granted in the respective business year as well as hypothetical minimum and maximum amounts of a future payout of the variable remuneration elements. We explicitly make reference to the fact that the hypothetical maximum amounts can only be attained in the extraordinary situation that all the conditions named in the table “Conditions to attain maximum amounts for variable remuneration elements granted in 2015” occur at the same time.

in EUR k

Benefits granted	Olivier Elamine				Alexander Dexne			
	CEO		CFO		CEO		CFO	
	2014	2015	2015 (Min)	2015 (Max) ¹⁰	2014	2015	2015 (Min)	2015 (Max) ¹⁰
Total amount of fixed compensation and ancillary benefits	454	450	450	450	369	380	380	380
Fixed compensation ¹	440	440	440	440	360	360	360	360
Ancillary benefits ²	11	10	10	10	9	20	20	20
Total amount of one-year variable compensation	173	173	0	312	142	142	0	255
One-year variable compensation (STI 2014)	173 ³	-	-	-	142 ³	-	-	-
One-year variable compensation (STI 2015)	-	173 ³	0	312 ⁴	-	142 ³	0	255 ⁴
Total amount of multi-year variable compensation	498	498	0	2,240	407	407	0	1,833
STI 2014 (1 plus 2 years)	58 ⁵	-	-	-	47 ⁵	-	-	-
STI 2015 (1 plus 2 years)	-	58 ⁵	0	260 ⁶	-	47 ⁵	0	213 ⁶
LTI 2014 (4 years)	440 ⁷	-	-	-	360 ⁷	-	-	-
LTI 2015 (4 years)	-	440 ⁷	0	1,980 ⁸	-	360 ⁷	0	1,620 ⁸
Total amount of fixed and variable compensation	1,125	1,121	450	3,002	918	929	380	2,468
Service costs ⁹	85	84	84	84	58	58	58	58
Total	1,210	1,205	534	3,086	976	987	438	2,526

¹Annual base salary according to service contracts.

²Includes benefits for company car.

³75% of the STI target value for the respective financial year.

⁴Maximum attainable pay-out amount for 75% of the STI after 1 year: (target value STI x 0.75 x 1.5 x 1.2).

⁵25% of the STI target value for the respective financial year.

⁶Maximum attainable pay-out amount for 25% of the STI after 1 plus further 2 years: ((target value STI x 0.25 x 1.5 x 1.2) x 2.5).

⁷LTI target value for the respective financial year.

⁸Maximum attainable pay-out amount for the LTI after the holding period of 4 years: (1.5 x granted virtual shares x (2.5 x share price on grant date) x 1.2).

⁹Includes benefits for insurance and pension plans.

¹⁰Hypothetical maximum attainable pay-out amount under the condition that all assumptions described in the table “Conditions to attain maximum amounts” are fulfilled.

Conditions to attain maximum amounts for variable remuneration elements granted in 2015

One-year variable compensation	1. Stand-alone alstria FFO 2015 = EUR 73,628 m (budgeted FFO of EUR 49.085 m is achieved by 150%)
and	2. SB passes resolution on discretionary factor of 1.2
Multi-year variable compensation	
LTI (4 years)	1. Absolute TSR $\geq 9\%$, i.e. total shareholder return for alstria investors over 4 years of 9% p.a. or more
and	2. Relative TSR (TSR vs. EPRA) $\geq 25\%$, i.e. alstria overperforming EPRA/NA-REIT Europe Index Ex UK by 25%
and	3. Company share price increases by 250% (share price of EUR 10.97 on granting date --> share price of EUR 27.43 on payment date after 4 years)
and	4. SB passes resolution on discretionary factor of 1.2
STI (1 plus 2 years)	Share price of Company shares increases by 250% (e.g.: share price of EUR 9 on deferral date --> share price of EUR 22.50 on payment date after 2 years)

The table “allocation/benefits paid out” shows the fixed remuneration and the amounts paid out in the respective business year as variable remuneration element.

in EUR k

Allocation/benefits paid out	Olivier Elamine CEO		Alexander Dexne CFO	
	2015	2014	2015	2014
Total amount of fixed compensation and ancillary benefits	450	454	380	369
Fixed compensation ¹	440	440	360	360
Ancillary benefits ²	10	14	20	9
Total amount of one-year variable compensation	177	170	145	139
One-year variable compensation (STI 2013) ³	-	170	-	139
One-year variable compensation (STI 2014) ³	177	-	145	-
Total amount of multi-year variable compensation	350	911	286	745
STI 2011 (1 plus 2 years) ⁴	-	75	-	61
STI 2012 (1 plus 2 years) ⁴	86	-	70	-
LTI 2011 (4 years) ⁵	264	-	216	-
LTI 2010 (4 years) ⁵	-	836	-	684
Other	0	0	0	0
Total amount of fixed and variable compensation	977	1,535	811	1,253
Service cost ⁶	84	85	58	58
Total	1,061	1,620	869	1,311

¹Annual base salary according to service contracts.

²Includes benefits for company car.

³Pay-out amount for 75% of the STI after 1 year for the respective previous year.

⁴Pay-out amount for 25% of the STI after 1 plus further 2 years.

⁵Pay-out amount for LTI after holding period of 4 years.

⁶Includes benefits for insurances and pension plans.

In 2015, the LTI 2011 was paid out. Over the four-year holding period, the Absolute Total Shareholder Return of the alstria share was 5.8% *per annum*, and the average Relative Total Shareholder Return of the alstria share was -10.9% *per annum*. The threshold for the performance target of the Relative Total Shareholder Return was missed. As a result, a total of approximately 48% of the virtual shares vested leading to a final LTI payout amounting to approximately 60% of the target value for the LTI 2011.

In 2014, the LTI 2010 was paid out. Over the four-year holding period, the Absolute Total Sharehold-

er Return of the alstria share was 11.1% *per annum*, and the performance target Absolute Total Shareholder Return was capped at 150%. The average Relative Total Shareholder Return of the alstria share was 1.2% *per annum*. As a result, a total of approximately 135% of the virtual shares vested leading to a final LTI payout amounting to approximately 190% of the target value for the LTI 2010.

3. OTHER MANDATORY DISCLOSURES

If membership of the Management Board is terminated, members have agreed to a post-contractual non-compete agreement of up to twelve months, which may be waived by alstria with a six-month notice period. As long as alstria exercises this post-contractual non-compete agreement, the members of the Management Board shall receive a compensation payment for this period equivalent to their last fixed salary. In the event of an early termination of a Management Board service contract by mutual agreement, the members of the Management Board will remain entitled to their remuneration claims during the remaining term of the service contract. These are, however, capped at a value of two years' worth of remuneration. If the appointment is terminated due to the board member's death, the benefits to be paid by the Company amount to the fixed salary for the month in which the member died in addition to an equal payment for the following three months. The incentive payment for this period shall be paid *pro rata* up to and including the month of death. The Management Board contracts do not include any change of control clauses.

No individual member of the Management Board was granted or rendered any benefits by third parties with regard to Management Board's work in the financial year 2015.

REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

1. Structure of the Supervisory Board Remuneration

On May 6, 2015, the Annual General Meeting of the company resolved upon a slight modification of the Supervisory Board remuneration. Before that, the Supervisory Board remuneration had not been changed since 2007. As of January 1, 2015, the members of the Supervisory Board each receive an annual fixed remuneration of an amount of EUR 42 k (formerly EUR 40 k). The Chairman of the Supervisory Board receives an additional annual amount of EUR 21 k (formerly EUR 20 k), the Vice-Chairman receives an additional amount of EUR 10.5 k (formerly EUR 10 k). Membership in the audit committee entitles the member to an additional remuneration of EUR 10 k, whereas the chair of the audit committee receives EUR 15 k per year. Membership in the nomination and remuneration committee as well as the investment committee entitles the member to an additional annual remuneration of EUR 5 k. The chairmen of these committees are compensated with another EUR 2.5 k per year. Members who sit on the Supervisory Board for only part of a year receive a remuneration *pro rata temporis*.

2. Remuneration of the Supervisory Board in the Financial Year 2015

The total remuneration for the Supervisory Board members in 2015 amounted to EUR 353 k. The remuneration for the individual Supervisory Board members for the financial years 2015 and 2014 is as follows:

in EUR k				
Supervisory Board member	Function on the Supervisory Board	Function on the Committees ¹ in 2015	Remuneration for 2015	Remuneration for 2014
Alexander Stuhlmann	Chairman	B (ch), C ²	75.08	60.00
Hermann Dambach	Vice Chairman ²	C ²	9.92	-
Dr Johannes Conradi	Vice Chairman ²	A, B	65.63	60.00
Benoît Hérault	member	A ² , C	47.85	40.00
Roger Lee	member ²	A ²	42.74	50.00
Richard Mully	member	B, C (ch)	54.50	40.00
Marianne Voigt	member	A (ch)	57.00	55.00
Total			352.72	305.00

¹A= audit committee, B=nomination and remuneration committee, C= investment committee, ch=chair.

²Temporarily.

alstria office REIT-AG, Hamburg

1.2 Income Statement

January 1 to December 31, 2015

	2015	2014
	EUR	EUR
1. Revenues	82.621.204,85	82.838.983,87
2. Decrease or increase in work in progress	-1.622.988,56	-414.011,59
3. Total operating performance	80.998.216,29	82.424.972,28
4. Other operating income	35.805.341,53	27.596.061,72
5. Cost of materials		
Cost of purchased services	-15.861.647,08	-15.764.007,84
6. Personnel expenses		
a) Wages and salaries	-10.288.563,27	-6.945.859,55
b) Social security pension and other benefits (of which relating to pensions EUR 203,397.74; previous year EUR 209 k)	-886.758,67	-847.418,13
7. Amortization and depreciation of fixed intangible and tangible assets	-11.175.321,94	-7.793.277,68
8. Other operating expenses	-38.328.243,07	-41.305.302,08
9. Income from participating interests	-29.041.556,32	-17.650.817,98
10. Income from loans	167.508,25	314.091,73
(of which from affiliated companies EUR 1,008,429.37; previous year EUR 961 k)	1.008.429,37	961.287,14
11. Other interest and similar income	68.035,09	109.581,90
12. Write-down of financial assets	-169.436.868,77	-35.008,44
13. Interest and similar expenses	-28.335.658,15	-25.477.577,68
(of which from discounting of provisions EUR 65,410.28; previous year EUR 120 k)		
14. Net operating loss/profit	-174.131.764,80	3.380.003,07
15. Net loss/profit for the year	-174.131.764,80	3.380.003,07
16. Profit carried forward from previous year	4.529.642,00	4.033.256,50
17. Transfer from capital surplus	257.602.122,80	40.586.740,43
18. Balance sheet profit	88.000.000,00	48.000.000,00

1.3 Balance sheet as at December 31, 2015

Assets	31.12.2015	31.12.2014	Equity and liabilities	31.12.2015	31.12.2014
	EUR	EUR		EUR	EUR
A. Non-current assets			A. Shareholders' equity		
I. Intangible assets			I. Share capital	152.164.285,00	79.018.487,00
Licenses and similar rights acquired for consideration	233.389,20	342.375,20	(condi-tional capital EUR 38,798,118; previous year EUR 38,752 k)		
II. Property, plant and equipment			II. Capital reserves	1.105.648.006,08	510.477.016,37
1. Land, property rights and buildings	1.045.889.738,03	1.075.598.504,50	III. Balance sheet profit		
2. Technical plant	602.246,55	748.876,35	(of which unappropriated profits brought forward	88.000.000,00	48.000.000,00
3. Other plant, operating and office equipment	404.080,62	434.514,98	EUR 4,529,642.00; previous year EUR 4,033 k)	1.345.812.291,08	637.495.503,37
4. Prepayments and construction in progress	58.986.966,35	22.583.427,30			
	1.105.883.031,55	1.099.365.323,13	B. Provisions		
III. Financial assets			Other provisions	15.806.945,54	15.970.332,08
1. Shares in affiliates	846.980.603,06	187.028.961,91		15.806.945,54	15.970.332,08
2. Loans to affiliates	159.400.813,90	17.744.818,90	C. Accounts payable		
3. Participating interests	2.027.094,24	14.608.521,28	1. Equity participation	223.750,00	263.550,00
	1.008.408.511,20	219.382.302,09	2. Bonds (of w-ich convertible EUR 79,200,000)	580.368.032,78	79.400.000,00
	2.114.524.931,95	1.319.090.000,42	2. Bank loans and overdrafts	580.058.771,48	611.519.974,29
B. Current assets			3. Payments received	22.927.332,12	22.876.293,07
I. Inventories			4. Trade payables	3.412.101,14	2.395.653,95
Work in progress	20.931.385,57	22.554.374,13	5. Payables to affiliated companies	94.026.250,99	70.249.778,72
II. Receivables and other assets			6. Other liabilities	2.920.152,17	3.128.097,15
1. Trade receivables	1.008.772,33	773.282,07		1.283.936.390,68	789.833.347,18
2. Receivables from affiliated companies	80.490.308,67	20.617.041,53		1.735.912,76	1.445.319,37
3. Receivables from companies in which the company has a participating interest	0,00	88.174,87	D. Deferred income		
4. Other assets	1.804.083,28	2.394.785,83			
	83.303.164,28	23.873.284,30			
IV. Cash in hand and at banks	387.459.527,50	33.982.125,13			
	491.694.077,35	80.409.783,56			
C. Prepaid and deferred expenses	41.072.530,76	45.244.718,02			
	2.647.291.540,06	1.444.744.502,00		2.647.291.540,06	1.444.744.502,00

alstria office REIT-AG, Hamburg

1.4 NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2015

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2015

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Schedule of fixed assets

1 GENERAL

1.1 BASIC INFORMATION AND APPLIED REGULATIONS

alstria office REIT-AG (hereinafter also referred to as ‘alstria’ or ‘Company’) was incorporated on January 20, 2006, as a German limited liability company under the name Verwaltung Alstria Erste Hamburgische Grundbesitz GmbH. On October 5, 2006, the shareholders’ meeting resolved upon the conversion of the Company into a German stock corporation, and the Company’s name was changed to Alstria Office AG. On November 17, 2006, the conversion and the change of name were entered into the relevant commercial register and thus became effective.

In 2007 the company was converted into a German Real Estate Investment Trust (REIT or German G-REIT). The Company was registered as a REIT corporation (hereinafter also referred to as ‘REIT-AG’) in the commercial register on October 11, 2007; the company’s name was changed to alstria office REIT-AG.

REIT-AGs are fully exempt from German corporate income and trade taxes. Therefore, the corporate income and trade tax exemption for alstria office REIT-AG was applicable as of the beginning of the Company’s business year 2007.

The Company is a real estate company according to the definition of the G-REIT Act. Pursuant to Section 2 of its Articles of Association, the Company’s objective is the acquisition, management, operation and sale of owned real estate property as well as the holding of participations in enterprises, which acquire, manage, operate and sell owned property. All the aforementioned objectives are subject to the conditions of the G-REIT Act legislation.

The Company is registered in the commercial register at the local court of Hamburg under HRB No. 99204. The Company’s registered office is Bäckerbreitergang 75, D-20355 Hamburg, Germany.

The fiscal year ends on December 31 of each calendar year.

These financial statements have been prepared in accordance with Sections 242 et seq. and Sections 264 et seq. HGB [‘Handelsgesetzbuch’: German Commercial Code] as well as in accordance with the relevant provisions of the German Stock Corporation Act [‘Aktengesetz’: AktG] The Company is subject to the requirements for large corporations.

The income statement has been prepared according to the total cost accounting method. A line-item for “total operating performance” has been added to the income statement in order to present a subtotal. Land tax expenses are stated within the operating cost of purchased services. Land tax that is not attributable to tenants is shown under other operating charges

These financial statements were prepared for the period from January 1 to December 31, 2015.

1.2 ACCOUNTING AND VALUATION POLICIES

The following accounting and valuation policies were used to prepare the financial statements:

1.2.1 Intangible assets

Purchased intangible assets are capitalized at acquisition cost and, if they have a limited useful life, are systematically amortized by respective amounts. The useful life is 3 to 30 years.

1.2.2 Land, property rights and buildings

Land, property rights and buildings are capitalized at acquisition or production cost and are reduced by systematic depreciation rates according to their useful lives. The useful life is 33.3 to 50 years. For land and buildings, the allocation of acquisition costs is made based on an independent expert's opinion. Extraordinary depreciation to the lower fair value is undertaken in case of a permanent impairment of a building's value. This is the case if the current fair value as determined by an expert is lower than the carrying amount after five years of systematic depreciation.

If the reason for the impairment ceases to exist, appreciations are undertaken up to the extent of the amortized acquisition costs.

1.2.3 Property, plant and equipment

Other items of property, plant and equipment are capitalized at acquisition or production cost and, if they have a limited useful life (3 to 23 years), are reduced pro rata temporis by systematic depreciation rates accordingly. From January 1, 2010, onwards, low-value assets up to a purchase price of EUR 410 are fully depreciated in the year in which they are purchased.

1.2.4 Financial assets

With regard to financial assets, shares in affiliates, loans to affiliates and participating interests are recorded at the lower of cost or net realizable value. In case of permanent impairment the lower fair value is recognized. If the reason for the impairment ceases to exist, appreciations up to the extent of the amortized acquisition costs are conducted.

1.2.5 Work in progress

Expenses for operating costs disbursed by the company for the tenants are capitalized as work in progress. The principle of the lower value at cost or market applies. Work in progress is valued at cost, taking the expenses that are passed on to tenants into account.

1.2.6 Receivables, other assets and Cash and bank balances

Receivables and other assets as well as current securities are stated at their nominal values. Individual value adjustments are made for identifiable risks. The principle of lower value at cost or market applies.

Cash and bank balances are stated at face value.

1.2.7 Prepaid expenses

Prepaid expenses comprise costs paid prior to the balance sheet date, as far as they refer to expenses related to a period after the balance sheet date. Furthermore, the net book values of financial derivatives (Swaps and Caps) are included in this item. These acquisition costs are allocated over the duration of the financial derivatives and are recorded as interest expenses pro rata. As far as the financial derivatives are in a hedge position with the floating interest rate expenses for the loan, these assets are not subject to devaluation to a lower fair value.

Hedge positions are exclusively formed as micro hedges that cover interest risks. They are disclosed applying the fixed value method. Their effectivity is calculated based on the hypothetical derivative method. The risks compensated each other on the date of the financial statements and will most probably continue to do so in the future.

1.2.8 Provisions

Provisions are composed of undetermined liabilities due to uncertain liabilities and default risks connected to pending transactions. They are recorded at the estimated amounts repayable, which takes price advances into account. Provisions exceeding a maturity of one year are reduced by discounts, calculated on the basis of the remaining period and the average market interests over the last seven years, as published by the Deutsche Bundesbank and according to Section 254 para. 2 HGB. Price increases over the remaining term to 2020 are not to be expected.

1.2.9 Liabilities and bonds

Liabilities and bonds are recorded at the amount repayable.

1.2.10 Deferred income

Deferred income is stated at the value of receipts prior to the balance sheet date that refers to income relating to events after the balance sheet date.

2 NOTES TO THE BALANCE SHEET

2.1 PROPERTY, PLANT AND EQUIPMENT

The development of the individual items of fixed assets, including depreciation and amortization for the fiscal year, is shown in the schedule of fixed assets (see attachment to the notes).

Depreciation on property, plant and equipment of an amount of EUR 10,928 k (previous year EUR 11,704 k) is extraordinary depreciation according to the definition of section 253 (3) sentence 3 of the German Commercial Code (HGB). Three real estate properties were sold during the reporting period. The book value of the disposed assets amounted to EUR 37,804 k. The assets were disposed for a total sales price of EUR 48,500 k. The transactions resulted in an accounting profit of EUR 10,696 k, which is recognized as a part of other operating income. Additionally, an object as well as property rights with a book value of EUR 498 k in total were exchanged for two objects valued at EUR 4,770 k as well as a cash compensation of EUR 1,044 k. The transaction resulted in an accounting profit of EUR 5,381 k. The accounting profits increased other operating income. The acquired objects were recognized by their acquisition costs of EUR 4,835 k. During the reporting period another object was acquired, which was recognized by its purchase price of EUR 12,710 k. A prepayment of EUR 39,906 k is concerning an investment property. Benefits and obligations were transferred in the fiscal year 2016.

2.2 FINANCIAL ASSETS

On the balance sheet date, alstria office REIT-AG held the following investments:

	Interest	Dec. 31, 2015	Equity Net result 2015
	%	in EUR k	in EUR k
Direct investments			
alstria Bamplerstraße GP GmbH, Hamburg	100	21	(-422.06 EUR)
alstria Englische Planke GP GmbH, Hamburg	100	21	-1
alstria Gänsemarkt Drehbahn GP GmbH, Hamburg	100	29	-1
alstria Halberstädter Straße GP GmbH, Hamburg	100	22	(-146.81 EUR)
alstria Hamburger Straße 43 GP GmbH, Hamburg	100	21	-1
alstria Ludwig-Erhard-Straße GP GmbH, Hamburg	100	23	-1
alstria Mannheim/Wiesbaden GP GmbH, Hamburg	100	21	(-275.37 EUR)
alstria Portfolio 1 GP GmbH, Hamburg	100	22	-1
alstria solutions GmbH, Hamburg	100	435	-3
alstria Steinstraße 5 GP GmbH, Hamburg	100	22	(-119.22 EUR)
alstria office Bamplerstraße GmbH & Co. KG, Hamburg	100	36,632	-2,479
alstria office Englische Planke GmbH & Co. KG, Hamburg	100	2,193	-173
alstria office Gänsemarkt Drehbahn GmbH & Co. KG, Hamburg	100	79,141	2,924
alstria office Halberstädter Straße GmbH & Co. KG, Hamburg	100	6,902	-130
alstria office Hamburger Straße 43 GmbH & Co. KG, Hamburg	100	34,361	-118
alstria office Insterburger Straße GmbH & Co. KG, Hamburg	100	-974	84
alstria office Ludwig-Erhard-Straße GmbH & Co. KG, Hamburg	100	5,110	-51
alstria office Mannheim/Wiesbaden GmbH & Co. KG, Hamburg	100	33,666	2,409
alstria office Steinstraße 5 GmbH & Co. KG, Hamburg	100	19,956	1,381
Beehive GmbH & Co. KG, Hamburg	100	25	(0.21 EUR)
DO Deutsche Office AG, Köln	94.6	776,736	-12,348
Alte Post General Partner GmbH, Oststeinbek	49	169	-5
Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG, Hamburg	49	1,265	-1,767
Indirect Investments (via DO Deutsche Office AG)			
German Acorn PortfolioCo I GmbH, Köln	94.6	-20,648	243,816
GA Regionen PortfolioCo I GmbH, Köln	94.6	-557	1,356
GA Objekt 2001 Beteiligungs GmbH, Köln	94.6	-24	2,250
GA Objekt 2003 Beteiligungs GmbH, Köln	94.6	-4,189	11,406
GA Objekt 2005 Beteiligungs GmbH, Köln	94.6	206	5,428
GA Objekt 2007 Beteiligungs GmbH, Köln	94.6	-104	9,615
GA Objekt 2008 Beteiligungs GmbH, Köln	94.6	-16,988	23,980

Equity

	Interest	Dec. 31, 2015	Net result 2015
	%	in EUR k	in EUR k
GA Objekt 2009 Beteiligungs GmbH, Köln	94.6	152	6,274
GA Objekt 2010 Beteiligungs GmbH, Köln	94.6	176	6,615
GA Objekt 2011 Beteiligungs GmbH, Köln	94.6	722	24,070
GA Objekt 2012 Beteiligungs GmbH, Köln	94.6	792	56,464
GA Fixtures and Facility Management PortfolioCo I GmbH, Köln	94.6	85	679
German Acorn PortfolioCo II GmbH, Köln	94.6	-119,507	261,998
GA 5. Objekt 1004 Beteiligungs GmbH, Köln	94.6	-2,043	5,830
GA 6. Objekt 1007 Beteiligungs GmbH, Köln	94.6	-1,081	8,405
GA 7. Objekt 1008 Beteiligungs GmbH, Köln	94.6	-1,076	8,208
GA 8. Objekt 1011 Beteiligungs GmbH, Köln	94.6	-146	20,373
GA 10. Objekt 1014 Beteiligungs GmbH, Köln	94.6	-136	6,037
GA 11. Objekt 1015 Beteiligungs GmbH, Köln	94.6	-463	6,933
GA 12. Objekt 1016 Beteiligungs GmbH, Köln	94.6	-3,413	3,285
GA 13. Objekt 1019 Beteiligungs GmbH, Köln	94.6	-1,246	8,027
GA 14. Objekt 1020 Beteiligungs GmbH, Köln	94.6	-906	7,638
GA 15. Objekt 1021 Beteiligungs GmbH, Köln	94.6	-18,289	13,285
GA 17. Objekt 1024 Beteiligungs GmbH, Köln	94.6	-46,700	57,688
GA 18. Objekt 1027 Beteiligungs GmbH, Köln	94.6	-256	8,321
GA 19. Objekt 1028 Beteiligungs GmbH, Köln	94.6	-1,952	4,814
GA 20. Objekt 1030 Beteiligungs GmbH, Köln	94.6	274	10,924
GA 21. Objekt 1034 Beteiligungs GmbH, Köln	94.6	212	7,385
GA 23. Objekt 1036 Beteiligungs GmbH, Köln	94.6	-8,699	7,760
GA 24. Objekt 1037 Beteiligungs GmbH, Köln	94.6	-158	6,538
GA 25. Objekt 1038 Beteiligungs GmbH, Köln	94.6	-19,662	15,730
GA 26. Objekt 1039 Beteiligungs GmbH, Köln	94.6	13	10,356
GA 27. Objekt 1040 Beteiligungs GmbH, Köln	94.6	-27	8,321
GA 28. Objekt 1042 Beteiligungs GmbH, Köln	94.6	-262	7,977
GA 29. Objekt 1043 Beteiligungs GmbH, Köln	94.6	-3,533	4,034
GA 32. Objekt 1046 Beteiligungs GmbH, Köln	94.6	-35	6,841
GA 34. Objekt 1048 Beteiligungs GmbH, Köln	94.6	-9,935	5,614
GA 35. Objekt 1049 Beteiligungs GmbH, Köln	94.6	-5	4,590
GA Region Nord GmbH, Köln	94.6	-179	7,807
GA Region Süd GmbH, Köln	94.6	-132	7,900
GA Region Mitte GmbH, Köln	94.6	71	11,072
GA Fixtures and Facility Management PortfolioCo II GmbH, Köln	94.6	58	171
DO PortfolioCo III GmbH, Köln	94.6	-2	23
DO Objekt 3001 Stuttgart GmbH, Köln	94.6	534	559
DO Fixtures and Facility Management PortfolioCo III GmbH, Köln (vormals: GA Region Leipzig GmbH)	94.6	-13	12

Upon registration of the capital increase on October 27 and November 3, 2015, the acquisition of 94.6% of all no-par-value bearer shares of Deutsche Office AG by way of a voluntary public take-over bid was completed. In return alstria issued to the shareholders of Deutsche Office AG 0.381 new alstria shares for 1 share of the DO Deutsche Office AG. A total of 65,067,569 new alstria shares were exchanged. The acquisition cost of EUR 822,683 k was determined by the value of alstria's new shares issued at the time of their registration in the commercial register. Next to this, expenses of acquisition in the amount of EUR 6,554 were capitalized. Due to an impairment test, the shares of DO Deutsche Office AG were depreciated by EUR 169,309 k to the fair value of EUR 659,928 k.

In the fiscal year 2015, an associated company has disbursed an amount of EUR 382 k. EUR 168 k of this amount refers to the distribution of profits, which is included in investment income. The remaining amount of EUR 215 k represents a withdrawal that reduced the carrying amount. Together with the other participator, alstria acquired a subsidiary of the associated company. In the context of this transaction, the associated company merged with its former subsidiary. The acquisition was capitalized in the financial assets with its purchase price of EUR 14 k as well as the carrying amount of the merged associated company. After an impairment of EUR 128 k to the proportionate fair value, the carrying amount of the merging associated company amounted to EUR 67 k.

Additionally, alstria withdrew an amount of EUR 12,250 k from another associated company. The withdrawal reduced the carrying amount of the company by the same amount.

In the course of the acquisition, alstria granted DO Deutsche Office AG a loan with a credit facility of EUR 500,000 k at an interest rate of 2.5% p.a. as well as a maturity of six years. As at balance sheet date EUR 149,356 k was borrowed from this credit facility.

A loan with an amount of EUR 7,700 k granted to the alstria office Englische Planke GmbH & Co. KG was settled in the reporting period.

2.3 INVENTORIES

Inventories contain recoverable service charges that were paid in 2014 (EUR 10,314 k) and recoverable service charges that were paid in the reporting period (EUR 10,617 k). The settlement of recoverable charges for 2014 has not yet been entirely concluded. Therefore, recoverable service charges resulting from 2014 are still stated as per the balance sheet date.

2.4 RECEIVABLES

Receivables from affiliated companies increased by EUR 59,873 k to the amount of EUR 80,490 k, as compared to the previous balance sheet date. The amount includes trade receivables of EUR 130 k (in 2014: EUR 292 k). The remaining amount of EUR 80,360 k (in 2014: EUR 20,325 k) results from the intra-group cash pooling arrangement. Receivables from companies in which the company has a participating interest are not existent as of balance sheet date (2014: EUR 88 k).

Other assets amounted to EUR 1,804 k as of December 31, 2015 (December 31, 2014: EUR 2,395 k). They include EUR 624 k is related to an escrow account (2014: EUR 1,648 k). The term to maturity of these receivables ends in 2020. The escrow account hedges rental guarantees with the same maturity. In addition, other assets include receivables in the amount of EUR 551 k, concerning value-added tax.

2.5 PREPAID AND DEFERRED EXPENSES

Prepaid expenses (EUR 41,073 k; in 2014: EUR 45,245 k) mainly included acquisition costs for financial derivatives (EUR 40,806 k) that have to be released over their remaining period. In 2015 an amount of EUR 4,144 k was recognized as interest expenses (in 2014: EUR 550 k).

Financial derivatives include interest swaps and caps. Their purpose is to hedge the Company's exposure to interest rate risks arising from its business activities and sources of financing. alstria office REIT-AG's financial derivatives are presented below:

Product	Notional amount EUR k	Strike price per year	Maturity Date	Fair value EUR k	Carrying amount EUR k
Cap	50,250	3.0000	30.09.2019	42	42
Cap	56,000	3.0000	17.12.2018	23	924
Swap	380,870	2.9900	20.07.2015	0	0
Cap ¹	380,870	0.0000	30.09.2020	7,113	38,512
Cap	10,900	3.0000	29.03.2024	116	410
Cap	48,951	3,0000	30.04.2021	100	705
Cap	340,000	0,2500	31.12.2017	213	213
Total				7,607	40,806

¹ Effective since 20. July 2015

The fair value of the derivatives was determined by an independent expert. The expected cash flows were discounted based on current money market rates.

The cap with a notional amount of EUR 50,250 k is not yet effective in a hedging relationship. As of December 31, 2015, its carrying amount was depreciated by EUR 6 k to its fair value.

The cap with a notional amount of EUR 56,000 k is designated for a hedging position according to the interest of a loan agreement. The cap covers 100% of the underlying transactions. Deferred expenses were released, resulting in expenses of EUR 318 k. The carrying amount was simultaneously reduced by the same amount to EUR 924 k.

The swap with a notional amount of EUR 380,870 k was not effective in a hedging relationship within the reporting period. It matured at July 20, 2015. The remaining provisions concerning its negative market value were released, increasing other operating income by EUR 6,167 k.

A cap with a notional amount of EUR 380,870 k started to be effective on July 20, 2015. The cap replaced the interest rate swap with the same notional with a term to maturity until September 30, 2020. The cap covers 100% of the underlying transaction. Its acquisition costs of EUR 42,152 k, recognized in prepaid expenses, were released by EUR 3,640 k, increasing interest expenses and values at EUR 38,512 k as of December 31, 2015.

To hedge the interest rate risk of variable interest rate loans, a cap agreement of a notional amount of EUR 10,900 k was signed with a term of the hedging relationship until March 29, 2024. The cap covers 100% of the underlying transaction. Its acquisition costs were released by EUR 50 k to an amount of EUR 410 k as at December 31, 2015, increasing interest expenses by the same amount.

The cap with a notional amount of EUR 48,591 k has a term to maturity until April 30, 2021, and was signed in the reporting period. The cap covers 100% of the underlying transaction. Its acquisition costs were released by an amount of EUR 135 k to EUR 705 k as of December 31, 2015. The interests increased by the same amount.

Moreover, a cap agreement of a notional amount of EUR 340,000 k that has a term to maturity until December 31, 2017, is not effective in a hedging relationship. The remaining acquisition costs of EUR 402 k were depreciated by EUR 189 k at its fair value as of December 31, 2015. The depreciation increased other operating expenses.

Finally, the prepaid expenses include miscellaneous expenses of EUR 266 k. A part of EUR 221 k refers to the accrued management costs of the syndicated loan concerning the following period.

2.6 EQUITY

2.6.1 Share capital (subscribed capital)

In the balance sheet of the previous period, alstria office REIT-AG's share capital of amounted to EUR 79,018 k.

A total of 7,901,847 new shares were issued for cash considerations and increased alstria office REIT-AG's share capital by EUR 7,901,847. The capital increase was registered in the commercial register on March 26, 2015.

Two shares of a notional amount of EUR 200 k in the convertible bond issued by the company were converted in the first quarter of 2015. The conversion resulted in an issue of 20,382 new shares by using the conditionally increased capital provided for such purposes (Conditional Capital 2013).

The conversion of profit participation rights in the second quarter of 2015 resulted in the issue of 156,000 new shares by utilizing the conditionally increased capital provided for such purposes.

The acquisition of DO Deutsche Office AG was realized by an exchange of stock. In the context of a capital increase in return for a contribution in kind, alstria shares were exchanged against shares of DO Deutsche Office AG (see Note 2.2). Within this transaction alstria emitted 65,067,569 new bearer shares, and the share capital increased accordingly.

Due to the aforementioned transactions, the Company's share capital has increased by EUR 73,146 k compared to the previous reporting date to an amount of EUR 152,164 k as per the balance sheet date.

The share capital is divided into 152,164,285 bearer shares in the form of no-par shares, each of which represents an interest in the capital stock of EUR 1.00.

2.6.2 Authorized capital

Due to a capital increase in the first quarter of 2015, EUR 7,902 k of the authorized capital approved by the Annual General Meeting in May 2014 was utilized.

By approval of the Annual General Meeting 2015, the remaining authorized capital 2014 was replaced by the authorized capital 2015, which amounted to EUR 39,509 k. On the occasion of the acquisition of DO Deutsche Office AG, authorized capital in the amount of EUR 2,750 k was utilized. Thus, an amount of EUR 36,759 k remains as per December 31, 2015. The authorization expires on May 5, 2017.

2.6.3 Conditional capital

As of December 31, 2014, alstria's conditional capital amounted to EUR 38,752 k. It was divided into conditional capital 2013 (EUR 38,000 k), conditional capital III (EUR 337 k), and conditional capital III 2012 (415 k), respectively. In the reporting period, EUR 20 k of the conditional capital 2013 was utilized to convert two shares of a convertible bond issued by the company. On May 6, 2015, the Annual General Meeting approved the increase of conditional capital by EUR 500 k (conditional capital III 2015). An amount of EUR 59 k of conditional capital III was utilized due to the conversion of profit participation rights, and the remaining amount has matured. An amount of EUR 97 k of conditional capital III 2012 was utilized due to another conversion of profit participation rights. As of December 31, 2015, the Company's conditional capital amounted to a total of EUR 38,798 k.

2.6.4 Capital surplus

alstria's capital surplus contains contributions of the shareholders, less withdrawals, as well as allocations resulting from capital increases, the issuance of a convertible bond and the placement of new shares.

In the reporting period the company's free capital surplus that meets the requirements of section 272 paragraph 2 No.4. HGB ["Handelsgesetzbuch": German Commercial Code] increased by EUR 94,822 k due to a capital increase against contribution in cash as well as by EUR 757,615 k due to a contribution in kind concerning the acquisition of DO Deutsche Office AG. EUR 257,602 k was transferred to balance sheet profits, pursuant to Section 270 paragraph 1 HGB.

An amount of EUR 180 k arising out of the conversion of convertible bonds was contributed to the capital surplus share pursuant to section 272 paragraph 2 No.2. A further increase of EUR 156 k resulted from the conversion of profit participation rights.

The capital surplus changed as follows during the fiscal year:

in EUR k	December 31, 2015	December 31, 2014
As of January 1	510,477	550,979
Result of capital increase in kind	94,822	0
Result of convertible bonds	180	0
Result of conversion of profit participation rights	156	85
Result of acquisition of DO Deutsche Office AG	757,615	0
Transfers from capital surplus	-257,602	-40,587
As of December 31	1,105,648	510,477

2.7 PROVISIONS

Other provisions (EUR 15,807 k; in 2014: EUR 15,970 k) were recognized mainly for accruals due to outstanding balances (EUR 8,291 k), share-based remuneration (EUR 3,470 k), bonuses (EUR 1,578 k), rental guarantees (EUR 1,152 k), Supervisory Board compensation (EUR 383 k), risks of litigation (EUR 300 k), audit fees (EUR 292 k) and miscellaneous provisions (EUR 341 k).

2.8 LIABILITIES

Schedule of Liabilities in EUR k:

	31. December 2015			Total
	up to 1 year	between 1 and 5 years	Due in more than 5 years	
1. Equity participation	103	121	0	224
2. Bond loan	1,168	79,200	500,000	580,368
3. Bank loans and overdrafts	27,938	531,270	20,851	580,059
4. Payments received on account	22,927	0	0	22,927
5. Trade payables	3,412	0	0	3,412
6. Liabilities to affiliated companies	94,026	0	0	94,026
7. Other liabilities	1,307	1,613	0	2,920
- (thereof for taxes)	(147)	0	0	(147)
Total	150,881	612,204	520,851	1,283,936

	31. December 2014			Total
	up to 1 year	between 1 and 5 years	Due in more than 5 years	
1. Equity participation	97	167	0	264
2. Bond loan	0	79,400	0	79,400
4. Bank loans and overdrafts	1,136	88,115	522,269	611,520
5. Payments received on account	22,876	0	0	22,876
6. Trade payables	2,395	0	0	2,395
7. Liabilities to affiliated companies	70,250	0	0	70,250
8. Other liabilities	1,378	1,750	0	3,128
- (thereof for taxes)	(80)	0	0	(80)
Total	99,882	167,682	522,269	789,833

2.8.1 Bond Loan

In the third quarter of the reporting period, a bond loan in a total amount of EUR 500 m and a coupon of 2.25% p.a. were issued. The bond has a maturity until March 24, 2021, and was recognized with its nominal amount of EUR 500,000 k; additionally, interest liabilities in the amount of EUR 1,168 k were recognized as per the balance sheet date.

Two shares of the convertible bond with a total amount of EUR 200 k were converted in the reporting period. The convertible bond decreased equally by EUR 200 k to an amount of EUR 79,200 k as of December 31, 2015.

2.8.2 Bank loans and overdrafts

EUR 470,556 k of the bank loans and overdrafts relate to a syndicated loan, which will be repayable on September 30, 2020. An amount of EUR 30,514 k has been amortized. During the reporting period, interest expenses amounting to EUR 7,914 k incurred due to this loan. On the balance sheet date, EUR 20 k in interest payables was accrued.

On the balance sheet date, another loan was disclosed at the previous year's amount of EUR 47,223 k. Interest expenses during the reporting period amounted to EUR 929 k, of which EUR 2 k in accrued interest expenses was reported in interest liabilities.

A third loan was recognized at the balance sheet date by an amount of EUR 39,500 k. The loan resulted in interest expenses of EUR 477 k, of which EUR 2 k was accrued as interest liabilities.

Finally, a loan in the amount of EUR 22,678 k was recognized on the balance sheet date. The amount includes a current portion of EUR 435 k. alstria redeemed a portion of EUR 348 k in the reporting period. Interest expenses in the amount of EUR 308 k were incurred due to this loan, of which EUR 77 k in accrued interest expenses was reported in interest liabilities. The accrued interest expenses are current payables too.

The loans are secured by land charges for real estate property owned by alstria. To secure loans in the amount of EUR 580,059 k, alstria assigned receivables from rental and property purchase agreements as well as insurance receivables and derivative financial instruments to the lenders; in addition, liens were granted on bank accounts.

2.8.3 PrePayments received

The prepayments for running expenses as received from the tenants are shown under prepayments received.

2.8.4 Liabilities to affiliated companies

Liabilities due to affiliated companies result from the intra-group cash pooling arrangement.

2.8.5 other liabilities

The other liabilities (EUR 2,920 k) mainly include rent deposits in the amount of EUR 1,613 k as well as security deductions amounting to EUR 991 k.

2.9 OTHER FINANCIAL COMMITMENTS

Other financial obligations from ongoing maintenance and refurbishment projects amounted to EUR 8,543 k (2014: EUR 9,513 k).

As of December 31, 2015, leasing contracts resulted in future financial obligations of EUR 644 k. These commitments included EUR 233 k in agreements with a remaining maturity of less than one year and EUR 411 k in leases with a remaining maturity of one to five years.

In connection with the acquisition of four real estate properties, the subsidiaries alstria office Gänsemarkt Drehbahn GmbH & Co. KG and alstria office Halberstädter Strasse GmbH & Co. KG took out a loan. alstria has issued a guarantee of an amount of the loan. On the balance sheet date, this loan was valued at EUR 56,501 k.

alstria gave a further security to guarantee a mutual agreement between alstria office Insterburger Straße GmbH & Co. KG and the GE Capital Factoring GmbH amounting to EUR 148 k.

Apart from this, alstria gave a security to guarantee a bank loan of alstria office Insterburger Straße GmbH & Co. KG amounting to EUR 8,777 k.

The underlying obligations can be fulfilled by the four companies in all cases; a drawdown is not to be expected.

3 INCOME STATEMENT

3.1 REVENUES

Total operating performance amounted to EUR 80,998 k in the period and consists of revenues from rental income and operating costs, resulting from charging tenants, as well as inventory changes in relation to work in process.

3.2 OTHER OPERATING INCOME

The other operating income is made up as follows:

in EUR k	2015	2014
Proceeds from property disposals	16,077	1,133
Proceeds from appreciations on land and buildings	7,493	9,132
Income from the reversal of accrued liabilities	7,348	10,509
Proceeds from payments in kind	1,463	647
Proceeds from compensation for early lease termination	1,202	3,710
Reimbursement for service charges	1,089	1,236
Insurance proceeds	301	84
Proceeds from personnel leasing	199	159
Refunds of value added tax	119	265
Income from Funding Fees	0	491
Other	514	230
Total	35,805	27,596

Proceeds from property disposals arose from the disposal of three objects as well as the disposal of a property right in exchange for the transfer of investment property and purchase prices (see Note 2.1).

Proceeds from appreciations on land and buildings resulted from increased market values on investment property.

EUR 6,169 k in income resulted from the reversal of accrued liabilities from releases of provisions for contingent losses (see Note 2.5). Apart from this, EUR 954 k was related to the release of provisions for rental guarantees as a result of alterations of risk assessment.

Proceeds from payments in kind were mainly related to charges out of payroll tax deductions as to participation certificates, which are recognized in the personnel expenses. The charges were passed on to the employees and stated in the other operating income with the same amount.

Proceeds from compensation for early lease terminations relate to compensation payments from tenants for the termination of leases prior to maturity, as well as compensations for the omitted removal of fittings by the tenant. Furthermore, the proceeds include expenses for refurbishment measures that were passed on to tenants.

Reimbursements for service charges relates to property expenses that were prepaid by alstria and then passed on to the respective group companies.

Insurance proceeds contain payments due to the regulation of claims.

3.3 COST OF MATERIALS

The cost of materials is made up as follows:

in EUR k	2015	2014
Operating expenses	8,666	9,554
Land tax	3,490	3,283
Maintenance costs	2,343	1,842
Passed-on charges	498	488
Insurance costs	585	428
Repairs	77	57
Other	203	112
Total	15,862	15,764

The cost of materials comprises costs of services for all surcharge expenses related to operating lease activities, including expenses for heating, cleaning and land taxes as well as for maintenance and refurbishment. As far as the costs of materials are costs of services allocable to the tenant, they are capitalized as work in progress. Expenses for land tax, as disclosed in the cost of materials together with those included in other expenses, totaled EUR 3,584 k in the reporting year (previous year: EUR 3,378 k).

3.4 PERSONNEL EXPENSES

The salaries and wages of the reporting period amounted to EUR 11,175 k. The increase as compared to the previous year of EUR 3,382 k is mainly based on the increase in expenses for equity-based compensation (EUR +1,867 k) as well as in the increase of expenses for performance-based compensation (EUR +816 k). Proceeds arising from the performance-based compensation are recognized in other operating income at the exact same amount, hence having a neutralizing effect.

3.5 OTHER OPERATING EXPENSES

Other operating expenses are made up as follows:

(in EUR k)	2015	2014
Real estate operating expenses	14,863	9,556
Legal and consulting fees	9,393	2,079
Audit fee and other audit-related expenses	429	335
General Administration expenses	405	326
Supervisory Board compensation	404	305
Travel expenses	400	319
Expenses for conferences and marketing	319	330
Depreciations of derivative financial instruments	296	984
IT costs	222	518
Telecommunication and postal charges	171	251
Carpool expenses	164	154
Leasing and leasing-related expenses	122	94
Allowance for doubtful debts	112	111
Insurance costs	107	99
Property disposal losses	0	590
Other	1,635	1,600
Total	29,042	17,651

Real estate operating expenses increased by EUR 5,307 k. This was primarily due to an increase of expenses for modifications in connection to new tenants.

The increase of legal and consulting fees by EUR 7,314 k is mainly due to expenses in the course of the acquisition of DO Deutsche Office AG (EUR 4,700 k), expenses for the rating process (EUR 1,006 k) and consulting fees for development of innovative letting concepts (EUR 580 k).

3.6 INCOME FROM PARTICIPATING INTERESTS

The income from participating interests contains a profit distribution of EUR 168 k from a joint venture company (see Note 2.2).

3.7 INCOME FROM LOANS FROM FINANCIAL ASSETS

The income from loans from financial assets in the amount of EUR 1,008 k (previous year: EUR 961 k) resulted from interest income on loans granted to subsidiaries.

3.8 OTHER INTEREST AND SIMILAR INCOME

Interest income (EUR 68 k) results from interest income on bank deposits.

3.9 WRITE DOWN OF LONG TERM FINANCIAL ASSETS

Due to an impairment test, the shares of DO Deutsche Office AG were written down by EUR 169,309 k to their fair value. A further impairment to the book value of a participating interest led to EUR 128 k in depreciations (see Note 2.1).

3.10 INTEREST AND SIMILAR EXPENSES

Interest expenses in the reporting period amounted to EUR 28,336 k. The expenses comprise EUR 9,628 k of interest expenses due to bank loans, interest expenses in the amount of EUR 6,259 k due to financial derivatives, EUR 4,143 k due to the allocation of acquisition costs concerning financial derivatives (see Note 2.5), EUR 3,905 k in expenses regarding the emission of a bond loan, EUR 2,179 k of interest expenses due to a convertible bond and EUR 1,168 k interests on a bond loan.

3.11 INCOME TAXES

Because of the Company's REIT tax exemption, there were no expenses for corporate income tax and trade tax in 2015.

4 OTHER NOTES

4.1 COMPENSATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

4.1.1 Management Board

Management Board The following total remuneration was granted to the members of the Management Board according to Section 285 no. 9a HGB ("Handelsgesetzbuch"):

in EUR k	2015	2014
Short-term benefits	1,287	1,281
Share-based remuneration	905	905
Total	2,192	2,186

As at the reporting date, liabilities for the compensation of the members of the Management Board amounted to EUR 378 k (2014: EUR 378 k).

4.1.2 Supervisory Board

Pursuant to the Articles of Association, the Supervisory Board members' fixed annual remuneration amounted to EUR 353 k (2014: EUR 305 k).

With respect to the required disclosures according to Section 285 no. 9a HGB ("Handelsgesetzbuch," German Commercial Code) we refer to the Remuneration Report in the attachment to the Management Report.

4.2 AUDITOR'S FEES

By resolution of the Annual General Meeting held on May 6, 2015, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Dammtorstraße 12, Hamburg, was appointed to perform the audit of the separate and consolidated financial statements for financial year 2015. The fee for the audit of the financial statements in 2015 was EUR 429 k. Other audit-related services accounted for expenses of EUR 363 k.

4.3 SHARES

The share capital is divided into 152,164,285 non-par value bearer shares.

4.4 SUPERVISORY BOARD

Pursuant to the Company's Articles of Association (Section 9), the Supervisory Board consists of six members who are elected by the general meeting of the shareholders.

During financial year 2015 the members of the supervisory board were:

Alexander Stuhlmann Chairman	Hamburg, Germany	Management Consultant
since November 4, 2015	Alexander Stuhlmann GmbH (i. L.) Capital Stage AG DO Deutsche Office AG Euro-Aviation Versicherungs AG Frank Beteiligungsgesellschaft mbH GEV AG (Frank-Gruppe) HASPA Finanzholding HCI Capital AG Siedlungsbaugesellschaft Hermann und Paul Frank mbH & Co. KG	Managing Director, (Liquidator) Vice-Chairman of the Supervisory Board Member of the Supervisory Board Chairman of the Supervisory Board Chairman of the Advisory Board Chairman of the Supervisory Board Member of the Board of Trustees Chairman of the Supervisory Board Chairman of the Advisory Board
Hermann T. Dambach Vice-Chairman	Bad Homburg, Germany	Oaktree GmbH, Managing Director
since October 27, 2015 until November 3, 2015	DO Deutsche Office AG Railpool GmbH	Chairman of the Supervisory Board Chairman of the Advisory Board

4.6 EMPLOYEES

During the period from January 1, 2015, to December 31, 2015, the Company employed 66 employees on average (2014: 62 employees on average). The average was calculated based on the number of employed people at the end of each quarter. On December 31, 2015, alstria office REIT-AG employed 69 employees (December 31, 2015: 63 employees), excluding the management board.

	Average 2015	Employees December 31, 2015
Real estate management and development	35	35
Finance and legal	18	21
Other occupations	13	13
Total	66	69

4.7 CONVERTIBLE PROFIT PARTICIPATION RIGHTS PROGRAM

On September 5, 2007, the Supervisory Board of the Company resolved the issuance of convertible profit participation certificates (“certificates”) to employees of the Company and of companies in which alstria office REIT-AG directly or indirectly holds a majority interest. Members of alstria office REIT-AG’s Management Board are not considered employees of the Company in terms of this convertible profit participation rights program. With a resolution, the Supervisory Board fixed the details of the convertible profit participation rights program in accordance with an authorization granted by the general meeting of shareholders on March 15, 2007. The convertible profit participation rights program was renewed by the Supervisory Board with minor modifications in 2012 in accordance with an authorization granted by the general meeting of shareholders on April 24, 2012.

The main terms of the program’s Board can be summarized as follows:

The nominal amount of each certificate is EUR 1.00, which is payable upon issuance. Under the program, a maximum of 500,000 certificates may be granted for using the conditional capital III (2012-2017) created by the Annual General Meeting in 2012. By the end of the reporting period, certificates were granted corresponding to EUR 426,050 of conditional capital. In 2015, the Annual General Meeting approved the establishment of additional conditional capital III (2015-2020) with an aggregate nominal value of up to EUR 500 k for the conversion of 500,000 certificates. At the end of the reporting period, no certificates in relation to this conditional capital (2015-2020) had been granted.

The certificates are issued as nontransferable rights and are neither sellable, pledgeable, nor otherwise chargeable.

The maximum term of each certificate is five years.

During its term, each certificate entitles the holder to a disbursement corresponding to the amount of the dividend per share that the Company paid for a full business year. For certificates held by a beneficiary for less than a full business year, the profit share is reduced pro rata temporis.

Each certificate shall be converted into one non-par-value bearer share in the Company on the second, third, fourth or fifth anniversary date of the issue date if the Company's then-current stock exchange share price has exceeded the price on the issue date by 5% or more on at least seven non-subsequent trading days (market condition). For the 102,750 certificates issued on May 7, 2014, and the 121,000 certificates issued on May 7, 2015, this market condition was fulfilled until the end of the financial year 2015.

Upon conversion of a certificate, the beneficiary shall pay an additional conversion price to the Company for each certificate to be converted. The conversion price shall be the aggregate proportionate amount of the Company's share capital to which the certificate entitles the holder; this amount shall be payable in addition to the offer price.

The fair values of the inherent options for conversion were estimated at the respective granting dates using a binary barrier option model based on the Black-Scholes model, and the conversion will be affected automatically once the barrier has been reached. The model takes into account the terms and conditions upon which the instruments were granted.

4.8 GROUP RELATIONSHIP

alstria office REIT-AG prepares the consolidated financial statements. These statements are published in the Bundesanzeiger (web-based version of "German Federal Gazette"). The majority of alstria's shares are in free float. No entity or person has a controlling influence over the Company. alstria office REIT-AG is the ultimate parent company of the Group.

5 DISCLOSURES PURSUANT TO WERTPAPIERHANDELSGESETZ

5.1 AD-HOC ANNOUNCEMENTS

The following table summarizes the announcements pursuant to Sec. 15 para. 1 German Securities Trading Act (WpHG) as published by the Company during the reporting period:

Date	Topic
Mar. 24, 2015	Capital increase of up to 7,901,847 new shares to finance further growth
Mar. 24, 2015	alstria office REIT-AG successfully executed capital increase with gross proceeds of EUR 102.7 m
June 16, 2015	Exchange offer and capital increase
July 23, 2015	Extraordinary shareholders' meeting approves capital increase in connection with takeover offer to the shareholders of DO Deutsche Office AG
Oct. 2, 2015	Takeover offer DO Deutsche Office AG - Minimum acceptance rate exceeded
Oct. 27, 2015	alstria office REIT-AG announces the successful closing of its voluntary public takeover offer to the shareholders of DO Deutsche Office AG
Nov. 3, 2015	alstria office REIT-AG acquires additional 4.00% of DO Deutsche Office AG against issuance of new shares
Nov. 17, 2015	alstria office REIT-AG issues corporate bond with a nominal value of EUR 500 m

5.2 DIRECTORS' DEALINGS

The following table summarizes the transactions reported to the Company pursuant to Sec. 15a para. 1 WpHG during the reporting period:

	1. Transaction	2. Transaction
Name of person subject to the disclosure requirement	Alexander Stuhlmann	Alexander Stuhlmann
Function	Member of the supervisory board	Member of the supervisory board
Classification of the financial instrument	Share	Share
ISIN	DE000A0LD2U1	DE000A0LD2U1
Transaction	Sell	Sell
Place	XETRA	XETRA
Transaction date	Jan. 23, 2015	Feb. 2, 2015
Price per share in EUR	11.33225	11.461545
Number of shares	2,000	1,000
Deal volume in EUR	22,664.50	11,461.55

5.3 VOTING RIGHT NOTIFICATIONS

Information according to Section 160 para. 1 No. 8 of the German Stock Corporation Act (AktG): The following table shows shareholdings in the Company that were in place on the balance sheet date of 2015 and that were communicated to us pursuant to Section 21 para. 1 WpHG and have been published pursuant to Section 26 para. 1 WpHG. Moreover, shareholdings were considered that were in place until the date of the preparation of the financial statements that were communicated to us pursuant to Section 21 para. 1 WpHG and have been published pursuant to Section 26 para. 1 WpHG. The Company did not receive any notifications pursuant to Section 20 para. 1 and 4 AktG or pursuant to Section 21 para. 1a WpHG during the reporting period.

No.	Shareholders, registered office	Voting rights (new) (in %)	Strike threshold (in %)	Date of change	Attribution of voting rights	Contains 3% or more of voting rights from
1	BlackRock Advisors Holdings, Inc., New York, NY, USA	2.95	3	Feb. 10, 2015	Yes	-
2	BlackRock Group Limited, London, United Kingdom	2.97	3	Mar. 06, 2015	Yes	-
3	BlackRock International Holdings, Inc., New York, NY, USA	2.9996	3	Mar. 13, 2015	Yes	-
4	BR Jersey International Holdings L.P., St. Helier, Jersey, Cayman Islands	2.9996	3	Mar. 13, 2015	Yes	-
5	Deutsche Bank AG, Frankfurt am Main, Germany	0.00	3 and 5	Mar. 30, 2015	No	-
6	BlackRock, Inc., Wilmington, Delaware, USA	2.9998	3	May 22, 2015	Yes	-
7	BlackRock Holdco 2, Inc., Wilmington, Delaware, USA	2.9998	3	May 22, 2015	Yes	-
8	BlackRock Financial Management, Inc., Wilmington, Delaware, USA	2.9998	3	May 22, 2015	Yes	-
9	BNP Paribas Investment Partners UK Ltd, London, United Kingdom	2.45	3	July 20, 2015	Yes	-
10	BNP Paribas Investment Partners Belgium S.A., Brussels, Belgium	2.45	3	July 20, 2015	No	-
11	FMR LLC, Boston, USA	2.86	3	Oct. 6, 2015	Yes	-
12	OCM Luxembourg EPOF Herkules Holdings S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	3.56	3	Oct. 27, 2015	Yes	-
13	OCM Luxembourg EPOF S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	3.56	3	Oct. 27, 2015	Yes	-
14	OCM European Principal Opportunities Fund, L.P., George Town, Grand Cayman, Cayman Islands	3.56	3	Oct. 27, 2015	Yes	-
15	OCM European Principal Opportunities Fund GP, L.P., George Town, Grand Cayman, Cayman Islands	3.56	3	Oct. 27, 2015	Yes	-

No.	Shareholders, registered office	Voting rights (new) (in %)	Strike threshold (in %)	Date of change	Attribution of voting rights	Contains 3% or more of voting rights from
16	OCM European Principal Opportunities Fund GP, Ltd., George Town, Grand Cayman, Cayman Islands	3.56	3	Oct. 27, 2015	Yes	-
17	Oaktree Fund GP I, L.P., Wil- mington, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutsch- land AG; UniCredit Bank AG
18	Oaktree Capital I, L.P., Wil- mington, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutsch- land AG; UniCredit Bank AG
19	OCM Holdings I, LLC, Wilming- ton, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutsch- land AG; UniCredit Bank AG
20	Oaktree Holdings, LLC, Wil- mington, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutsch- land AG; UniCredit Bank AG
21	Oaktree Capital Group, LLC, Wilmington, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutsch- land AG; UniCredit Bank AG
22	Oaktree Capital Group Hold- ings, LP, Wilmington, Dela- ware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutsch- land AG; UniCredit Bank AG
23	Oaktree Capital Group Hold- ings GP, LLC, Wilmington, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutsch- land AG; UniCredit Bank AG
24	OCM Luxembourg POF IV Her- kules Holdings S.à.r.l, Luxem- bourg, Grand Duchy of Luxem- bourg	5.97	3 and 5	Oct. 27, 2015	Yes	-
25	OCM Luxembourg POF IV S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	5.97	3 and 5	Oct. 27, 2015	Yes	-
26	OCM Principal Opportunities Fund IV, L.P., George Town, Grand Cayman, Cayman Island:	5.97	3 and 5	Oct. 27, 2015	Yes	-
27	OCM Principal Opportunities Fund IV GP, L.P., George Town, Grand Cayman, Cayman Islands	5.97	3 and 5	Oct. 27, 2015	Yes	-
28	OCM Principal Opportunities Fund IV GP Ltd, George Town, Grand Cayman, Cayman Island:	5.97	3 and 5	Oct. 27, 2015	Yes	-
29	OCM Luxembourg OPPS VII Homer Holdings S.à.r.l, Lux- embourg, Grand Duchy of Luxembourg	4.63	3	Oct. 27, 2015	Yes	-
30	OCM Luxembourg OPPS VII S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	4.63	3	Oct. 27, 2015	Yes	-
31	OCM Opportunities Fund VII, L.P., George Town, Grand Cayman, Cayman Islands	4.63	3	Oct. 27, 2015	Yes	-
32	OCM Opportunities Fund VII	4.63	3	Oct. 27, 2015	Yes	-

No.	Shareholders, registered office	Voting rights (new) (in %)	Strike threshold (in %)	Date of change	Attribution of voting rights	Contains 3% or more of voting rights from
	GP, L.P., George Town, Grand Cayman, Cayman Islands					
33	OCM Opportunities Fund VII GF Ltd., George Town, Grand Cayman, Cayman Islands	4.63	3	Oct. 27, 2015	Yes	-
34	OCM Luxembourg OPPS Herkules Holdings S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	7.31	3 and 5	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
35	OCM Luxembourg OPPS VI S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	7.31	3 and 5	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
36	OCM Opportunities Fund VI L.P., Wilmington, Delaware, USA	7.31	3 and 5	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
37	OCM Opportunities Fund VI GP L.P., Wilmington, Delaware, USA	7.31	3 and 5	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
38	J.P. Morgan Investment Management Inc, New York, USA	1.77	3	Nov. 3, 2015	Yes	-
39	JPMorgan Asset Management (UK) Limited, London, United Kingdom	1.77	3	Nov. 3, 2015	Yes	-
40	JPMorgan Chase Bank, National Association, Columbus, Ohio, USA	1.77	3	Nov. 3, 2015	Yes	-
41	Cohen & Steers Capital Management, Inc., New York, USA	2.20	3	Oct. 27, 2015	Yes	-
42	CNP Assurances SA, Paris, France	2.71	3	Oct. 27, 2015	No	-
43	BNP Paribas Investment Partners S.A., Paris, France	4.51	5	Oct. 27, 2015	Yes	-
44	BNP Paribas Asset Management SAS, Paris, France	2.42	3	Oct. 27, 2015	Yes	-
45	BNP Paribas Investment Partners Luxembourg, Hesperange, Luxembourg	1.96	3	Oct. 27, 2015	Yes	-
46	UBS Finanzholding GmbH, Frankfurt am Main, Germany	0.00	3, 5, 10, 15, 20	Oct. 29, 2015	No	-
47	UBS Beteiligungs-GmbH & Co. KG, Frankfurt am Main, Germany	0.00	3, 5, 10, 15, 20	Oct. 29, 2015	No	-
48	UBS Deutschland AG, Frankfurt am Main, Germany	0.00	3, 5, 10, 15, 20	Oct. 29, 2015	No	-
49	UBS Group AG, Zurich, Switzerland	1.04	3, 5, 10, 15, 20	Oct. 29, 2015	Yes	-
50	UBS AG, Zurich, Switzerland	1.04	3, 5, 10, 15, 20	Oct. 29, 2015	Yes	-
51	UniCredit S.p.A., Rome, Italy	0.00014	3, 5, 10, 15, 20	Oct. 29, 2015	Yes	-
52	UniCredit Bank AG, Munich, Germany	0.00014	3, 5, 10, 15, 20	Oct. 29, 2015	No	-
53	Cohen & Steers, Inc., New York, USA	2,92	3	24.02.2016	Ja	-
54	Brookfield Investment Management, Inc., New York, USA	2,96	5	10.03.2016	Ja	-

6 DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 AKTG (AKTIENGESETZ-GERMAN STOCK CORPORATION ACT)

The Management Board and the Supervisory Board have submitted the declaration of compliance as required by Section 161 AktG regarding the recommendations of the German Corporate Governance Code developed by the government commission. It is furthermore permanently available to the shareholders on alstria office REIT-AG's website (www.alstria.com).

Hamburg, March 18, 2016

Olivier Elamine
(CEO)

Alexander Dexne
(CFO)

	Acquisition and manufacturing costs				Accumulated amortization and depreciation					Book values		
	1.1.2015 EUR	Additions EUR	Disposals EUR	Transfers EUR	31.12.2015 EUR	1.1.2015 EUR	Additions EUR	Disposals EUR	Appreciations EUR	31.12.2015 EUR	31.12.2015 EUR	31.12.2014 EUR
I. Intangible assets												
Concessions, commercial intellectual property rights and similar rights and assets as well as licences	1,880,643	82,319	0	0	1,962,962	1,538,268	191,305	0	0	1,729,573	233,389	342,375
II. Property, plant and equipment												
1. Land, property rights and buildings	1,317,646,835	20,094,735	47,928,120	18,906,882	1,308,720,332	242,048,330	37,900,973	9,625,922	7,492,787	262,830,594	1,045,889,738	1,075,598,505
2. Technical plant and machinery	2,484,289	0	344,500	0	2,139,789	1,735,413	146,630	344,500	0	1,537,543	602,247	748,876
3. Other plant, operating and office equipment	955,001	58,901	0	0	1,013,902	520,486	89,335	0	0	609,821	404,081	434,515
4. Prepayments and construction in progress	22,583,427	55,310,421	0	-18,906,882	58,986,966	0	0	0	0	0	58,986,966	22,583,427
	1,343,669,552	75,464,057	48,272,620	0	1,370,860,990	244,304,229	38,136,938	9,970,422	7,492,787	264,977,958	1,105,883,032	1,099,365,323
III. Financial assets												
1. Shares in affiliated companies	187,028,962	829,260,984	0	0	1,016,289,946	0	169,309,343	0	0	169,309,343	846,980,603	187,028,962
2. Loans to affiliated companies	17,744,819	149,355,995	7,700,000	0	159,400,814	0	0	0	0	0	159,400,814	17,744,819
3. Participating interests	22,579,266	80,920.13	20,633,092	0	2,027,094	7,970,745	127,526	8,098,270	0	0	2,027,094	14,608,521
4. Loans to companies in which the company has a participating interest	0	0	0	0	0	0	0	0	0	0	0	0
	227,353,047	978,697,900	28,333,092	0	1,177,717,854	7,970,745	169,436,869	8,098,270	0	169,309,343	1,008,408,511	219,382,302
	1,572,903,242	1,054,244,276	76,605,712	0	2,550,541,807	253,813,242	207,765,112	18,068,692	7,492,787	436,016,875	2,114,524,932	1,319,090,000

2. AUDITORS' REPORT

We have audited the financial statements comprising the income statement, the balance sheet and the notes to the financial statements together with the bookkeeping system and the management report of alstria office REIT-AG, Hamburg, for the year ended December 31, 2015. The maintenance of the books and records and the preparation of the financial statements and the management report in accordance with German commercial law are the responsibility of the entity's Management Board. Our responsibility is to express an opinion on the financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the financial statements in accordance with Section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the entity and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the financial statements and the management report are examined primarily on a sample basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements of alstria office REIT-AG, Hamburg, comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the entity in accordance with German principles of proper accounting. The management report is consistent with the financial statements and as a whole provides a suitable view of the entity's position and suitably presents the opportunities and risks of future development.

Hamburg March 18, 2016

Deloitte & Touche GmbH

Wirtschaftsprüfungsgesellschaft

Signed: (Reiher)

Wirtschaftsprüfer

[German Public Auditor]

Signed: (Deutsch)

Wirtschaftsprüferin

[German Public Auditor]

BUILDING YOUR FUTURE



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