alstria

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FINANCIAL STATEMENTS

German GAAP

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alstria office REIT-AG, Hamburg

MANAGEMEMENT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Translation: German version prevails

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MANAGEMENT REPORT 2018

ECONOMICS AND STRATEGY

ECONOMIC CONDITIONS

The German economy again proved to be solid in 2018. Germany's GDP increased by 1.5 %, after 2.2 % in previous years. The growth has lost some of its momentum. However, a longer-term consideration shows that the average of the last ten years (+1.2 %) was exceeded. This good development was also reflected in the German labor market, as the unemployment rate decreased by 0.5 percentage points to 5.2 %. The employment level reached an all-time peak of 44.8 million employees, which is 1.3 % more than last year.*

The total volume of the German investment market for commercial real estate increased by 6.0 % to EUR 60.1 billion compared to the previous year of EUR 57.4 billion. It can be concluded that Germany still offers great investment opportunities due to its strong key economic and real estate figures.**

Overview of the German office-property market

Development of office rents

In 2018, according to the largest commercial real estate agencies, the average rents for office space in seven important commercial real estate markets — Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, and Stuttgart — known as the Big 7 — exceeded the previous year's levels. Berlin reached the highest average rent for office space at EUR 21.48/m², followed by Frankfurt at EUR 20.52/m², Munich at EUR 18.86/m², Hamburg at EUR 15.92/m², Düsseldorf at EUR 15.67/m², Stuttgart at EUR 14.00/m², and Cologne at EUR 13.80/m².

Take-up in major German cities

The vacancy rate of office properties in German cities decreased from 4.8 % in 2017 to 4.0 % in 2018, which represents a total vacancy of 3.4 million m² (a decrease of 0.9 million m²). Among the Big 7, the highest vacancy rate was recorded in Düsseldorf at 7.4 %, followed by those in Frankfurt at 7.1 %, Hamburg at 4.0 %, Cologne at 3.0 %, Munich at 2.5 %, Stuttgart at 2.3 %, and Berlin at 1.9 %.

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* Annual Economic Report 2019 from the Federal Ministry of Economics and Energy.
** Sources of real estate market data in this chapter are Jones Lang LaSalle, Colliers International Deutschland GmbH, BNP Paribas Real Estate, and CBRE GmbH.

New lease-ups

In 2018 new lease contracts were signed for more than 3.9 million m² of office space in the Big 7 German cities. This reflects a decrease of 0.3 million m², or 6.9 %, compared to the previous year. Nevertheless, the revenues achieved in most of the cities are under the top 2 or top 3 results of all times. The highest positive take-ups of office space were registered in Munich at 978,325 m² (−1.1 %), along with 826,025 m² (−11.2 %) in Berlin, 637,375 m² (−10.3 %) in Frankfurt and 568,000 m² (−9.7 %) in Hamburg. In defiance of the national trend, Düsseldorf at 382,875 m² (+3.5 %) showed an increase compared to the previous year. Cologne at 300,400 m² (−2.6 %), and Stuttgart at 215,700 m² (−17.5 %) showed a decline in office space sales. In particular, these declines were attributed to the declining supply of space.

New office supply

According to the largest commercial real estate agencies, approx. 985,000 m² of new office space was built in 2018. Compared to last year, this was an increase of around 7.9 %. Cologne (+30.7 %), Berlin (+29.7 %), Munich (+26.2 %) and Frankfurt (+0.8 %) were the only cities of the Big 7 that generated an increase in new office spaces compared to the previous year. The amount of new office builds declined in the other Big 7 markets, including Stuttgart (−27.3 %) Düsseldorf (−17.0 %) and Hamburg (−1.6 %). For 2019, the completion volume is forecasted to increase (approx. 1,680,000 m²).

Investment markets

The positive trend in the investment markets continued in financial year 2018. Total investment volume (around EUR 60.1 billion for commercial assets) was around 6.0 % higher than the previous year's result. The Big 7 cities recorded a transaction volume of around EUR 32.4 billion. Through the increase in Frankfurt's market volume, Frankfurt (EUR 9.2 billion; +31.1 %) replaced Berlin (EUR 6.0 billion; −20.9 %) at the top. Munich's market had the third-highest transaction volume of the Big 7 at EUR 5.6 billion (−1.9 %), followed by Hamburg at EUR 4.9 billion (+32.3 %), Düsseldorf at EUR 3.3 billion (+9.2 %), Stuttgart at EUR 1.9 billion (+43.9 %), and Cologne at EUR 1.5 billion (−28.0 %). With regard to the deal structure, around 62 % of the commercial investment turnover in the 2018 financial year was related to single-asset deals, while the share of portfolio transactions amounted to 38 %; these values are in accordance with those from the previous year.

There were no apparent fundamental changes in investment strategies due to the price increases of real estate, although there were indications of a slightly higher risk tolerance. Nevertheless, investors are more interested in value-add assets. Followed by core assets — which are characterized by their good condition, good location, and long-term, attractive letting status — and core-plus, and opportunistic assets.

STRATEGY AND STRUCTURE

alstria office REIT-AG (hereafter referred to as 'the Company') is a real estate company listed on the Frankfurt Stock Exchange. As of December 31, 2018, the alstria Group consisted of the corporate parent, alstria office REIT-AG, and 50 direct and indirect subsidiaries (together hereafter referred to as 'alstria' or 'the Group'). Operational decisions are made at the parent-company level. While alstria office REIT-AG directly held more than 50 % of the Company's real estate assets (69 properties with an overall market value of EUR 2.0 billion), the remaining real estate assets were held by 34 subsidiaries as of December 31, 2018.

alstria pursues a long-term investment strategy for its portfolio, which is essentially based on the following assumptions:

- Considering the high market prices on the German office investment market, alstria follows a more selective investment strategy, thereby using the current market situation for the sale of non-strategic assets.
- Opportunities in the German office market can be found in the modernization of rental space, which owing to its age, no longer meets today's requirements.
- By modernizing of office space, a higher rental income can be achieved, as well as an increase in real estate value.

alstria faces these challenges with a long-term strategy that is characterized by high price discipline in terms of its acquisitions and by 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 have successful letting activities in the long run.
- Continuous investments secure the quality of the assets. Increased value can only be realized through constant modernization measures and reduced vacancy.
- The potential of value enhancements is realized through comprehensive repositioning and asset development.
- Providing the best value for the money secures the lettability of the assets. Many tenants are price sensitive, and only lessors who offer better value for money than the competition will be successful.

The aim of this strategy is the steady development of revenues and funds from operations (FFO).

Due to its active asset management approach and its high level of discipline regarding prices, alstria believes it has been able to achieve above-average returns in past years. The precondition that this will remain true for the future is supported by the following facts:

- alstria's portfolio has a weighted average of unexpired lease terms — WAULT — of around 5.4 years. Approx. 62 % of its rental income is derived from a limited number of high-quality tenants.

- alstria pursues a nontrading strategy and focuses on long-term value creation by conducting work on and within each building (i. e., asset and property management). At alstria, these activities are handled internally, which differentiates the Company from its main public and private competitors.
- A key element of alstria's strategy is supporting tenants in optimizing their real estate operating costs. From the tenants' point of view, real estate operating expenses are crucial in the decision-making process for rental agreements. alstria believes that optimizing costs using active asset and property management will offer new potential for successful letting activities.

FINANCIAL ANALYSIS

EARNINGS POSITION

The following table shows the key operating figures of the audited income statements for the 2018 and 2017 financial years:

Profit and Loss Statement

in EUR k	2018	% of oper. perf.	2017	% of oper. perf.	Change
Total operating performance	112,146	100.0	99,376	100.0	12,770
Other operating income	98,774	88.1	42,915	43.2	55,859
Cost of purchased services	-23,098	-20.6	-19,608	-19.7	-3,490
Personnel expenses	-15,899	-14.2	-13,830	-13.9	-2,069
Depreciation	-35,585	-31.7	-37,277	-37.5	1,692
Other operating expenses	-39,237	-35.0	-19,687	-19.8	-19,550
Net financial result	-11,613	-10.4	-516	-0.5	-11,097
Taxes on income	36	0.0	-768	-0.8	804
Net profit/- loss	**85,524**	76.3	**50,605**	50.9	**34,919**

OPERATING PERFORMANCE 2018

Net profit for the 2018 financial year was EUR 85,524 k (compared to EUR 50,605 k in 2017). As the Company has been exempt from income taxes since the conversion into a REIT-structure, no tax expenses arose in 2018.

The increase in net result of EUR 34,919 k compared to the prior year was significantly influenced by an increase in other operating income of EUR 55,859 k, the increase in total operating performance of EUR 12,770 k as well as a EUR 1,692 k decrease in depreciation.

These effects were partly compensated by an increase in other operating expenses of EUR 19,550 k, an increase in cost of purchased services of EUR 3,490 k, the EUR 11,097 k increase in the net financial loss, as well as an increase in personnel expenses of EUR 2,069 k.

Total operating performance

alstria's total operating performance improved in the 2018 financial year, primarily due to an increase in let area. In the reporting period, revenues amounted to EUR 121,149 k. Less the changes in inventory amounting to EUR -9,003 k, alstria's total operating performance amounted to EUR 112,146 k (previous year EUR 99,376 k).

Other operating income

The other operating income increased by EUR 55,859 k to EUR 98,774 k. The increase was mainly based on a partial reversal of a write-down on an investment in an affiliate of EUR 49,224 k. In addition, the other operating income included proceeds from a step-up merger (EUR 16,117 k) as well as proceeds from property disposals, which increased by EUR 15,059 k, due to a higher volume of disposals.

On the other hand, write-ups on real estate properties decreased compared to the prior year by EUR 18,054 k to EUR 2,998 k due to a smaller difference between the market values and carrying amounts. Moreover, the compensation payments in the previous period included a compensation in the amount of EUR 5,000 k received from one tenant. Based on this effect, the income from compensation payments decreased by EUR 4,146 k.

Depreciation and amortization

Depreciation decreased by EUR 1,692 k to EUR 35,585 k compared to 2017. The effect was mainly due to a decrease in non-scheduled depreciation of EUR 7,447 k as well as an increase in scheduled depreciation of EUR 5,755 k, mainly due to new acquisitions.

Other operating expenses

Other operating expenses increased by EUR 19,550 k compared to the 2017 financial year to EUR 39,237 k in the reporting period. Real estate operating expenses increased by EUR 14,591 k. Along with the increase of expenses due to newly acquired assets, the increase is mainly a result of an increase of costs in the course of reletting (EUR 12,694 k). In addition, legal and consulting fees increased by EUR 2,165 k compared to the previous period. These expenses are mainly consulting costs related to the capital increase. Additionally, the cost of disposals increased due to a grown volume of disposals by EUR 687 k.

Financial result

in EUR k	2018	2017	Change (%)
Interest expenses, corporate bonds	-19,509	-21,646	-9.9
Interest result “Schuldschein” (“senior unsecured debt“)	-2,987	-3,097	-3.6
Interest expenses from bank loans	-964	-1,166	-17.3
Interest result from financial derivatives	-441	-522	-15.5
Interest expenses from convertible bond	-379	-2,139	-82.3
Other interest expenses	-616	-35,039	-98.2
Financial expenses	**-24,896**	**-63,609**	**-60.9**
Income from participating interests	2,004	49,850	-96.0
Income from loans to affiliates	10,839	12,788	-15.2
Other interests and similar income	740	814	-9.1
Write down on financial assets	-300	-359	-16.4
Net financial result	**-11,613**	**-516**	**<-100.0**

Compared to the previous period, **financial expenses** decreased by EUR 38,713 k to EUR 24,896 k.

The decrease is mainly due to expenses relating to the premature redemption of bonds that had depressed the other interest expenses of the previous period by EUR 28,569 k. In addition, the previous year had seen transaction costs for the emission of another bond loan, which increased interest expenses by EUR 4,214 k. Finally, the repurchase of shares of a corporate bond in the 2018 financial year decreased interest expenses by another EUR 2,137 k.

The **income from participating interests** decreased by EUR 47,846 k compared to 2017. The previous period included a distribution of profits from an investment in a joint venture in the amount of EUR 49,850 k. In the reporting period, alstria received profit distributions of EUR 2,004 k. In addition, the **income from loans to affiliates** decreased by another EUR 1,949 k due to redemptions in the reporting period.

FINANCIAL AND ASSET POSITION

On the balance sheet date, alstria owned 69 real estate properties (in 2017: 66). The following table illustrates alstria's changes in investment property in 2018:

Change in Land and Buildings	(in EUR m)
Land and Buildings on December 31, 2017	**1,218.40**
Investments	186.30
Adjustments	0.29
Disposals	-37.92
Appreciation	3.00
Non-scheduled depreciation	-0.94
Ordinary depreciation	-34.21
Land and Buildings as of December 31, 2018	**1,334.92**

The **Land and Buildings** line item increased by EUR 116,517 k. During the reporting period, 6 properties were purchased at a purchase price of EUR 177,876 k in total, and EUR 8,421 k were invested in the existing portfolio. Adjustments of EUR 285 k affected constructions in progress that were completed during the period. The disposals concerned the sale of three properties. Disposal prices of EUR 61,480 k in total, relating to carrying amounts of EUR 37,928 k, resulted in an accounting profit of EUR 23,552 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				
Jagenbergstraße 1	Neuss	23,400	Oct. 29, 2018	Dec. 31, 2018
Harburger Ring 17	Hamburg	10,000	Febr. 20, 2018	Aug. 31, 2018
Washingtonstraße 16/16a	Dresden	28,080	Oct. 05,2018	Dec. 31, 2018
		61,480		
Acquisitions				
Sonninstraße 24-28	Hamburg	54,584	Dec. 21,2017	Feb. 01, 2018
Eichwiesenring 1	Stuttgart	28,000	Dec. 20, 2017	May 01, 2018
Taunusstraße 45-47	Frankfurt am Main	25,100	June 07, 2018	Aug. 08,2018
Gustav-Nachtigal-Straße 5	Wiesbaden	7,675	July 27, 2018	Sept. 09,2018
Schinkestraße 20	Berlin	9,400	Aug. 27, 2018	Nov. 01,2018
Uhlandstraße 85	Berlin	42,400	Dec. 18, 2018	Dec. 31, 2018
		167,159		

[1)] Excluding transaction costs.

The reversal of write-downs on land and buildings of EUR 2,998 k resulted from increased market values of investment properties. The prepayments and constructions in progress increased by EUR 25,104 k to EUR 54,087 k compared to the previous balance sheet date. The increase was mainly due to development projects in the amount of EUR 23,444 k unfinished at December 31, 2018 as well as prepayments on two assets (EUR 1,945 k). In addition, EUR 285 k were reclassified to the line item land, property rights, and buildings due to the completion of several projects.

Compared to December 31, 2017, **financial assets** decreased by EUR 57,608 k to EUR 1,314,902 k as of December 31, 2018. The decrease mainly resulted from the redemption of loans to subsidiaries in the amount of EUR -49,511 k. In addition, shares in affiliated companies were reduced by EUR 24,996 k due to a step-up merger of two subsidiaries during the reporting period as well as a capital withdrawal of another EUR 32,917 k. The decrease was partly mitigated by the reversal of write-downs on the investment in alstria office Prime (EUR 49,224 k).

Inventories decreased by EUR 9,003 k compared to the prior-year balance sheet date to EUR 17,635 k. In contrast to the previous year, operating expenses relating to previous accounting periods were regarded as settled and recognized in the decrease of work in progress.

Receivables from affiliated companies increased by EUR 33,974 k, as compared to the previous balance sheet date, to EUR 101,804 k. The increase is mainly due to owed profit distributions of an affiliate.

The Company’s **cash position** increased by EUR 3,881 k to EUR 77,072 k. The increase was mainly a result of a cash inflow due to the capital increase, the disposal of assets, the redemption of loans to affiliates as well as rent and interest payments. The effect was partly compensated by the outflow of funds due to the acquisition of real estate properties as well as the dividend payment.

Total **equity** amounted to EUR 1,544,138 k, reflecting an equity ratio of 53.1%. This represents an increase of 7.1 percentage points compared to 46.0% in the prior year. The increase in equity of EUR 260.213 k reflects a capital increase against cash contribution (EUR 193,071 k), a capital increase based on the conversion of a convertible bond into shares (EUR 73,500 k) as well as a net result of EUR 85,524 k. The increase was compensated by a dividend payment in the amount of EUR 92,170 k for the 2017 financial year.

Provisions increased by EUR 2,801 k compared to the previous balance sheet date to EUR 21,806 k as of December 31, 2018. They mainly include accruals due to outstanding balances (EUR 14,884 k), share-based remuneration (EUR 2,563 k), bonuses (EUR 2,238 k), risks of litigation (EUR 590 k), Supervisory Board compensation (EUR 525 k), provisions for unused vacation (EUR 329 k), for tax consulting (EUR 322 k), audit fees (EUR 277 k) and miscellaneous provisions (EUR 78 k).

Additionally, **liabilities** decreased by EUR 151,185 k as compared to the prior year. Bond loans decreased mainly due to the conversion of shares from the convertible bond (EUR 73,500 k). Payables to affiliated companies decreased by EUR 37,009 k, mainly due to the step-up merger of two subsidiaries. In addition, other liabilities decreased by a total of EUR 24.897 k, mainly due to the repurchase of shares of a corporate bond. Prepayments received decreased by EUR 10,070 k. In contrast to the previous year, prepayments relating to the calculation periods of previous years were regarded as settled and recognized in revenues.

FINANCIAL MANAGEMENT

alstria's financial management is carried out at the corporate level. Individual loans and corporate bonds are taken out at both the property and the portfolio levels. alstria's main financial goal is to establish a sustainable long-term financial structure. Therefore, alstria diversifies its financing sources and strives for a balanced maturity profile to enable coordinated and constant refinancing.

CORPORATE MANAGEMENT

alstria proactively focuses on the following key financial performance indicators: revenues[1] and FFO. Revenues mainly comprise rental income derived from the Company's leasing activities. FFO is the funds from operations and is derived from real estate management. It excludes valuation effects and other adjustments, such as non-cash expenses/income and non-recurring effects.**

alstria's original revenue and FFO forecasts for 2018 increased in the most part due to the deviation of expected transfers of benefits and burdens of the purchased and sold assets as well as the indexation of substantial lease contracts. As a result, the revenue forecast increased by EUR 3 million from EUR 187 million to EUR 190 million for the 2018 financial year. As a consequence, the FFO forecast increased by EUR 3 million from EUR 110 million to EUR 113 million. Due to the Company's good letting performance in the 2018 financial year, its revenues were approx. EUR 193 million and therefore slightly higher than the adjusted forecast of EUR 190 million. In the 2018 financial year, FFO totaled EUR 115 million, which is in line with the adjusted forecast of EUR 113 million.

The Company also monitors the progress of its Net LTV, its G-REIT equity ratio, net-debt / EBITDA, and its liquidity, whereby these are not classified as for the internal control of the Company most relevant performance indicators. alstria's Net LTV was 30.4 % as of December 31, 2018, compared to 40.0 % at the end of the 2017 financial year. The G-REIT equity ratio was 67.2 %, compared to 57.1 % in the previous year and the minimum statutory rate of 45 %. The net-debt / EBITDA ratio was 8.3 as of December 31, 2018, compared to 9,1 as of December 31, 2017.

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[1] This involves in this passage revenues without revenues from service charge income.
** For further details, please refer to page 14.

RISK AND OPPORTUNITY REPORT

RISK REPORT

Risk management

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

For alstria, risk management involves the targeted securing of existing and future potential for success and improvements in the quality of the Company's planning processes. alstria's risk-management system is an integral part of its management and control system. The risk-management system is integrated into its regular reporting to the Management Board and Supervisory Board, which ensures that risks are dealt with proactively and efficiently. The risk-management system thereby focuses on full coverage of the risks. The identification and assessment of opportunities is not part of alstria's risk-management system.

Structure of the risk-management system

Risk management is coordinated independently from individual business divisions. The risk manager prepares a risk report on a quarterly basis and provides it to the Management Board. This report is based on the reports from the risk owners — those who are responsible for particular areas of risk.

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

> Strategic risks
> Operational risks
> Compliance risks
> Financial risks

Each risk category is assigned to a so-called risk owner. Inherent to the risk owner's position in the Company is that he or she represents the area in which the identified risks could materialize; the risk owner is also 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 the responsible departments and the Supervisory Board conduct.

In addition, the divisions report their respective risks and opportunities to the Management Board in weekly meetings.

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 includes any potential negative deviation from alstria's forecasts and objectives with regard to its total comprehensive income.

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 15.0	high
Greater than 15.0	critical

Based on the likelihood that a specific risk event will occur and the impact it would have on alstria's business, financial position, profit, and cash flow, each risk is 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.

In 2018, the Company's risk-management system was not exposed to any significant changes from the previous year.

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

Regarding the reporting process, the objective of the control and risk-management system is to make sure that reporting is consistent and in line with legal requirements, generally accepted accounting principles, 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 that are incorporated in the process as well as independent external elements. 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 with 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) are involved in the monitoring system. These groups perform various checks that are independent of the Company's processes. The internal audit function is transferred to an external auditing firm.

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 Company's controlling department. All items and main accounts for the consolidated companies' income statements and balance sheets, 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 alstria's individual financial statement. Accounting-related data are monitored monthly or quarterly, 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 finance area monitors the risks that are relevant to 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 optimize accounting-related risks throughout the Group.

Description and assessment of risks

In accordance with alstria's risk-management system, all material risks inherent to the future development of the Group's position and performance are described in this chapter. The individual risks that are described relate to the planning period from 2019 to 2021.

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

Strategic risks

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

Market environment risks

For the Group, market environment risks are derived from macroeconomic 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 lower demand for rental areas in office properties. For alstria, this would lead to a higher risk of vacant space or to lower rental income. Developments that could have a negative impact on the export-sensitive German domestic market, at least indirectly through the reduction in foreign demand, are slowing growth in developing and emerging countries, the increasing political instability of certain countries in crisis, the continuing low interest rates of the European Central Bank, and the discussion about certain states' high debt. While the developments described are currently no longer in the focus of public debate, the imminent exit of Great Britain from the EU, the trade policy of the US government and the interest rate policy of the US Federal Reserve have been added as uncertainties. Nonetheless, the German market is in a phase of sustained growth, which resulted in a strong economic upswing for the reporting period.* The first signs of a gradual end to this positive trend emerge from the developments mentioned are also seen by some of the market observers and analysts.** With most market research institutes predicting further, albeit weaker, growth, market environment risks remain at a low (L) risk level.

Risks in relation to changes in 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 key regulatory requirements and on the corporate constitution of the alstria companies. These include alstria's classification as a REIT and other regulations concerning publicly listed companies. New laws and regulations may result in new regulatory requirements and thus in higher expenses. Overall, risks regarding the legal environment are, like in the previous year, classified as low (L).

Risk caused by inefficient organizational structures

Within the scope of the business organization's strategic direction, there are further risks caused by 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 low (L).

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* Deutsche Bundesbank, Monthly Report – June 2018, Vol. 70, No 6, page 13, Frankfurt.
** Deutsche Bundesbank, Monthly Report – Monthly Report – January 2019, Vol. 70, No 1, page 5, Frankfurt; ifo Institut, press release December 13, 2018 'ifo Institute Expects Cooldown in German Economy, But No Recession'.

Operational risks

alstria's operational risk management deals with property-specific risks and with general business risks. This includes vacancy risk, tenants' creditworthiness, and the risk of falling market rents. Personnel-related risks, such as loss of know-how and competencies due to staff fluctuations, 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, and the control of lease terms and termination clauses, are designed to help identify potential dangers and risks.

Maintenance risks

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

Refurbishment project risks

alstria realizes a significant number of refurbishment projects. All risks related to these projects are managed through extensive project control and through a related budget-management process. Potential risks include those of delayed completion, budget overrun, and deficiencies in construction. The strong economy, especially in the construction industry, led to increasing demands on the procurement and execution of contracts. The risk resulting from refurbishment projects is still categorized as moderate (M).

Vacancy risk

In the case of lease terminations, leases that are not extended and existing vacancies, there is a risk that the rental area will not be re-let as planned, resulting in 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 large rental areas expired. However, the re-letting activities for these areas achieved a highly positive response. As in the previous year, the overall vacancy risk was medium (M).

Risks relating to property transactions

alstria is exposed to risks related to the acquisition and disposal of real estate properties. Related risks include the partial or complete failure to detect the risks and liabilities associated with properties during 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 for the property in question. The possibility that alstria's management is not aware of risks that are covered by certain elements and warranties given in a sales agreement cannot be fully ruled out. As a result, there is generally a risk that a prospective purchaser may charge alstria (as the seller) with breach of warranty. From a purchasing perspective, alstria is exposed to the risks that hidden deficiencies on land and/or property are not observed or that unfavorable contractual agreements are transferred to the Company, resulting in additional future costs.

In both acquisition and selling proceedings, alstria responds to these risks with thorough technical, legal, and tax analyses of 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 medium (M) level.

HR risks

The skills and motivations of alstria's employees are decisive factors in the Company's success. The risk of losing knowledge results from the fluctuation of staff and from the inability to recruit sufficiently qualified experts to fill vacancies 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 skill development for existing staff members; strengthening of its image as an attractive employer; university marketing; promotion of 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 risks

The majority of alstria's 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 in operating activities. alstria protects itself against IT risks through constant examination and enhancement of the information technology that it deploys. In addition, it has installed modern hardware and software solutions and safeguards against attacks. In view of the accumulation of attempted hacker attacks, measures to combat such cyberattacks have intensified. Structural security measures are in place to protect the computer center. All data are backed up daily in an internal data depository and once per week in a separate data depository. Workstations have access restrictions so that employees are only able to access the systems that they need for their work. Therefore, overall IT risks are assessed to be unlikely to materialize; as in the prior year, their possible consequences are considered to be low (L).

Shortfall of rental payment risks

An operational risk is a potential shortfall of rental payments from one or more major tenants; it could be realized as a result of an economic downturn or a particular case. Because many of alstria's main tenants are public or highly rated institutions, the risk of a shortfall in payments is currently, as in the previous year, low (L).

Environmental risks

Considering the long-term nature of the real estate business and the immovable nature of the assets, it is of key importance to take into account the effect of climate change on the prospects. The specific risks related to climate change that the Company faces are the following:

Physical risks – acute: Part of our portfolio is subject to extreme weather events that may weaken building structures and threaten tenants' safety. Such phenomena will intensify in the coming years. alstria's control process includes:

- Use of risk assessments from insurance companies to determine which buildings need to be upgraded.
- Insurances covering the portfolio from the loss of rent due to fire, storm, hail or any act of God with a total insured value at least as high as our assets' balance sheet value.

Transition risks – regulatory: After the Paris Agreement, new regulations, notably regarding energy efficiency restrictions, will be anticipated. This might impose more stringent obligations on the building sector resulting in the need for more renovations per year. alstria's control process includes:

- Ongoing environmental monitoring and compliance with applicable laws and standards.
- Participation in industry bodies to monitor early on emerging legislation.

Transition risks – market: Climate change has shaped tenants' behavior in requiring flexible office space often associated with energy-efficient solutions. Failing to respond to the growing demand for sustainability services can result in a lack of attractiveness of the assets, implying a subsequent decrease in their rental potential. The prevention measures alstria takes are:

- Offering additional services to help tenants run their offices efficiently.
- Recognizing early the financial requirements to upgrade and modernize a building.

Similar to the previous year, environmental risks are at a low (L) level.

Compliance risks

Risks resulting from not complying with G-REIT legislation

alstria is registered in the commercial register as a German REIT-AG (G-REIT). The German REIT segment allows alstria to offer an attractive profile to investors and to distinguish itself in the capital markets as a REIT. The REIT shares are traded on 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. Following are the most significant requirements: 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 million. 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 consistent monitoring of 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 exempt from German corporate income tax (KSt) and German trade tax (GewSt). This tax exemption has been applied to 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.

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 67.2 % as of the balance sheet date. Accordingly, alstria complies with the minimum G-REIT equity ratio requirement according to Section 15 of the G-REIT-Act (REITG). alstria cannot lose its G-REIT status as a result of failing to meet the 45 % threshold within the three-year forecast period through December 31, 2021.

Risks resulting from fraud or non-compliance

alstria depends on all employees and management respecting the compliance standards in place. alstria's business expects employees and the members of management to comply with laws, policies, and procedures as prescribed by the 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 an adverse material effect on alstria's business, financial condition, and results of operations. It would also harm alstria's reputation in the real estate market, thereby negatively affecting future business opportunities. The General Data Protection Regulation (Datenschutzgrundverordnung), which came into force in the past financial year, provides significantly higher fines in the event of infringements. The data protection measures already in place at alstria, as well as newly introduced guidelines and processes, are in line with the requirements of the General Data Protection Regulation. 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 low (L), which is unchanged from the previous year.

Litigation risks

alstria office REIT-AG or any of its subsidiaries could be involved in pending or foreseeable court or arbitration proceedings that might have a significant impact on the Group's business position at any time. Other risks might arise from legal actions taken to address 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 change of legal form of DO Deutsche Office AG into the limited partnership alstria office Prime Portfolio GmbH & Co. KG in 2016

Some shareholders of former DO Deutsche Office AG have taken the view that the amount of cash compensation that was offered to those former DO Deutsche Office AG shareholders who declared an objection during the general meeting of DO Deutsche Office AG on July 12, 2016, and declared to exit the limited partnership alstria office Prime Portfolio GmbH & Co. KG, was set too low. For this reason, these shareholders used the opportunity to have the fairness of the cash compensation reviewed in a judicial arbitration proceeding and filed the necessary application for the initiation of such a proceeding. In the event that the court rules in a final decision that the cash compensation has to be improved by the Company, such a decision will, in accordance with Section 13 of the German Arbitration Proceedings Act, be effective for and against all the shareholders of former DO Deutsche Office AG who are entitled to cash compensation, e. g., all shareholders who declared an objection during the Annual General Meeting of DO Deutsche Office AG on July 12, 2016. This means that the additional cash compensation fixed by the court will also be paid to shareholders who have not filed an application in the arbitration proceeding and/or have already declared their exit from the limited partnership. As of the date of the transformation notice published with the commercial register of the local court in Hamburg, the additional cash compensation 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 cash compensation of an unlimited amount with interest might result in a financial burden and hence have an adverse impact on the net assets, financial position, and results from operations of the Group. Prior to the transformation, the Company obtained an expert opinion with the aim of establishing the enterprise value and adequate cash compensation. Subsequently, the adequate cash compensation was subject to a mandatory 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 compensation, the Company receives legal support from external advisors in the current proceeding.

The effects of the described lawsuit on the risk of litigation as well as the general risk situation are considered low due to the expected low likelihood of occurrence. Provisions were not made.

Apart from these lawsuits, 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 further civil rights proceedings or other kind of legal dispute, nor is this expected to occur, the risk of legal disputes is classified as low (L), as it was 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.

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, decreasing demand, and 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, regional diversification of investment portfolios, 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 medium (M).

Breaches of Covenants

In the process of taking out loans and the issuance of a Schuldschein, alstria agrees to comply with certain covenants, such as not to exceed a certain level of debt (LTV) or to achieve a minimum income (debt service coverage ratios) from mortgaged properties. In the event of a breach of these covenants, consequences would arise, such as increased credit margins or, in the worst case, an extraordinary termination of a loan by the lender. 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.

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 a subsidiary level. Additionally the Group as a whole faces risks from value-added tax, real 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 alstria office Prime Group, companies are included in the consolidated financial statements that are not subject to the regulations of the REIT legislation. The restructuring, which was implemented during the 2016 financial year, and in particular the conversion of the legal form of these companies into limited partnerships, resulted in the taxation of hidden reserves and hidden liabilities existing within the acquired companies. Subsequently, the companies are tax transparent.

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 a tax liability status could result in high tax obligations over the three-year risk period, the risk impact is considered to be significant.

As a result of the Federal Constitutional Court judgment, the German Federal Government is required to present a new regulation on land tax by the end of 2019. Different concepts are being discussed by the coalition parties. a new concept should, on average, stay at the same level of tax expenses. Nevertheless, a potential increase in land tax caused by a new regulation cannot be closed out for alstria's properties. Basically, changes in property tax affect tenants by way of higher service charge costs. There was a proposal to prohibit the passing on of costs to the tenant. If this proposal really should be realized, it can be assumed that commercial leases based on private-sector autonomy will not be affected. However, the Federal Constitutional Court will allow the application of the current land tax rates until the end of the year 2024. Therefore, higher land tax rates are not expected for the next three years.

This results in an overall tax risk level that is moderate (M), which is unchanged from the previous year's average tax risk.

Interest rate risks

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 if applicable 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 costs associated with 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 relate to interest caps in order to cap the interest at a set maximum. As of the balance sheet date, the main part of funding consists of long-term fixed-interest loans and bonds and is therefore not subject to interest rate risk up to its maturity. The floating interest rate loans are mainly hedged by interest rate caps. For the possible use of a variable-rate credit line of up to EUR 100,000 k, which is not fully hedged by derivative financial instruments, and the requirement to refinance a bond in 2021, i. e. within the risk observation period, the interest rate risk remains unchanged at the balance sheet date as a medium risk (M).

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.

Due to the refinancing implemented in recent years, including the placement of a convertible bond and three corporate bonds with diversified maturity profiles, the substantial liquidity risk arising from the repayment of all or most of alstria's credit commitments has been successfully managed. Since the main part of the loans and bonds will not be due until the year 2021, the liquidity risk resulting from repayment obligations is currently, as in the previous year, low (L).

Refinancing risks

The main financial instruments used by the Group are fixed-interest bonds. In addition, there are mortgage-backed bank loans and derivative financial instruments. The main purpose of the bonds and the bank loans is to finance alstria's business activities. Derivative financial instruments include interest 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. alstria Group's current Net LTV is 30.4 %. This is a reasonable ratio compared to the average leverage of German real estate companies. The Group's bank loan LTVs on the balance sheet date are well below the LTVs permitted under the respective loan agreements. 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 refinancing of the majority of alstria's bonds and bank loans is not required before the 2021 financial year, when one out of three bonds matures. The two other bonds mature by the 2023 and 2027 financial year, respectively, so that a diversified maturity profile exists and the refinancing of the entire loans in one amount can be avoided. As a result, the risk of refinancing on unfavorable terms was classified as low (L).

Counterparty risks

alstria hedges a portion of its risk by applying third-party instruments (interest rate derivatives, property insurance, and others). alstria's counterparties in these contracts are internationally recognized institutions that 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 of 2007 has raised doubts regarding the reliability of rating agencies' assessments. In response to this concern, alstria makes use of other sources of information to verify 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).

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 the 2018 financial year, 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, risks categorized as high accounted for 1.0 % (December 31, 2017: 1.0 %) of all identified risks while risks categorized as medium accounted for 41.2 % (December 31, 2017: 39.6 %) of all identified risks. On the one hand, this is due to the economic environment in alstria's investment market, which still proves to be economically strong. On the other hand, the Company's stable funding position, conservative level of debt, and solid REIT equity ratio support this assessment. The long-term refinancing position mitigates the risk of higher borrowing costs in the event of rising interest rates, the low LTV reduces the risk that could arise if the property valuations should come under pressure, e. g. as a result of interest rate hikes.

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 27.4 million as of the balance sheet date.

In our view, the risks described in our aggregated risk report do not threaten our ability to continue as a going concern either individually or cumulatively, given their likelihood of occurrence and potential level of impact.

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. Depending on the property's position in the life cycle, opportunities may be found in repositioning and development, in strengthening 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 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 addressing the Management supports the monitoring of growth initiatives within the budget and planning-approval processes.

The alstria Management Board is regularly 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. 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 is aimed at identifying properties with the described opportunity structure. Its investment strategy therefore focuses on acquiring properties and portfolios with higher vacancy rates that are thus open to additional growth opportunities through the stabilization of these properties' leases. Acquisitions will only be performed if the investment volume offers the prospect of achieving a sustainable increase in value. In particular, the low LTV debt ratio offers opportunities in the form of greater flexibility for acquiring real estate.

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 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 (the Net LTV of bank loans is currently 30.4 %), 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 regard to the rating obtained.

Overall summary of the opportunities report

alstria's current financial situation involves a stable financial position at favorable interest rates until 2021. The rating 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 4.8 years and potential increases in rents due to decreasing vacancy rates. In addition, the Company possesses a range of properties that offer attractive and value-adding refurbishment opportunities. alstria's portfolio is well-balanced and contains many first-class anchor buildings with high-quality tenants. The low LTV debt ratio offers the chance of greater flexibility for acquiring real estate in the event that spontaneous opportunities arise.

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 asset management. The asset repositioning and refurbishment that alstria is continuously undertaking will strengthen the basis for increased organic value across the portfolio.

SUSTAINABILITY REPORT

In November 2018, alstria published its ninth sustainability report. The report is based on the GRI Standards and has received third-party assurance for all disclosed environmental and social indicators. It provides information about alstria's next steps toward a carbon-neutral economy.

The concept of sustainability goes beyond the reporting exercise itself. Its sustainability approach is embedded in every decision across all levels of the organization. To alstria, pursuing a path of continuous improvement and innovation is what sustainability is all about.

2017 has been a successful year for alstria, as the Company managed to emit nearly 20 times less carbon emissions compared to 2013, and 13 % less than the previous year. Furthermore, alstria managed to procure 98 % renewable energy for the electricity that it controls across the portfolio, being close to meeting its RE100 target. Its comprehensive low-carbon portfolio strategy has received a prize in 2018 from the German Property Federation (ZIA) and has been further recognized as a sector leader by Carbon Disclosure Project (CDP).

DISCLOSURES REQUIRED BY TAKEOVER LAW

Disclosures and the explanatory report pursuant to Section 289a para. 1 and 315a para. 1 of the German Commercial Code *(Handelsgesetzbuch, HGB)*

Composition of subscribed capital

On the balance sheet date as of December 31, 2018, the share capital of alstria amounted to EUR 177,416,497.00, divided into 177,416,497 no-par value bearer shares. All shares are fully paid in and have equal rights and obligations. Each share entitles the bearer to one vote at the Annual General Meeting and is decisive for the shareholder's share in the profits of the Company. The individual rights and duties of the shareholders result from the provisions of the German Stock Corporation Act (*Aktiengesetz*, AktG), in particular 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 statutory requirements and alstria's Articles of Association; the latter do not restrict either of these activities. According to Sections 71b and 136 AktG, for example, the voting rights of the affected shares are excluded by law. Other restrictions as to voting rights or the transfer of shares do not exist, or, as far as they arise from agreements between shareholders, are not known to the Management Board.

Shareholdings exceeding 10 % of the voting rights

On the balance sheet date as of December 31, 2018, alstria was not aware of any shareholders directly holding more than 10 % of the voting rights. The Government of Singapore notified us in April 2016 that via controlled undertakings, it held approximately 12.6 % of alstria's shares. In addition, please refer to the disclosures in the Notes under no. 5.2 Voting Right Notifications.

Shares with special rights

There are no shares with special rights of control.

System of control for any employee share scheme in which employees do not directly exercise the control rights

The employees who hold alstria shares exercise their rights of control as any other shareholders do, in accordance with the applicable law and the Articles of Association.

Appointment and dismissal of 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 AktG. The Articles of Association do not contain any special provisions in this respect. Pursuant to Section 84 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 AktG. Pursuant to Section 12 para. 2 of the Articles of Association, the Supervisory Board is furthermore authorized to make changes and amendments to the Articles of Association that merely affect the wording without passing a shareholder resolution in the General Meeting. In addition, the Supervisory Board has, by resolution of the Annual General Meetings on May 16, 2017 and April 26, 2018, been authorized to adapt the wording of the Articles of Association to the utilization of the Conditional Capital III 2017 and the Authorized Capital 2018 and after expiration of the applicable authorization periods.

Pursuant to Section 15 para. 5 of the Articles of Association in conjunction with Sections 179 para. 2 and 133 of the AktG, shareholders may make resolutions regarding such amendments at a general meeting 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 majority shall be decisive.

The Articles of Association were last amended in the reporting year by a resolution passed by the Supervisory Board on June 8, 2018: Section 5 para. 1, 2 and 6 of the Articles of Association were formally adapted to capital increases executed from the Company's Conditional Capital 2013 and Conditional Capital III 2015. Section 5 para. 5 of the Articles of Association has been deleted as the Conditional Capital 2013 became obsolete.

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 on or before April 25, 2023, by issuing new no-par value bearer shares against contributions in cash and/or in kind once or repeatedly up to a total amount of EUR 33,950,413.00. Further details are governed by Section 5 para. 3, 4 and 4a of the Articles of Association.

2. Conditional capital

alstria holds two conditional capitals (pursuant to Sections 192 et seq. of the AktG), which are regulated in Sections 5 para. 6 and 7 of the Company's Articles of Association.

a) *Conditional capital III 2015*

The share capital is conditionally increased by an amount of up to EUR 356,250.00 by issuing up to 356,250 no-par value bearer shares. The conditional capital increase shall be used exclusively to grant shares to the holders of convertible profit participation certificates issued by the Company through 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 issued 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.

b) *Conditional capital III 2017*

Furthermore, the share capital is conditionally increased by an amount of up to EUR 1,000,000.00 by issuing up to 1,000,000 no-par-value bearer shares. The conditional capital increase shall be used exclusively to grant shares to the holders of convertible profit participation certificates issued by the Company through May 15, 2022, in accordance with the authorization of the General Meeting held on May 16, 2017. The conditional capital increase is only carried out to the extent that issued 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 May 16, 2017, the shareholders authorized the Management Board to acquire shares of up to a total of 10 % of the Company's share capital in place at the time of the authorization's issuance until May 15, 2022. The acquired shares and other treasury shares in the possession of, or to be attributed to, alstria (pursuant to Sections 71a *et seq*. of the AktG) may at no point in time 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).

Significant agreements of alstria office REIT-AG that take effect upon a change of control following a takeover bid

Some of alstria office REIT-AG's 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 an obligation by alstria to repay the loans in the event that any person, company, or a group of persons should acquire, directly or indirectly, 50 % of the voting rights or a controlling influence in alstria. However, for some financing agreements, the repayment obligation is subject to a downgrade of the Company's rating, occurring within 120 days of the change of control.

The terms and conditions of the fixed-interest bonds issued by the Company in the 2015, 2016 and 2017 financial year entitle each bond holder to request the Company to redeem or purchase its bond for 101 % of the principal amount of such bond plus unpaid interest accrued, if any person, company, or group of persons should acquire (directly or indirectly) more than 50 % of the voting rights in alstria and within 120 days after such change of control the rating for the Company or the bond is downgraded.

The total volume of obligations under those agreements with corresponding change of control clauses amounted to approximately EUR 1,177 million on the balance sheet date.

Compensation agreements with Management Board members and employees in case of a takeover bid

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

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 DISCLOSURE

EMPLOYEES

As at December 31, 2018, alstria had 144 employees (December 31, 2017: 117). The annual average number of employees was 134 (previous year: 114). These figures exclude Management Board members.

REMUNERATION REPORT

Management Board members' compensation comprises a fixed and a variable component that are linked to the Company's operating performance. In addition to the bonus, members of the Management Board receive share-based remuneration as a long-term incentive.

Members of the Supervisory Board receive fixed remuneration.

The remuneration report (appendix to the management report), 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 GROUP DECLARATION PURSUANT TO SECTION 315D HGB ('HANDELS-GESETZBUCH': GERMAN COMMERCIAL CODE)

The complete corporate governance declaration is published on alstria office REIT-AG's website (www.alstria.com). Thus, it is made permanently accessible to the public.

REPORT ON EXPECTED DEVELOPMENTS

The following report is based on Group accounts. The report on expected developments contains statements related to anticipated future developments. The Company's development depends on various factors, some of which are beyond alstria'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 remains on a growth path. GDP growth was at 1.5 % in 2018 compared to the previous year. The employment rate also increased by 1.3 % to 44.8 million. Economic growth will also continue in 2019, albeit at a low level. The German government expects a GDP growth of 1.0 % compared to the previous year and a positive development in the German labor market of approximately 45.2 million for 2019. German economic associations also estimate a positive economic development for 2019, as well as a rise in investments in public construction of 3.0 %. The construction industry remains the growth driver.*

Development of the real estate market: Outlook for 2019

In connection with low interest rates and a lack of investment alternatives, the importance of real estate as an investment class will still be high. Demand for real estate in core areas is estimated to remain high in 2019. Due to the limited investment offerings, the tendency to invest in value-added assets will continue.

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, unexpected changes in terms of interest rates, further property acquisitions, property disposals, or other changes in the assumptions for the 2019 financial year could have an impact on the projections.

Mainly due to the transfer of benefit and burden of the assets sold in 2018, alstria expects revenues to decrease in 2019 by approximately EUR 3 million to EUR 190 million, compared to revenues in 2018.

* Please refer to Annual Economic Report 2018 from the Federal Ministry of Economics and Energy as well as ifo, IfW, IMK, RWI und IWH.

For the 2019 financial year, the Company expects FFO of around EUR 112 million. The year-on-year decrease in FFO compared to the 2018 achieved FFO of EUR 115 million is mainly due to lower revenues.

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, February 21, 2019

REMUNERATION REPORT*

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 last adjustment to the remuneration system became effective January 1, 2018.

1. REMUNERATION IN THE 2018 FINANCIAL YEAR

In the last financial year, the total target remuneration for the members of the Management Board amounted to EUR 2,237 k. The total amount paid to the Management Board in that financial year amounted to EUR 2,895 k (including payouts on multi-year remuneration elements). The correctness of the calculated payout amounts for the multi-year variable remuneration elements was confirmed by an independent remuneration expert. The remuneration of individual Management Board members is presented based on model tables pursuant to the German Corporate Governance Code, as amended on February 7, 2017.

The 'Benefits granted' table shows the fixed remuneration and the target values of the variable remuneration elements granted in the respective financial year as well as hypothetical minimum and maximum amounts for a future payout of the variable remuneration elements.

The 'Benefits paid out' table shows the fixed remuneration and the amounts paid out in the respective financial year as variable remuneration elements.

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

Benefits granted

in EUR k	Olivier Elamine CEO 2017	2018	2018 (Min)	2018 (Max)	Alexander Dexne CFO 2017	2018	2018 (Min)	2018 (Max)
Total amount of fixed compensation and ancillary benefits	**447**	**455**	**455**	**455**	**381**	**383**	**383**	**383**
Fixed compensation[1)]	440	440	440	440	360	360	360	360
Ancillary benefits[2)]	7	15	15	15	21	23	23	23
Total amount of one-year variable compensation	**173**	**231**	**0**	**347**	**142**	**189**	**0**	**284**
STI 2017	173[3)]	-	-	-	142[3)]	-	-	-
STI 2018	-	231	0	347[4)]	-	189	0	284[4)]
Total amount of multi-year variable compensation	**498**	**440**	**0**	**1,100**	**407**	**360**	**0**	**900**
STI 2017 (3 years)	58[5)]	-	-	-	47[5)]	-	-	-
LTI 2017 (4 years)	440[6)]	-	-	-	360[6)]	-	-	-
LTI 2018 (4 years)	-	440[6)]	0	1,100[7)]	-	360[6)]	0	900[7)]
Total amount of fixed and variable compensation	**1,118**	**1,126**	**455**	**1,902**	**930**	**932**	**383**	**1,567**
Service costs[8)]	84	100	100	100	58	79	79	79
Total	**1,202**	**1,226**	**555**	**2,002**	**988**	**1,011**	**462**	**1,646**

1) Annual base salary according to service contracts.
2) Benefits related to company car.
3) 75% of the STI target value.
4) Maximum attainable payout amount for the STI: target value STI x 1.5.
5) 25% of the STI target value.
6) LTI target value for the respective financial year.
7) Maximum attainable payout for the LTI after the holding period of 4 years: target value LTI x 2.5. Payout is provided in alstria shares.
8) Benefits for insurance and pension plans.

Benefits paid out

in EUR k	Olivier Elamine CEO 2017	2018	Alexander Dexne CFO 2017	2018
Total amount of fixed compensation and ancillary benefits	**447**	**455**	**381**	**383**
Fixed compensation[1)]	440	440	360	360
Ancillary benefits[2)]	7	15	21	23
Total amount of one-year variable compensation	**180**	**178**	**147**	**146**
STI 2016[3)]	180	-	147	-
STI 2017[3)]	-	178	-	146
Total amount of multi-year variable compensation	**822**	**855**	**673**	**699**
STI 2014 (3 years)[4)]	68	-	56	-
STI 2015 (3 years)[4)]	-	83	-	68
LTI 2013 (4 years)[5)]	754	-	617	-
LTI 2014 (4 years)[5)]	-	772	-	631
Total amount of fixed and variable compensation	**1,449**	**1,488**	**1,201**	**1,228**
Service cost[6)]	84	100	58	79
Total	**1,533**	**1,588**	**1,259**	**1,307**

1) Annual base salary according to service contracts.
2) Benefits related to company car.
3) Payout amount for 75% of the STI after 1 year.
4) Payout amount for 25% of the STI after 3 years.
5) Payout amount for LTI after holding period of 4 years.
6) Benefits for insurance and pension plans.

2. REMUNERATION SYSTEM

In January 2017, the Supervisory Board resolved upon amendments to the system for the remuneration of the members of the Management Board of alstria office REIT AG, which were approved by the shareholders in the Annual General Meeting in May 2017 and took effect on January 1, 2018. The amendments aim at better aligning the interests of the Management Board and the shareholders of the Company, focusing on sustainable long-term value creation and reducing complexity. The structure of the remuneration system is kept substantially unchanged and only simplifications and amendments are made. The amounts of the fixed annual remuneration and the target values for the variable remuneration remain unchanged. When reviewing and adapting the remuneration system for the members of the Management Board, the Supervisory Board was advised by an external, independent remuneration expert.

The criteria for appropriateness of the Management Board remuneration continue to be the responsibilities of the individual Management Board member and his or her personal performance; the financial situation, success, prospects, and the sustainable development of the Company; the appropriateness of the remuneration with consideration of the scope of comparison; and the Company's applicable remuneration structure.

The remuneration structure still consists of a fixed basic remuneration, a short-term and long-term variable remuneration component, and ancillary benefits (payments in kind) for each member of the Management Board. As required by the German Stock Corporation Act and the German Corporate Governance Code, the majority of the remuneration consists of variable remuneration components that are mainly based on multi-year assessments with forward-looking characteristics. Furthermore, Share Ownership Guidelines have been introduced under which the members of the Management Board are obliged to invest part of their remuneration in shares of the Company.

Overview of the essential amendments

	2017	2018
STI (Short-Term Incentive)	▪ FFO as target value ▪ Threshold for the performance target: 50% ▪ Discretionary factor to reflect individual performance: 0.8–1.2 ▪ 75% cash payout / 25% payout in virtual shares	▪ FFO per share as target value ▪ Threshold for the performance target: 70% ▪ Discretionary factor to reflect individual performance: 0.7–1.3 ▪ 100% cash payout
LTI (Long-Term Incentive)	▪ Virtual shares with term of 4 years, then payout in cash ▪ Performance subject to absolute TSR (50%) and relative TSR (EPRA/NAREIT Europe Ex-UK Index) (50%) ▪ Discretionary factor to reflect individual performance: 0.8–1.2	▪ Stock awards with term of at least 4 years, payout in Company shares ▪ Performance subject to absolute TSR (25%) and relative TSR (FTSE EPRA/ NAREIT Developed Europe Index) (75%) ▪ Discretionary factor to reflect individual performance: 0.7–1.3
Share Ownership Guidelines	▪ N/A	▪ Obligation of the members of the Management Board to acquire shares of the Company amounting to three times their fixed annual remuneration and to hold the same until they leave their office

Variable remuneration elements

Short-term incentive plan 2018

The members of the Management Board receive a short-term variable remuneration component (STI) with a target value in Euro in each financial year. Since January 1, 2018, the STI is based on the budgeted funds from operations *per share* (FFO per share) as the performance target (previously: funds from operations). The amount of the STI depends on the degree to which the performance target is achieved, i. e. the relation between the FFO per share achieved in the corresponding financial year and the budgeted FFO per share. The previous remuneration system provided for a threshold of at least 50% of the performance target that had to be met for payments to be made. This threshold has been increased so that at least 70% of the performance target has to be met for a payout, i. e. if the achieved FFO per share is not at least 70% of the budgeted FFO per share, remuneration from the STI will not be granted. A maximum of 150% of the performance target can be achieved (cap).

The achieved payout value is adjusted at the discretion of the Supervisory Board, i. e. multiplied with a discretionary factor of 0.7 to 1.3 (previously: 0.8 to 1.2). This enables the Supervisory Board to consider the individual performance of each Management Board member in addition to the performance target achievement. Criteria for this may be, in particular, the individual performance of each Management Board member in the relevant financial year as well as his or her tasks and responsibilities within alstria and the alstria Group. In total, the STI is limited to a maximum of 150% of the target value (cap).

According to the remuneration system as applicable until the end of financial year 2017, only 75% of the STI were paid out in cash to the Management Board members, and 25% of the STI were converted into virtual shares which were subject to a minimum holding period of two years. Now, the STI no longer provides for a long-term component with a conversion into virtual shares and will be paid out completely in cash without deferral. This change aims to simplify the remuneration system and was made in light of the Company's introduction of Share Ownership Guidelines under which the members of the Management Board are obliged to acquire and hold Company shares (for details see below under Share Ownership Guidelines).

Long-term incentive plan 2018

The members of the Management Board may still also be granted a long-term variable remuneration component (LTI) in each financial year with a target value in Euro to be determined by the Supervisory Board. The LTI is still being weighted more strongly than the STI. Since January 1, 2018, the Long-Term Incentive Plan 2018 no longer provides for virtual shares but for stock awards which will be converted into shares of the Company after a holding period of at least four years (previously: cash payout). The absolute total shareholder return and the relative total shareholder return remain as performance targets. However, the relative total shareholder return has been given a greater weighting of 75% (previously: 50%). In order to better align with real estate industry standards, the reference index for the relative total shareholder return is now the FTSE EPRA/NAREIT Developed Europe Index (previously: EPRA/NAREIT Europe Ex-UK Index). The individual performance of the Management Board member is taken into account with a discretionary factor of 0.7 to 1.3 (previously: 0.8 to 1.2).

In detail:

The number of stock awards to be granted results from a target value defined by the Supervisory Board in Euro and divided by the arithmetic mean of the share price of one alstria share (commercially rounded to two decimal places) during the last 60 trading days prior to being granted. The Management Board member must hold the stock awards for a holding period of at least four years beginning with the granting date. The number of the stock awards will be adjusted at the end of each respective holding period depending on the performance of the alstria share during the holding period. Twenty-five percent of the performance target determined by the Supervisory Board is made up of the absolute total shareholder return derived from the 'weighted average cost of capital' (WACC) and compared to the XETRA-based Total Return Index. Seventy-five percent will be calculated on the basis of the relative total shareholder return compared to the reference index FTSE EPRA/NAREIT Developed Europe.

Furthermore, as with the STI, the individual performance of each Management Board member during the holding period is taken into consideration with a discretionary factor which is determined by the Supervisory Board within a corridor of 0.7 to 1.3. Criteria for this may be, in particular, the individual performance of each Management Board member during the relevant holding period as well as his or her tasks and responsibilities within alstria and the alstria Group. This allows these factors to be taken into account in addition to the performance target achievement. After the expiration of the holding period, the number of stock awards adjusted with regard to the performance target achievement will be multiplied by the discretionary factor to determine the alstria shares to be delivered for payout. Additionally, the dividends accumulated during the holding period for the payout shares are taken into account. This is the accumulated gross dividend divided by the arithmetic mean of the alstria stock market price (rounded to two decimal places) of the last 60 trading days prior to the relevant maturity date. The resulting stock awards will be converted into alstria shares at a ratio of 1:1 and granted to the Management Board member. In addition, the amount paid out in the Long-Term Incentive Plan 2018 is limited by a cap (to a maximum of 250% of the target value in Euro).

If the Company is not in a position to provide the alstria shares, the payout will be made in cash (determined by the number of shares to be delivered multiplied by the arithmetic mean (commercially rounded to two decimal places) of the alstria stock market price of the last 60 trading days prior to the relevant maturity date.

Ancillary benefits

The Management Board members continue to receive payments in kind, which essentially consist of insurance premiums and the private use of a company car. As a component of the remuneration, taxes on these ancillary benefits are to be paid by each individual Management Board member. Each Management Board member is, in principle, equally entitled to these ancillary benefits, but the amount varies depending on the personal situation of each member. Moreover, as in the past, the Company still grants the members of the Management Board a monthly cash amount for the purpose of a private pension plan. These benefits now amount to 20% of each Management Board member’s annual fixed salary. There are no pension entitlements.

Share ownership guidelines

Share Ownership Guidelines have been introduced for the first time. According to such guidelines, the members of the Management Board have been obliged since the beginning of financial year 2018 to set up a portfolio of shares equivalent to three times the fixed annual remuneration over a period of five years and to hold the same until they leave their office. The Share Ownership Guidelines aim in particular at reconciling the interests of the members of the Management Board with those of the shareholders and thus promoting sustainable entrepreneurial approaches.

REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

The remuneration system for the members of the Supervisory Board is resolved upon by the Annual General Meeting of the Company. The last adjustment to the remuneration system became effective on January 1, 2018.

1. REMUNERATION IN THE 2018 FINANCIAL YEAR

The total remuneration for the Supervisory Board members in 2018 amounted to EUR 525 k. The remuneration for the individual Supervisory Board members for the 2017 and 2018 financial years is as follows.

in EUR k

Supervisory Board member	Supervisory Board function	Audit committee	Nomination & remuneration committee	Finance & investment committee	CSR committee	Remuneration for 2017	Remuneration for 2018
Dr. Johannes Conradi	Chairman	-	Chairman	-	Chairman	**70.50**	**165.00**
Richard Mully	Vice-Chairman	-	Member	Chairman	Member	**65.49**	**97.50**
Dr. Bernhard Düttmann	Member	Member	-	-	-	**51.30**	**60.00**
Stefanie Frensch	Member	-	Member	Member	-	**52.00**	**65.00**
Benoît Hérault	Member	Member	-	Member	-	**57.00**	**67.50**
Marianne Voigt	Member	Chairman	-	-	Member	**57.00**	**70.00**
Total						**353.29**	**525.00**

2. REMUNERATION SYSTEM

The members of the Supervisory Board each receive an annual fixed remuneration of EUR 50 k. The Chairman of the Supervisory Board receives an additional annual amount of EUR 100 k; the Vice-Chairman receives an additional amount of EUR 25 k.

Membership in the audit committee entitles a member to an additional remuneration of EUR 10 k, while the chair of the audit committee receives EUR 20 k per year. Membership in the nomination and remuneration committee as well as the finance and investment committee entitles a member to an additional annual remuneration of EUR 7.5 k. The chairpersons of these committees are compensated with another EUR 7.5 k per year. Membership in other committees does not entitle a member to additional remuneration. Members who sit on the Supervisory Board for only part of a year receive a *pro rata temporis* remuneration.

Adjustment of the remuneration system

The remuneration system which had been applicable until the end of financial year 2017 was adjusted by the Annual General Meeting of the Company in May 2017, effective January 1, 2018. In order to make the remuneration attractive compared with other enterprises as well as to take into account the Supervisory Board members' increasing workload and responsibility, a corresponding adjustment of the remuneration was proposed. Especially the comprehensive and time-consuming duties of the Chairman and deputy have been taken into account more strongly by providing differentiation in remuneration levels of 1:1.5:3 for ordinary members of the Supervisory Board, Vice-

Chairman, and Chairman. Furthermore, the increased responsibility and workload of the chairpersons of the committees have been taken into account by providing differentiation in remuneration levels of 1:2 for ordinary committee members and chair.

Self-commitment to acquire shares

The members of the Supervisory Board have agreed upon and entered into a binding commitment to acquire shares of alstria office REIT-AG for an amount corresponding to one time the adjusted fixed annual compensation for their activity as member, Chairman, or Vice-Chairman of the Supervisory Board (without committees and before taxes) and declared that they will hold them for the duration of their membership in the Company's Supervisory Board (Self-Commitment). The Self-Commitment has to be fulfilled within four years beginning January 1, 2018. By means of this Self-Commitment the members of the Supervisory Board intend to adhere to the guiding principles of the Share Ownership Guidelines introduced for the members of the Management Board and to declare their sustained commitment to the Company.

January 1 to December 31, 2018

District Court Hamburg HRB 99204

	2018	2017
	EUR	EUR
1. Revenues	121,149,201.19	94,621,944.67
2. Decrease or increase in work in progress	-9,003,104.73	4,754,290.27
3. Total operating performance	112,146,096.46	99,376,234.94
4. Other operating income	98,773,793.09	42,914,990.90
5. Cost of materials		
Cost of purchased services	-23,098,218.63	-19,607,674.07
6. Personnel expenses		
a) Wages and salaries	-14,133,518.22	-12,359,684.78
b) Social security pension and other benefits	-1,765,218.70	-1,470,280.34
(of which relating to pensions EUR 300,349.10; previous year EUR 233 k)		
	-15,898,736.92	-13,829,965.12
7. Amortization and depreciation of fixed intangible and tangible assets	-35,584,522.30	-37,277,474.74
8. Other operating expenses	-39,236,956.75	-19,686,837.59
9. Income from participating interests	2,003,515.05	49,849,540.39
10. Income from loans	10,838,677.52	12,787,674.71
(of which from affiliated companies EUR 10,838,677.52; previous year EUR 12,788 k)		
11. Other interest and similar income	740,454.38	814,491.12
12. Write-down of financial assets	-300,000.00	-359,320.70
13. Interest and similar expenses	-24,896,254.87	-63,608,281.55
(of which from discounting of provisions EUR 0,00; previous year EUR 0 k)		
14. Taxes on income	36,246.39	-767,882.15
15. Result after taxes	**85,524,093.42**	**50,605,496.14**
16. Net loss/profit for the year	**85,524,093.42**	**50,605,496.14**
17. Profit carried forward from previous year	829,733.76	13,319,767.16
18. Transfer from capital surplus	15,646,172.82	29,074,736.70
19. Balance sheet profit	**102,000,000.00**	**93,000,000.00**

Balance sheet as at December 31, 2018

District Court Hamburg HRB 99204

Assets	31.12.2018	31.12.2017	Equity and liabilities	31.12.2018	31.12.2017
	EUR	EUR	EUR	EUR	EUR
A. Non-current assets			**A. Shareholders' equity**		
I. Intangible assets			I. Share capital	177,416,497.00	153,961,654.00
Licenses and similar rights acquired for consideration	**344,280.98**	**216,863.31**	(conditional capital EUR 1,356,250.00;		
II. Property, plant and equipment			previous year EUR 38,860 k)		
1. Land, property rights and buildings	1,334,915,963.27	1,218,399,087.39	II. Capital reserves	1,264,721,798.93	1,036,964,103.79
2. Technical plant	264,389.42	354,245.16	III. Balance sheet profit		
3. Other plant, operating and office equipment	1,135,198.57	1,123,298.92	(of which unappropriated profits brought forward		
4. Prepayments and construction in progress	54,086,697.30	28,982,519.34	EUR 829,733.76; previous year EUR 13,320 k)	102,000,000.00	93,000,000.00
	1,390,402,248.56	**1,248,859,150.81**		**1,544,138,295.93**	**1,283,925,757.79**
III. Financial assets			**B. Provisions**		
1. Shares in affiliates	882,511,868.79	890,608,929.29	1. Tax Provisions	0.00	767,882.15
2. Loans to affiliates	393,796,175.68	443,306,747.98	2. Other provisions	21,806,443.63	18,237,829.01
3. Participating interests	2,027,094.24	2,027,095.24		**21,806,443.63**	**19,005,711.16**
4. Other loans	36,566,799.03	36,566,799.03	**C. Accounts payable**		
	1,314,901,937.74	1,372,509,571.54			
	2,705,648,467.28	**2,621,585,585.66**	1. Equity participation	383,750.00	323,425.00
B. Current assets			2. Bonds	1,013,143,558.70	1,086,740,144.72
I. Inventories			3. Bank loans and overdrafts	104,205,829.90	108,694,972.60
Work in progress	17,635,266.35	26,638,371.08	4. Payments received	20,612,618.54	30,682,288.35
II. Receivables and other assets			5. Trade payables	864,070.15	1,903,590.57
1. Trade receivables	1,301,938.19	1,780,174.28	6. Payables to affiliated companies	65,528,147.71	102,681,788.08
2. Receivables from affiliated companies	101,803,767.98	67,830,082.50	7. Other liabilities	132,761,960.41	157,658,840.58
3. Other assets	1,409,111.44	1,383,463.05	(of which for taxes EUR 0,00;		
	104,514,817.61	70,993,719.83	previous year EUR 616 k)		
IV. Cash in hand and at banks	77,071,673.28	73,190,664.79		**1,337,499,935.41**	**1,488,685,049.90**
	199,221,757.24	**170,822,755.70**	**D. Deferred income**	**2,140,760.52**	**2,045,307.58**
C. Prepaid and deferred expenses	**715,210.97**	**1,253,485.07**			
	2,905,585,435.49	**2,793,661,826.43**		**2,905,585,435.49**	**2,793,661,826.43**

alstria office REIT-AG, Hamburg

1.4 NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2018

CONTENTS

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 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 in the relevant commercial register and thus became effective.

In 2007 the Company was converted into a German Real Estate Investment Trust (German REIT or 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 2007 financial year.

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, 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.

In the 2015 financial year, alstria office REIT-AG acquired the majority of the shares of former DO Deutsche Office AG, Cologne, Germany (hereinafter referred to as “Deutsche Office AG”). The capital increase of alstria generating the new alstria shares required as compensation for the acquisition was entered into the commercial register at the local court of Hamburg on October 27, 2015. With the registration of the new alstria shares in the commercial register, the Company gained control over Deutsche Office AG, resulting in the first-time consolidation of Deutsche Office AG on October 27, 2015. With an effective date of December 9, 2016, Deutsche Office AG was legally converted into the legal form of a Kommanditgesellschaft (limited partnership). At the same time, the company name of Deutsche Office AG was changed to ‘alstria office Prime Portfolio GmbH & Co. KG’ (hereinafter ‘alstria office Prime’).

The Company is registered in the commercial register at the local court of Hamburg under HRB No. 99204. The Company’s registered office is Steinstraße 7, 20095 Hamburg, Germany.

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

These financial statements were prepared in accordance with Sections 242 et seq. and Sections 264 et seq. German Commercial Code (HGB), as well as in accordance with the relevant provisions of the German Stock Corporation Act (AktG). The Company is subject to the requirements for large corporations.

The income statement was prepared according to the total cost accounting method. A line item for ‘total operating performance’ was added to the income statement in order to present a subtotal. Land tax expenses are stated under 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, 2018.

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 10 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 the 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, the impairment is reversed up to a maximum of 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 21 years), are reduced pro rata temporis by scheduled depreciation accordingly. From January 1, 2010, onwards, low-value assets up to a purchase price of EUR 800 have been fully depreciated in the year 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, the impairment is reversed to a maximum of amortized acquisition costs.

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 nominal 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 (Caps) are included in this item. These acquisition costs are allocated over the term of the financial derivatives and are recorded as interest expenses pro rata. If 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 by applying the fixed value method. Their effectivity is calculated based on the hypothetical derivative method. The opposing risks have balanced each other out 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 take 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 253 para. 2 German Commercial Code (HGB).

1.2.9 Liabilities and similar obligations

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 and 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 financial year, is shown in the schedule of fixed assets (see attachment to the notes).

Three real estate properties were sold during the reporting period. The book value of the disposed assets amounted to EUR 37.928 k. The assets were disposed for a total sales price of EUR 61.480 k. The transactions resulted in an accounting profit of EUR 23.552 k, which is recognized as a part of other operating income. During the reporting period, 6 properties were acquired. The properties were recorded at their purchase price of EUR 177,876 k, including costs of purchase. Due to the impairment, extraordinary write-downs on buildings totaled EUR 943 k in the year under review. At the same time, a reversal of depreciation resulting from increased fair values amounted to EUR 2,998 k.

2.2 FINANCIAL ASSETS

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

	Interest	Equity Dec. 31, 2018	Net result 2018
	%	EUR k	EUR k
Direct investments			
alstria Bamlerstraße GP GmbH, Hamburg	100	9	-1
alstria Englische Planke GP GmbH, Hamburg	100	12	-2
alstria Gänsemarkt Drehbahn GP GmbH, Hamburg	100	23	-2
alstria Halberstädter Straße GP GmbH, Hamburg	100	14	-2
alstria Portfolio 3 GP GmbH (former alstria Hamburger Straße 43 GP GmbH)	100	50	29
alstria Ludwig-Erhard-Straße GP GmbH, Hamburg	100	10	-3
alstria Mannheim/Wiesbaden GP GmbH, Hamburg	100	13	-2
alstria Portfolio 1 GP GmbH, Hamburg	100	16	-2
alstria Prime Portfolio GP GmbH, Hamburg	100	25	2
alstria Prime Portfolio GP 2 GmbH, Hamburg	100	121	54
alstria solutions GmbH, Hamburg	100	1,421	-70
alstria Steinstraße 5 GP GmbH, Hamburg	100	13	-3
alstria office Bamlerstraße GmbH & Co. KG, Hamburg	100	46,411	3,245
alstria office Englische Planke GmbH & Co. KG, Hamburg	100	4,145	732
alstria office Gänsemarkt Drehbahn GmbH & Co. KG, Hamburg	100	86,509	1,655
alstria office Insterburger Straße GmbH & Co. KG, Hamburg	100	-228	777
alstria office Mannheim/Wiesbaden GmbH & Co. KG, Hamburg	100	30,886	-44
alstria office Prime Portfolio GmbH & Co. KG, Hamburg	94	820,131	30,669
alstria office Steinstraße 5 GmbH & Co. KG, Hamburg	100	21,453	-459
beehive GmbH & Co. KG, Hamburg	100	-427	-515
Alte Post General Partner GmbH i.L., Oststeinbek	49	116	-14
Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG, Hamburg	49	16,148	602

Indirect investments (via alstria solutions GmbH, Hamburg)			
Fluxus Innovations S.C.Sp, Luxemburg, Luxemburg	100	939	12

	Interest	Equity Dec. 31, 2018	Net result 2018
	%	EUR k	EUR k
Indirect investments (via alstria office Prime Portfolio GmbH & Co. KG)			
alstria office PP Holding I GmbH & Co. KG, Hamburg	94	211,580	-719
alstria office Kampstraße GmbH & Co. KG, Hamburg	94	2,136	-114
alstria office Berliner Straße GmbH & Co. KG, Hamburg	94	12,141	1,100
alstria office Hanns-Klemm-Straße GmbH & Co. KG, Hamburg	94	6,331	903
alstria office Maarweg GmbH & Co. KG, Hamburg	94	9,604	-11
alstria office Heerdter Lohweg GmbH & Co. KG, Hamburg	94	22,378	-1,602
alstria office Solmsstraße GmbH & Co. KG, Hamburg	94	22,222	-1,848
alstria office PP Holding II GmbH & Co. KG, Hamburg	94	331,301	87,437
alstria office Wilhelminenstraße GmbH & Co. KG, Hamburg	94	8,366	-40
alstria office Hauptstraße GmbH & Co. KG, Hamburg	94	8,501	369
alstria office Frankfurter Straße GmbH & Co. KG, Hamburg	94	7,242	308
alstria office Mergenthaler Allee GmbH & Co. KG, Hamburg	94	3,282	-4
alstria office Am Hauptbahnhof GmbH & Co. KG, Hamburg	94	7,902	107
alstria office Berner Straße GmbH & Co. KG, Hamburg	94	7,683	45
alstria office Kastor GmbH & Co. KG, Hamburg	94	58,917	1,228
alstria office Heidenkampsweg GmbH & Co. KG, Hamburg	94	8,645	323
alstria office Stiftsplatz GmbH & Co. KG, Hamburg	94	4,265	-549
alstria office An den Dominikanern GmbH & Co. KG, Hamburg	94	12,033	1,481
alstria office Carl-Schurz-Straße GmbH & Co. KG, Hamburg	94	8,008	248
alstria office Pempelfurtstraße GmbH & Co. KG, Hamburg	94	14,973	-757
alstria office Josef-Wulff-Straße GmbH & Co. KG, Hamburg	94	10,987	664
alstria office Ingersheimer Straße GmbH & Co. KG, Hamburg	94	8,361	40
alstria office Frauenstraße GmbH & Co. KG, Hamburg	94	7,689	-289
alstria office Olof-Palme-Straße GmbH & Co. KG, Hamburg	94	7,302	461
alstria office Region Nord GmbH & Co. KG, Hamburg	94	10,600	3,230
alstria office Region Süd GmbH & Co. KG, Hamburg	94	7,423	242
alstria office Region Mitte GmbH & Co. KG, Hamburg	94	9,988	-162
Balgebrückstraße GmbH & Co. KG	94	4,748	-2
alstria office PP Holding III GmbH & Co. KG, Hamburg	94	-73	-22
alstria office Vaihinger Straße GmbH & Co. KG, Hamburg	94	4,792	1,368

In the reporting period, 30,287 shares of alstria office Prime were acquired at EUR 142 k. As a result as of December 31, 2018, alstria holds 94.0% of the alstria office Prime fixed capital.

In the reporting period, the shareholders' meeting of alstria office Prime approved a profit distribution. The distribution in the amount of EUR 32,917 k represents a capital withdrawal, which reduced its carrying amount accordingly.

Due to an impairment, the investment was ascribed as per balance sheet date to its fair value of EUR 723,336 k. The write-up of EUR 49,224 k resulted in revenues recognized in the other operating income. The fair value was determined on the basis of an internal valuation. Significant discretionary parameters in the context of valuation were rent development, maintenance expenses, discount rates and capitalization interest rates.

During the reporting period the alstria office Halberstädter Straße GmbH & Co. KG as well as the alstria office Hamburger Straße 43 GmbH & Co. KG were merged on their shareholder alstria office REIT-AG

The loans to affiliates include a loan to alstria office Prime, loans to affiliates of alstria office Prime as well as a loan to alstria office Insterburger Straße GmbH & Co. KG.

A loan to alstria office Prime had an outstanding amount of EUR 393,116 k as of the previous year's balance sheet date. In the reporting period, an amount of EUR 39,466 k was repaid, leaving an amount of EUR 353.651 k as of the balance sheet date. In the financial year, interest income of EUR 9.206 k was generated from the loan.

As in the previous year, the loans to affiliates of alstria office Prime had an outstanding amount of EUR EUR 40,146 k as of balance sheet date. In financial year 2018, interest of EUR 1,104 k arose from the loan.

A loan to alstria office Insterburger Straße GmbH & Co. KG had an outstanding amount of EUR 10,045 k as of the previous year's balance sheet date. In the last quarter of the 2018 financial year, the loan was redeemed. Interest income of EUR 529 k was generated from the loan during the reporting period.

The financial assets of EUR 36,567 k (December 31, 2017: EUR 36,567 k) relate to long-term bank deposits with a term until the 2021 financial year.

2.3 INVENTORIES

Inventories contain recoverable service charges that were paid in 2018. The settlement of recoverable charges for 2018 has not yet been entirely concluded. Therefore, recoverable service charges resulting from the reporting period are still stated as per the balance sheet date.

2.4 RECEIVABLES

Receivables from affiliated companies increased by EUR 33,974 k to the amount of EUR 101,804 k, as compared to the previous balance sheet date. The amount includes trade receivables of EUR 9,826 k (compared to EUR 11,689 k in 2017). The remaining amount include receivables from a profit distribution of EUR 34,920 k as well as receivables resulting from an intra-group cash pooling agreement. Receivables from companies in which the Company has a participating interest are not existent as of the balance sheet date (compared to EUR 0 k in 2017).

Other assets amounted to EUR 1,409 k as of December 31, 2018 (December 31, 2017: EUR 1,383k). They include an amount of EUR 402 k related to value added tax, EUR 185 k receivables against employees as well as vendors with debit balances amounting to EUR 173 k.

The receivables mature within one year after balance sheet date.

2.5 PREPAID AND DEFERRED EXPENSES

Prepaid expenses (EUR 715 k; compared to EUR 1,253 k in 2017) mainly include acquisition costs for financial derivatives (EUR 312 k) that have to be amortized over their remaining period. In 2018, an amount of EUR 428 k was amortized and recorded as interest expenses (compared to EUR 483 k in 2017).

Financial derivatives include interest 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	42,500	3.0000	Sept. 30, 2019	0	0
Cap	56,000	3.0000	Dec. 17, 2018	0	0
Cap	49,144	3.0000	April 4, 2021	(EUR 310.00)	312
Total				**0**	**312**

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 42,500 k is not effective in a hedging relationship. As of December 31, 2018, its carrying amount was completely depreciated by EUR 344.00.

The cap with a notional amount of EUR 56,000 k was designated to hedge the interest of a loan agreement. The cap covered 100 % of the underlying transactions. Deferred expenses were amortized, resulting in expenses of EUR 297 k. As of the date of maturity, December 17, 2018 the carrying amount was completely amortized.

The cap with a notional amount of EUR 49,144 k has a term to maturity until April 30, 2021. The cap covers 100% of the underlying transaction. Its acquisition costs were released by an amount of EUR 131 k to a value of EUR 312 k as of December 31, 2018.

Finally, the prepaid expenses include miscellaneous expenses of EUR 403 k. Out of this amount, EUR 256 k relate to accrued expenses for insurance premiums 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 amounted to EUR 153,962 k.

On January 29, 2018, alstria office REIT-AG successfully conducted an increase in share capital selling 15,323,121 new shares in the market, at a placement price of EUR 12.60 per share.

The conversion of shares of the convertible bond with a nominal amount of EUR 73,500 k in total, led to the issuance of another 7,987,972 shares, using the respective conditional capital.

In the second quarter of 2018 profit participation rights were converted into 143,750 new shares by utilizing the conditionally increased capital provided for such purposes.

Due to the aforementioned transactions, the Company's share capital has increased by EUR 23,454 k to an amount of EUR 177,416 k as of the balance sheet date.

The share capital is divided into 177,416,497 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

By resolution of the Annual General Meeting on April 26, 2018, the remaining authorized capital 2017 was replaced by the authorized capital 2018 in the amount of EUR 33,950 k. The authorization expires on April 25, 2023.

2.6.3 Conditional capital

The share capital is conditionally increased in order to grant option and conversion rights and to redeem option and conversion obligations. As of December 31, 2017, alstria's conditional capital amounted to EUR 38,860 k. It was divided into conditional capital 2013 (EUR 37,360 k), conditional capital III 2015 (EUR 500 k) and conditional capital (III) 2017 in the amount of EUR 1,000 k.

In the reporting period, the conditional capital 2013 expired and EUR 144 k out of the conditional capital III 2015 (EUR 500 k), were used, resulting in a total conditional capital of EUR 1,356 k as of the balance sheet date.

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 177,748 k due to a capital increase against contribution in cash. On the other hand transfers to the balance sheet profits reduced the capital surplus pursuant to Section 272 paragraph 2 No.4 HGB again by EUR 15,646 k in total.

An amount of EUR 65,512 k increased the capital surplus pursuant to Section 272 para. 2 No. 1. German Commercial Code (HGB). The increase resulted from the conversion of 735 shares of the convertible bond. A further increase of EUR 144 k resulted from the conversion of profit participation rights.

The capital surplus changed as follows during the financial year:

EUR k	December 31, 2018	December 31, 2017
As of January 1	**1,036,964**	**1,060,847**
Result of convertible bonds	65,512	5,081
Conversion of profit participation rights	144	111
Result of capital increase	177,748	0
Transfers to balance sheet profits	-15,646	-29,075
As of December 31	**1,264,722**	**1,036,964**

2.7 PROVISIONS

Other provisions (EUR 21,806 k; compared to EUR 19,006 k in 2017) were recognized mainly for provisions due to outstanding balances (EUR 14,884 k), share-based remuneration (EUR 2,563 k), bonuses (EUR 2,238 k), risks of litigation (EUR 590 k), Supervisory Board compensation (EUR 525 k), provisions for unused vacation (EUR 329 k), for tax consulting (EUR 322 k), audit fees (EUR 277 k) and miscellaneous provisions (EUR 78 k).

Provisions amounting to EUR 746 k have a term of more than one and less than five years. The other provisions are short-term. There was no discounting on provisions.

2.8 LIABILITIES

Schedule of liabilities in EUR k:

	December 31, 2018				
		Due in			Total
	up to 1 year	more than 1 year	between 1 and 5 years	more than 5 years	
1. Equity participation	143	241	241	0	384
2. Bond loan	11,344	1,001,800	326,800	675,000	1,013,144
3. Bank loans and overdrafts	153	104,053	0	104,053	104,206
4. Payments received on account	20,613	0	0	0	20,613
5. Trade payables	864	0	0	0	864
6. Liabilities to affiliated companies	65,528	0	0	0	65,528
7. Other liabilities	15,616	117,145	58,645	58,500	132,761
- (thereof for taxes)	*0*	*0*	*0*	*0*	*0*
Total	**114,261**	**1,223,239**	**385,686**	**837,553**	**1,337,500**

	December 31, 2017				
		Due in			Total
	up to 1 year	more than 1 year	between 1 and 5 years	more than 5 years	
1. Equity participation	143	180	180	0	323
2. Bond loan	84,940	1,001,800	326,800	675,000	1,086,740
3. Bank loans and overdrafts	425	108,270	21,547	86,723	108,695
4. Payments received on account	30,682	0	0	0	30,682
5. Trade payables	1,904	0	0	0	1,904
6. Liabilities to affiliated companies	102,682	0	0	0	102,682
7. Other liabilities	5,495	152,164	57,664	94,500	157,659
- (thereof for taxes)	617	0	0	0	617
Total	**226,271**	**1,262,414**	**406,191**	**856,223**	**1,488,685**

2.8.1 Bond loan

In the last quarter of the reporting period, a bond loan in a total amount of EUR 350 million and a coupon of 1.5% p.a. was issued. The bond has a term until November 15, 2026.

Unchanged from the prior year´s balance sheet date, a bond loan amounted to EUR 326,800 k. The loan was issued with a coupon of 2.25% p.a. and a term until March 24, 2021.

Another bond loan amounted to EUR 325,000 k unchanged to the prior year’s balance sheet date. The loan was issued with a coupon of 2.125% p.a. and a term until April 12, 2023.

As of December 31, 2018, interest liabilities in the amount of EUR 11,344 k were accrued in total for the bond loans. The loans resulted in interest expenses of EUR 19,509 k.

As of December 31, 2017, the convertible bond was divided into 735 bearer shares of EUR 100,000 each and has a term to maturity until June 14, 2018. During the reporting period, the shares of the bond were converted into alstria shares. In the course of the conversion 7,987,972 new alstria shares were emitted. The convertible loan resulted in interest expenses of EUR 379 k.

2.8.2 Bank loans and overdrafts

In the previous financial year, alstria took out a revolving credit facility with a credit line of EUR 100,000 k. The credit line was not utilized during the reporting period. The revolving credit facility yielded in an allocation fee of EUR 385 k.

As of 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 390 k, of which EUR 1 k in accrued interest expenses were reported in interest liabilities.

A third loan was recognized as of the balance sheet date in the amount of EUR 39,500 k. The loan resulted in interest expenses of EUR 340 k, of which EUR 1 k were accrued as interest liabilities.

Finally, a loan amounting to EUR 21,547 k as of the prior year`s balance sheet date was repaid in the reporting period. Interest expenses in the amount of EUR 212 k arose from the loan. For refinancing, another loan with a term until September 29, 2028 was taken up. It amounts to EUR 17,330 k as of the balance sheet date. In the reporting period, the loan resulted in interest expenses of EUR 21 k, which were deferred as interest liabilities as of the balance sheet date.

The loans are secured by land charges for real estate property owned by alstria. To secure loans, 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 include a 'Schuldscheindarlehen' (senior unsecured debt) with a total value of EUR 115,000 k. The loan is divided into three portions:

One portion with a value of EUR 40,000 k and a term to maturity until May 6, 2026 has a coupon of 2.750% p.a.; one portion with a value of EUR 37,000 k and a term to maturity until May 8, 2023 has a coupon of 2.770% p.a. and finally, a portion of EUR 38,000 k and a term to maturity until May 6, 2020, has a coupon of 1.547% p.a.

Two further portions with a value of EUR 17,500 k and terms to maturity until May 8, 2023, and May 6, 2020, had variable interest rates. Both portions were redeemed in the reporting period.

The 'Schuldschein' resulted in interest expenses of EUR 2,987 k, of which EUR 1,654 k in accrued interest expenses were reported in current interest liabilities.

In addition, the other liabilities mainly include prepayments on an asset of EUR 9,120 k security deductions amounting to EUR 3,145 k, rent deposits in the amount of EUR 2,689 k as well as customers with credit balances in the amount of EUR 951 k.

2.9 OTHER FINANCIAL COMMITMENTS

Other financial obligations from ongoing maintenance and refurbishment projects amounted to EUR 22,493 k (compared to EUR 13,950 k in 2017).

As of December 31, 2018, leasing contracts resulted in future financial obligations of EUR 5,453 k. These commitments included EUR 390 k in agreements with a remaining maturity of less than one year, EUR 1,113 k in leases with a remaining maturity of one to five years and EUR 3,950 k with a remaining maturity of more than 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 bank loan. alstria has issued a guarantee in the amount of the loan. As of the balance sheet date, this loan was valued at EUR 8,800 k.

alstria gave a further security to guarantee a liability of alstria office Insterburger Straße GmbH & Co. KG amounting to EUR 148 k.

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

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

3 NOTES TO THE INCOME STATEMENT

3.1 REVENUES

The total operating performance amounted to EUR 112,146 k in the reporting period and consists of revenues from rental income and operating costs resulting from the settlement with tenants, as well as changes in relation to work in process.

3.2 OTHER OPERATING INCOME

The other operating income is made up as follows:

EUR k	2018	2017
Proceeds from the reversal of write-downs on financial assets	49,224	4,607
Proceeds from property disposals	23,733	8,674
Proceeds from a step-up merger	16,117	0
Proceeds from appreciation of land and buildings	2,998	21,052
Proceeds from payments in kind	1,506	1,109
Proceeds from compensation payments and other charges	1,291	5,437
Proceeds from passed-on maintenance expenses	996	0
Income from the reversal of accrued liabilities	623	132
Insurance proceeds	540	275
Reimbursement for service charges	463	445
Other	1,283	1,184
Total	**98,774**	**42,915**

Proceeds from the reversal of write-downs on financial assets arose from the increase of the market value of alstria office Prime (see Note 2.2).

Proceeds from property disposals mainly arose from the disposal of three objects (see Note 2.1).

Proceeds from a step-up merger are resulting from the difference between the equity of two affiliates and their carrying amount in alstria's financial assets.

Proceeds from appreciation of land and buildings resulted from increased market values of investment properties.

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 payments and other charges result from early termination of leases and refurbishment activities carried out by alstria. The latter refers to refurbishments the tenants had originally committed themselves to carry out upon conclusion of the leasing contracts.

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

3.3 COST OF MATERIALS

The cost of materials is made up as follows:

EUR k	2018	2017
Operating expenses	13,819	11,174
Land tax	4,242	3,628
Maintenance costs	3,220	3,121
Insurance costs	868	686
Passed-on charges	806	841
Repairs	132	135
Other	11	23
Total	**23,098**	**19,608**

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. Insofar 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 4,249 k in the reporting year (previous year: EUR 3,637 k).

3.4 PERSONNEL EXPENSES

The salaries and wages in the reporting period amounted to EUR 15.899 k. The increase of EUR 2,069 k (previous period: EUR 13,830 k) as compared to the previous year is mainly based on an increase in the average number of employees.

3.5 OTHER OPERATING EXPENSES

Other operating expenses are made up as follows:

EUR k	2018	2017
Real estate operating expenses	26,417	11,826
Legal and consulting fees	4,283	2,118
Cost of disposals	924	237
General administration expenses	871	684
Leasing and leasing-related expenses	858	261
Expanses due to impairment on receivables	791	215
Travel expenses	593	492
IT costs	550	317
Supervisory Board compensation	525	353
Audit fee and other audit-related expenses	441	677
Expenses for conferences and marketing	408	360
Telecommunication and postal charges	331	263
Insurance costs	282	203
Carpool expenses	260	243
Expenses from the reversal of deferred acquisition costs on financial instrument	0	276
Others	1,703	1,162
Total	**39,237**	**19,687**

Real estate operating expenses include costs that cannot be passed on to tenants.

The legal and consulting fees include EUR 4,113 k in consulting and legal fees and EUR 170 k in tax consulting fees.

Cost of disposals include consulting expenses in connection with the disposal of assets.

The general administration expenses mainly include costs related to recruiting (EUR 410 k), bank charges (EUR 229 k) and sustainability reporting (EUR 48 k) as well as office expenses (EUR 184 k).

3.6 INCOME FROM LOANS FROM FINANCIAL ASSETS

The income from loans from financial assets in the amount of EUR 10,839 k (previous year: EUR 12,788 k) resulted from interest income on loans granted to subsidiaries.

3.7 OTHER INTEREST AND SIMILAR INCOME

Interest income (EUR 740 k) results from interest income on bank deposits.

3.8 INTEREST AND SIMILAR EXPENSES

Interest expenses in the reporting period amounted to EUR 24,896 k (compared to EUR 63,608 k in 2017). The expenses comprise EUR 19,509 k of interest expenses on bonds; EUR 2,987 k of interest on a ‘Schuldscheindarlehen’ (senior unsecured debt); EUR 964 k of interest expenses on other bank loans; EUR 492 k of transaction costs; EUR 428 k of interests on the allocation of acquisition costs concerning financial derivatives (see Note 2.5); EUR 379 k of interest expenses on a convertible bond as well as EUR 137 k of other interest and similar expenses.

3.9 INCOME TAXES

Because the Company has been exempt from income taxes since the conversion into a REIT-AG, no tax expenses arose in 2018.

4 OTHER NOTES

4.1 SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

In the reporting period, alstria signed a purchase contract for the disposal of an asset in Wuppertal. The transfer of benefits and burden has taken place in January 2019. Additionally, alstria signed a purchase contract for the acquisition of a property in Berlin. The benefits and burden of the property was transferred in February 2019.

4.2 COMPENSATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

4.2.1 Management Board

The following total remuneration was granted to the members of the Management Board according to Section 285 No. 9a German Commercial Code (HGB):

EUR k	2018	2017
Short-term benefits	1,277	1,161
Postemployment benefits	160	125
Share-based remuneration	800	905
Total	**2,237**	**2,191**

As of the reporting date, liabilities for the compensation of the members of the Management Board amounted to EUR 433 k (compared to EUR 339 k in 2017).

4.2.2 Supervisory Board

Pursuant to the Articles of Association, the Supervisory Board members' fixed annual remuneration amounted to EUR 525 k (compared to EUR 353 k in 2017).

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

4.3 AUDITOR'S FEES

By resolution of the Annual General Meeting held on April 26, 2018, KPMG AG Wirtschaftsprüfungsgesellschaft, Ludwig-Erhard-Strasse 11-17, Hamburg, was appointed to perform the audit of the separate and consolidated financial statements for the 2018 financial year. The fee for the audit of financial statements 2018 was EUR 386 k in total.

4.4 SHARES

The share capital is divided into 177,416,497 non-par-value bearer shares.

4.5 DIVIDEND

At the Annual Shareholders' Meeting, the Management Board intends, in agreement with the Supervisory Board, to submit the following proposal to allocate the unappropriated net income of alstria office REIT-AG for the 2018 financial year:

Distribution of a dividend of EUR 0.52 for each share of no par value entitled to the dividend for the 2018 financial year as of the date of the Annual General Meeting, with the remaining amount to be carried forward. Payment of the proposed dividend is contingent upon approval by alstria shareholders at the Annual General Meeting on Mai 22, 2019. The proposed dividend of EUR 0.52 per share for the 2018 financial year represents a total payment of EUR 92.3 million based on the number of shares entitled to dividend at the balance sheet date.

4.6 SUPERVISORY BOARD

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

During the 2018 financial year, the members of the Supervisory Board and their membership in supervisory boards of German companies or comparable German or foreign controlling committees of commercial enterprises were as follows:

Dr. Johannes Conradi **Chairman**	**Hamburg, Germany**	**Lawyer and Partner, Freshfields Bruckhaus Deringer LLP**
	Elbphilharmonie und Laeiszhalle Betriebsgesellschaft mbH	Member of the Advisory Board
	Hamburg Musik gGmbH	Member of the Supervisory Board
Richard Mully **Vice-Chairman**	**Cobham (Surrey), United Kingdom**	**Director, Starr Street Limited**
	Airlington Business Parks LLC	Director
	Great Portland Estates plc	Non-Executive Director
	Standard Life Aberdeen PLC	Director
until March 21, 2018	St Modwen Properties PLC	Director
	TPG Europe LLC	Senior Advisor
Dr. Bernhard Düttmann	**Meerbusch, Germany**	**Executive consultant**
	CECONOMY AG	Member of the Supervisory Board
since May 9, 2018	Vossloh AG	Member of the Supervisory Board
Stefanie Frensch	**Berlin, Germany**	**Managing Director, HOWOGE Wohnungsbaugesellschaft mbH**
until November 21, 2018	BBU Verband Berlin-Brandenburgischer Wohnungsunternehmen e.V.	Chairman of the audit committee
Benoît Hérault	**Uzès, France**	**Managing Director, Chambres de l'Artémise S.à r.l**
	Marie Birzard Wine & Spirits SA	Chairman of the Board
from March 2, 2018 until October 29, 2018	Marie Birzard Wine & Spirits SA	CEO
	Westbrock Partners	Senior Advisor for France
Marianne Voigt	**Berlin, Germany**	**Managing Director, bettermarks GmbH**
	BDO AG Wirtschaftsprüfungsgesellschaft	Member of the Supervisory Board
since October 1, 2018	DISQ Deutsches Institut für Service-Qualität GmbH & Co. KG	Member of the Advisory Board

4.7 MANAGEMENT BOARD

The members of the Company's management board during the reporting year were as follows:

Olivier Elamine	**Hamburg, Germany**	**CEO of the Company**
since June 20, 2018	COIMA RES S.p.A. SIIQ	Non-Executive Director
	Urban Campus Group SAS	Member of the Advisory Board
Alexander Dexne	**Hamburg, Germany**	**CFO of the Company**
until July 2, 2018	Brack Capital Properties N.V.	Chairman of the board

The attached remuneration report contains the details of the principles used to define the Management Board's and Supervisory Board's remuneration.

4.8 EMPLOYEES

During the period from January 1 to December 31, 2018, the Company employed 134 people on average (2017: 114 employees on average). The average was calculated based on the number of employed people at the end of each quarter. On December 31, 2018, alstria office REIT-AG employed 144 people (December 31, 2017: 117 employees), excluding the Management Board.

	Average 2018	Employees December 31, 2018
Real estate management and development	78	85
Finance and legal	38	39
Other occupations	18	20
Total	**134**	**144**

4.9 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. The Supervisory Board passed a resolution to specify 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 can be summarized as follow:

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, using the conditional capital III 2015 created by the Annual General Meeting in 2015. By the end of the reporting period, certificates were granted corresponding to EUR 323,425 of conditional capital III 2015. In 2017, the Annual General Meeting approved the implementation of additional conditional capital III 2017 with an aggregate nominal value of up to EUR 1,000,000 for the conversion of 1,000,000 certificates. At the end of the reporting period, certificates in relation to this conditional capital III 2017 had been granted for 506,575 certificates.

The certificates are issued as non-transferable rights and are not sellable, pledgeable, or 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 financial year. For certificates held by a beneficiary for less than a full financial 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 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 177,675 certificates issued on May 19, 2017, and the 206,075 certificates issued on April 27, 2018, this market condition was fulfilled until the end of the 2018 financial year.

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 on the respective grant 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.

4.10 GROUP AFFILIATIONS

alstria office REIT-AG prepares the consolidated financial statements. These statements are published in the Bundesanzeiger (web-based version of ‘German Federal Gazette’). All 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 [GERMAN SECURITIES TRADING ACT] AND EUROPEAN MARKET ABUSE REGULATION [MAR]

5.1 AD HOC ANNOUNCEMENTS

The following table summarizes the announcements pursuant to Art. 17 MAR as published by the Company during the reporting period:

Date	Topic
Jan 29, 2018	Capital increase of up to 15,323,121 new shares to finance further growth
Jan 29, 2018	alstria successfully executed capital increase
Jan 14, 2019	Portfolio valuation will lead to a positive P&L impact of approx. EUR 400 million in 2018

5.2 DIRECTORS' DEALINGS

The following transactions regarding the shares of the Company (ISIN DE000A0LD2U1) have been reported to the Company pursuant to Art. 19 MAR during the reporting period:

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 06, 2018; UTC + 1	12.20	7,503.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 06, 2018; UTC + 1	12.20	53,497.00
Aggregated information for the transactions by Mr. Elamine on March 06, 2018: Average weighted share price: EUR 12.2000; aggregated volume: EUR 61,000.0000						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Marianne Voigt	Member of the Supervisory Board	Buy	XETRA	Mar 21, 2018; UTC + 1	12.37	30,925.00
Aggregated information for the transaction by Ms. Voigt on March 21, 2018: Average weighted share price: EUR 12.37; aggregated volume: EUR 30,925.00						
Marianne Voigt	Member of the Supervisory Board	Buy	XETRA	May 07, 2018; UTC + 2	12.51	736.11
Marianne Voigt	Member of the Supervisory Board	Buy	XETRA	May 07, 2018; UTC + 2	12.52	38,048.28
Aggregated information for the transactions by Ms. Voigt on May 07, 2018: Average weighted share price: EUR 12.5198; aggregated volume: EUR 38,811.3900						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Stefanie Frensch	Member of the Supervisory Board	Buy	XETRA	May 25, 2018; UTC + 2	12.62	29,909.40
Aggregated information for the transaction by Ms. Frensch on May 25, 2018: Average weighted share price: EUR 12.6200; aggregated volume: EUR 29,909.4000						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Alexander Dexne	CFO	Buy	XETRA	Aug 22, 2018; UTC + 2	13.16	18,173.96
Alexander Dexne	CFO	Buy	XETRA	Aug 22, 2018; UTC + 2	13.15	34,439.85
Aggregated information for the transactions by Mr. Dexne on August 22, 2018: Average weighted share price: EUR 13.1535; aggregated volume: EUR 52,613.81						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Dr. Bernhard Düttmann	Member of the Supervisory Board	Buy	XETRA	Sep 20, 2018; UTC + 2	12.85	12,850.00
Aggregated information for the transaction by Dr. Düttmann on Sept. 20, 2018: Average weighted share price: EUR 12.85; aggregated volume: EUR 12,850.00						

5.3 VOTING RIGHT NOTIFICATIONS

Information according to Section 160 para. 1 No. 8 German Stock Corporation Act (AktG): The following table shows shareholdings in the Company that were in place on the balance sheet date of 2017, were communicated to us pursuant to Section 33 para. 1 WpHG (Section 21 para. 1 WpHG old version), and have been published pursuant to Section 40 para. 1 WpHG (Section 26 para. 1 WpHG old version). Moreover, shareholdings were considered that were in place until the date of the preparation of the financial statements, were communicated to us pursuant to Section 33 para. 1 WpHG (Section 21 para. 1 WpHG old version), and have been published pursuant to Section 40 para. 1 WpHG (Section 26 para. 1 WpHG old version). The Company did not receive any notifications pursuant to Section 20 para. 1 and 4 AktG or pursuant to Section 33 para. 2 WpHG (Section 21 para. 1a WpHG old version) during the reporting period.

No.	Shareholders, registered office	Voting rights (new) (%)	Date of change	Attribution of voting rights	Contains 3 % or more of voting rights from
1	Prédica, Paris, France	3.0265	Apr 5, 2016	No	-
2	SAS Rue la Boétie, Paris, France	5.7691	Apr 12, 2016	Yes	Prédica
3	Government of Singapore, acting by and through the Ministry of Finance, Singapore	12.61	Apr 22, 2016	Yes	GIC Private Limited (4.71 %) Euro Periwinkle Private Limited (7.90 %)
4	GIC Private Limited, Singapore	12.61	Apr 22, 2016	Yes	Euro Periwinkle Private Limited
5	GIC (Realty) Private Limited, Singapore	7.90	Apr 22, 2016	Yes	Euro Periwinkle Private Limited
6	Europe Realty Holdings Pte Ltd, Singapore	7.90	Apr 22, 2016	Yes	Euro Periwinkle Private Limited

No.	Shareholders, registered office	Voting rights (new) (%)	Date of change	Attribution of voting rights	Contains 3 % or more of voting rights from
7	Euro Periwinkle Private Limited, Singapore	7.90	Apr 22, 2016	No	-
8	BlackRock, Inc., Wilmington, DE, USA	3.59[1]	Sep 21, 2018	Yes	-
9	BNP PARIBAS ASSET MANAGEMENT Holding S.A., Paris, France	2.99	Nov 06, 2018	Yes	n/a
10	Kairos International SICAV, Luxembourg	2.97	Nov 21, 2018	No	-
11	Julius Baer Group Ltd., Zurich, Switzerland	2.99	Nov 27, 2018	Yes	-
12	Brookfield Asset Management Inc., Toronto, Canada	3.01	Dec. 18, 2018	Yes	Brookfield Public Securities Group LLC (formerly: Brookfield Investment Management Inc.)

[1)] Contains 0.17 % financial instruments pursuant to Sec. 38 para. 1 No. 1 and No. 2 WpHG.

6 DECLARATION OF COMPLIANCE PURSUANT TO AKTG SECTION 161

Information according to Section 160 para. 1 No. 8 German Stock Corporation Act (AktG): The following table shows shareholdings in the Company that were in place on the balance sheet date of 2017, were communicated to us pursuant to Section 33 para. 1 WpHG (Section 21 para. 1 WpHG old version), and have been published pursuant to Section 40 para. 1 WpHG (Section 26 para. 1 WpHG old version). Moreover, shareholdings were considered that were in place until the date of the preparation of the financial statements, were communicated to us pursuant to Section 33 para. 1 WpHG (Section 21 para. 1 WpHG old version), and have been published pursuant to Section 40 para. 1 WpHG (Section 26 para. 1 WpHG old version). The Company did not receive any notifications pursuant to Section 20 para. 1 and 4 AktG or pursuant to Section 33 para. 2 WpHG (Section 21 para. 1a WpHG old version) during the reporting period.

Hamburg, February 21, 2019

Olivier Elamine	Alexander Dexne
(CEO)	(CFO)

1.4 Fixed-Asset Movement Schedule alstria office REIT-AG

		Acquisition and manufacturing costs					Accumulated amortization and depreciation					Book values	
		1.1.2018	Additions	Disposals	Transfers	31.12.2018	1.1.2018	Additions	Disposals	Appreciations	31.12.2018	31.12.2018	31.12.2017
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I.	**Intangible assets**												
	Concessions, commercial intellectual property rights and similar rights and assets as wall as licences	**2,208,078**	**268,128**	**1,150**	**0**	**2,475,056**	**1,991,214**	**140,335**	**774**	**0**	**2,130,775**	**344,281**	**216,863**
II.	**Property, plant and equipment**												
1.	Land, property rights and buildings	1,488,801,235	186,296,624	76,475,422	285,054	1,598,907,490	270,402,148	35,144,283	38,556,573	2,998,330	263,991,527	1,334,915,963	1,218,399,087
2.	Technical plant and machinery	2,139,789	0	0	0	2,139,789	1,785,544	89,856	0	0	1,875,400	264,389	354,245
3.	Other plant, operating ond office equipment	1,988,958	241,240	36,436	0	2,193,763	865,659	210,049	17,143	0	1,058,564	1,135,199	1,123,299
4.	Prepayments and construction in progress	28,982,519	25,398,376	9,144	-285,054	54,086,697	0	0	0	0	0	54,086,697	28,982,519
		1,521,912,501	**211,936,240**	**76,521,002**	**0**	**1,657,327,740**	**273,053,351**	**35,444,188**	**38,573,717**	**2,998,330**	**266,925,491**	**1,390,402,249**	**1,248,859,151**
III.	**Financial assets**												
1.	Shares in affiliated companies	1,007,538,687	0	57,020,794	0	950,517,893	116,929,757	300,000	0	49,223,733	68,006,024	882,511,869	890,608,929
2.	Loans to affiliated companies	443,306,748	0	49,510,572	0	393,796,176	0	0	0	0	0	393,796,176	443,306,748
3.	Participating interests	2,036,416	0.00	0	0	2,036,416	9,322	0	0	0	9,322	2,027,094	2,027,094
4.	Other loans	36,566,799	243,644	243,644	0	36,566,799	0	0	0	0	0	36,566,799	36,566,799
		1,489,448,650	**243,644**	**106,775,010**	**0**	**1,382,917,284**	**116,939,079**	**300,000**	**0**	**49,223,733**	**68,015,346**	**1,314,901,938**	**1,372,509,571**
		3,013,569,229	**212,448,013**	**183,297,162**	**0**	**3,042,720,079**	**391,983,644**	**35,884,522**	**38,574,491**	**52,222,064**	**337,071,612**	**2,705,648,467**	**2,621,585,585**

To alstria office REIT-AG, Hamburg

2.0 Report on the Audit of the Annual Financial Statements and of the Management Report

OPINIONS

We have audited the annual financial statements of alstria office REIT-AG, Hamburg, which comprise the balance sheet as at December 31, 2018, and the statement of profit and loss for the financial year from January 1, 2018 to December 31, 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of alstria office REIT-AG for the financial year from January 1, 2018 to December 31, 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2018 and of its financial performance for the financial year from January 1, 2018 to December 31, 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the corporate governance statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

BASIS FOR THE OPINIONS

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" Section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

IMPAIRMENT TESTING OF LAND, LEASEHOLD RIGHTS AND BUILDINGS RECOGNIZED UNDER PROPERTY, PLANT AND EQUIPMENT

For information on impairment testing of land, leasehold rights and buildings (real estate) recognized under property, plant and equipment, please see the comments in the notes to the financial statements ('accounting policies' section).

The Financial Statement Risk

In the annual financial statements of alstria office REIT-AG, land, leasehold rights and buildings amounting to EUR 1,334.9 million were presented under property, plant and equipment as of December 31, 2018.

These items represent 45.9 % of total assets and thus significantly influence the Company's balance sheet.

Property, plant and equipment is stated at cost less depreciation. Impairment losses are recognized in cases where the fair value of the real estate is expected to fall permanently below book value. Impairment losses are reversed if the reasons for impairment cease to apply.

The fair value of the real estate is assessed according to the 'hardcore and top slice' process. The valuation date was December 31, 2018.

The fair values were determined by accredited, external and independent experts (Colliers International UK LLP, London, UK and Savills Advisory Services Germany GmbH & Co. KG, Frankfurt am Main).

To assess the real estate, numerous assumptions relevant to valuation are made that are complex and subject to considerable estimation uncertainties and judgments. Even minor changes in the assumptions relevant to valuation may have a material effect on the resulting fair value. The key valuation parameters used to assess the real estate are the current and future market rents, the vacancy periods and the capitalization rates.

There is a risk for the financial statements that, both due to inaccurate or incomplete data provided by alstria office REIT-AG and due to existing estimation uncertainties and inaccurate exercising of judgment concerning the relevant valuation parameters, the valuation of the real estate held and thus the real estate presented under property, plant and equipment is impaired.

Our audit approach

Our audit procedures particularly involved the assessment of accuracy and completeness of the data used concerning the real estate portfolios and the appropriateness of the assumptions and results of the real estate experts.

We involved our internal real estate valuation specialists to verify the appropriateness and functionality of the controls implemented in relation to the master data relevant to valuation.

We assessed the internal control system used to assess the fair values determined by the external experts and tested internal controls. We also verified the qualifications and objectivity of the external experts commissioned by alstria office to evaluate the real estate and examined the valuation logic applied in their expert appraisals to assess its appropriateness.

Furthermore, as part of our substantive audit procedures, we assessed whether the data basis provided to the external experts was complete and correct and thus if it allowed the experts an appropriate basis for assessment.

We assessed the appropriateness of the assumptions for measurement selected using a risk-based selection of real estate. In particular, we assessed the assumptions made to determine the current and future real estate-specific market rents, vacancy periods and capitalization rates and reviewed these assumptions for appropriateness, taking into account the type and location of the real estate. We also carried out on-site inspections in individual cases to verify the respective property's condition.

In addition, we assessed whether the book values of the real estate presented under property, plant and equipment were covered by the fair values determined by the experts in the impairment tests.

Our observations

The basis of data used to assess the investment property is appropriate. The assumptions and parameters used for the valuation are appropriate.

IMPAIRMENT TESTING OF SHARES IN AFFILIATED COMPANIES

For information of the valuation of shares in affiliated companies, please see the comments in the notes to the financial statements ('Accounting policies' section).

The financial statement risk

Shares in affiliated companies in the amount of EUR 882.5 million are recognized in the annual financial statements of alstria office REIT-AG as of December 31, 2018. These items represent 30.4 % of total assets and thus significantly influence the Company's balance sheet.

Shares in affiliated companies are recognized at cost. If they are assumed to be permanently impaired, impairment losses are recognized and the values are written down at the lower of cost and fair value. Impairment losses are reversed if the reasons for impairment cease to apply.

Impairment testing of the shares in affiliated companies is complex and based on assumptions that require judgment. Shares in affiliated companies concern companies holding portfolios, companies holding portfolios that also act as intermediate holding companies and also companies not holding portfolios that own companies holding portfolios. The key determinants of the fair value of shares are therefore the fair values of the real estate held by the subsidiaries and sub-subsidiaries. With regard to the fair values determined by alstria office and the significant valuation assumptions resulting from this determination, please see our comments on 'Impairment testing of land, leasehold rights and buildings presented under property, plant and equipment'.

There is a risk for the financial statements that shares in affiliated companies are impaired.

Our audit approach

To examine the alstria office's impairment testing, we focused especially on the key value drivers of the shares in affiliated companies, the fair values of the properties.

In this regard, the approach followed in the audit corresponds to the approach described above for impairment testing of the real estate presented under property, plant and equipment.

First, based on explanations and meetings with a member of the Management Board and members of the Finance & Controlling and Group Accounting/Reporting departments, as well as an assessment of the documentation, we obtained an understanding of the Company's process for impairment testing shares in affiliated companies. In doing so, we examined the Company's approach to determining the need to recognize impairment losses or reversals of impairment and, based on the information obtained in the course of our audit, assessed whether there were indications of impairment or reversals of impairment that had not been identified by the Company.

Based on the findings analysis conducted by the Company and other indicators, we assessed the Company's appraisal of investments that are subject to risk. Subsequently, with the involvement of our valuation experts, we assessed the business valuation arrived at by the Company for shares in affiliated companies to determine the appropriateness of the significant assumptions and the Company's valuation method. For this purpose we discussed the expected cash flows and the assumed long-term growth rates with those responsible for planning. Furthermore, we reconciled the three-year medium-term planning prepared by the Company and the budget approved by the Supervisory Board and verified the planning for subsequent years derived from the assumptions of the medium-term planning. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analyzing deviations.

We compared the assumptions and parameters underlying the capitalization rate with our own assumptions and publicly available data. To take account of forecast uncertainty, we also investigated the impact of how potential changes in significant planning and valuation parameters affect fair value (sensitivity analysis) by calculating alternative scenarios and comparing them with the Company's valuation results. Basing our assessment on the valuation model used by the client, we performed a control calculation to investigate the methodical approach and mathematical accuracy.

Our observations

The assumptions and parameters underlying the impairment testing of shares in affiliated companies are appropriate. The valuation methods used are in line with applicable valuation standards.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company’s financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view

of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor at the annual general meeting on April 26, 2018. We were engaged by the supervisory board on April 26, 2018. We have been the auditor of alstria office REIT-AG for the first time in financial year 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is René Drotleff.

Berlin, 21. February 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

[signature] Schmidt	[signature] Drotleff
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

To the best of our knowledge we confirm that, in accordance with the applicable reporting principles, the financial statements 2018 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Hamburg, February 21, 2019

alstria office REIT-AG

The Management Board

Olivier Elamine CEO	**Alexander Dexne** CFO

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