alstria

FINANCIAL STATEMENTS 2019

German GAAP

alstria office REIT-AG, Hamburg

MANAGEMEMENT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Translation: German version prevails

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A. MANAGEMENT REPORT

I. ECONOMICS AND STRATEGY

1. ECONOMIC CONDITIONS

1.1. Framework

The German economy slowed down in 2019. Germany's GDP increased by 0.6 % last year, after 1.5 % and 2.2 % growth in previous years. Although economic output rose for the tenth year in a row, it has lost some of its momentum. This was mainly due to the global downturn in the industrial economy together with a decline in world trade. Nevertheless, the German labor market continued to develop solidly in 2019. The unemployment rate decreased by 0.2 percentage points to 5.0 % compared to the previous year, and the employment level reached an all-time peak of 45.3 million employees, which is 1.1 % more than last year.*

The total volume of the German investment market for commercial real estate increased by 6.5 % to EUR 65.0 billion compared to the previous year's EUR 60.1 billion. It can be concluded that Germany still offers great investment opportunities due to its solid key economic and real estate figures.**

1.2. Overview of the German office-property market

1.2.1. Development of office rents

In 2019, according to the largest commercial real estate agencies, the average rents for office space in seven important commercial real estate markets (known as the Big 7— Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, and Stuttgart) exceeded the previous year's levels. Berlin reached the highest average rent for office space at EUR 26.35/m², followed by Frankfurt at EUR 21.00/m², Munich at EUR 20.06/m², Hamburg at EUR 17.50/m², Düsseldorf at EUR 16.77/m², Stuttgart at EUR 16.60/m², and Cologne at EUR 15.20/m².

1.2.2. Uptake in major German cities

The vacancy rate of office properties in German cities decreased from 4.0 % in 2018 to 3.5 % in 2019, which represents a total vacancy of 3.0 million m² (a decrease of 0.4 million m²). Among the Big 7, the highest vacancy rate was recorded in Düsseldorf and Frankfurt at 6.5 % each, followed by those in Hamburg at 3.2 %, Cologne and Munich at 2.4 % each, Stuttgart at 2.1 %, and Berlin at 1.4 %.

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* Annual Economic Report 2020 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.

1.2.3. New lease-ups

In 2019 new lease contracts were signed for more than 4.0 million m² of office space in the Big 7 German cities. This reflects an increase of 0.1 million m², or 1.6 %, compared to the previous year. After 2017, the strongest revenues were achieved in 2019. The main reason was the continued positive development of the labor market and the associated increase in demand for office space. As a result, the German office letting market proved to be in solid shape despite the economic downturn. The highest positive uptakes of office space were registered in Berlin at 1,014,833 m² (+22.9 %), along with 765,975 m² (−21.7 %) in Munich, 579,475 m² (−9.1 %) in Frankfurt, 526,467 m² (−7.3 %) in Hamburg and 518,850 m² (+35.5 %) in Düsseldorf. Lower uptakes of office space were observed in Cologne (315,550 m², +46.3 %) and Stuttgart (290,767 m², −3.2 %).

1.2.4. New office supply

According to the largest commercial real estate agencies, approx. 1,090,350 m² of new office space was built in 2019. Compared to last year, this was an increase of around 10.7 %. Frankfurt (+49.8 %), Berlin (+25.7 %), Stuttgart (+23.3 %), Düsseldorf (+18.2 %), Munich (+7.7 %) and Cologne (+6.5 %) were the Big 7 cities that generated an increase in new office spaces compared to the previous year. The amount of newly built offices declined (-30.9 %) only in Hamburg. For 2020, the completion volume for the Big 7 is forecasted to increase to approx. 1,900,000 m².

1.2.5. Investment markets

The investment markets continued a positive trend in financial year 2019. Total investment volume (around EUR 65.0 billion for commercial assets) was around 6.5 % higher than the previous year's result. The Big 7 cities together recorded a transaction volume of around EUR 37.6 billion. Through the increase in Berlin's market volume, Berlin (EUR 12.2 billion; +104.5 %) had the Big 7's highest transaction volume. This was followed by Munich at EUR 9.9 billion (+77.7 %), Frankfurt at EUR 7.9 billion (-14.3 %), Hamburg at EUR 4.2 billion (-12.6 %), Düsseldorf at EUR 3.7 billion (+11.9 %), Cologne at EUR 2.9 billion (+92.7 %), and Stuttgart at EUR 1.9 billion (+0.5 %). With regard to the deal structure, around 66 % of the commercial investment turnover in the 2019 financial year was related to single-asset deals, whereas the share of portfolio transactions amounted to 34 %; these values are in accordance with those from the previous year.

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

2. 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, 2019, the alstria Group consisted of the corporate parent, alstria office REIT-AG, and 47 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 55 % of the Company’s real estate assets (73 properties with an overall market value of EUR 2.4 billion), the remaining real estate assets were held by 30 subsidiaries as of December 31, 2019.

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 that, owing to its age, no longer meets today’s requirements.
- By modernizing 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, which the Management Board aims to implement with the following key points:

- With the approach that the focus should be on the tenant, alstria tries to meet its needs and thus to generate successful letting activities in the long run.
- alstria aims to secure the quality of the assets with continuous investments in order to realize increased value through constant modernization measures and the reduction of vacancy.
- The potential of value enhancements should be realized through comprehensive repositioning and asset development.
- From alstria's point of view, many tenants are price-sensitive, and only the lessors that offer better value for the money than the competition will be successful. For this reason, the Company strives for a good price-performance ratio in order to ensure the long-term rentability of the property.

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, last year alstria was able to achieve above-average returns compared to the market, where, according to JLL and Colliers*, returns of 2.8 % to 3.3 % were realized. The prediction 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 5.7 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, from alstria's point of view, 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.

II. FINANCIAL ANALYSIS

1. EARNINGS POSITION

The following table shows the key operating figures of the audited income statements for the 2019 and 2018 financial years:

Profit and Loss Statement

in EUR k	2019	% of oper. perf.	2018	% of oper. perf.	Change
Total operating performance	116,964	100.0	112,146	100.0	4,818
Other operating income	29,736	25.4	98,774	88.1	-69,038
Cost of purchased services	-23,678	-20.2	-23,098	-20.6	-580
Personnel expenses	-18,274	-15.6	-15,899	-14.2	-2,375
Depreciation	-35,357	-30.2	-35,585	-31.7	228
Other operating expenses	-42,147	-36.0	-39,237	-35.0	-2,910
Net financial result	15,074	12.9	-11,613	-10.4	26,687
Taxes on income	0	0.0	36	0.0	-36
Net result of the year	**42,318**	36.3	**85,524**	76.2	**-43,206**

* See JLL press release "Real estate in demand like never before" from January 6th, 2020 and Collier's press release "Dynamics of the year-end rally and record transaction volume in 2019 set completely new standards on the German investment market" from January 6th, 2020.

1.1. Operating performance 2019

Net profit for the 2019 financial year was EUR 42,318 k (compared with EUR 85,524 k in 2018). As the Company has been exempt from income taxes since its conversion into a REIT structure, no tax expenses arose in 2019.

The decrease in the net result of EUR 43,206 k compared with the prior year was significantly influenced by a decrease of other operating income by EUR 69,038 k, an increase of other operating expenses by EUR 2.910 k, and an increase of personnel expenses by EUR 2,375 k.

These effects were reduced by an increase in the net financial result by EUR 26,687 k.

1.2. Total operating performance

alstria's total operating performance improved in the 2019 financial year, primarily due to an increase in the let area. In the reporting period, revenues amounted to EUR 116,859 k. Together with the changes in inventory amounting to EUR 105 k, alstria's total operating performance amounted to EUR 116,964 k (versus EUR 112,146 k in the previous year).

1.3. Other operating income

The other operating income decreased by EUR 69,038 k to EUR 29,736 k. The decrease was mainly based on a reduction of the partial reversals of a write-down on an affiliate by EUR 30,696 to EUR 18,528 based on the smaller growth of its market value compared with the prior year. In addition, due to a smaller volume of disposals, the proceeds from property disposals of EUR 792 k were EUR 22,941 k smaller than the previous year`s proceeds. Finally, in contrast to the reporting period, a step-up merger was carried out in the previous period, which resulted in a gain of EUR 16,117 k. In the year under review, no step-up merger was performed.

1.4. Peronell expenses

The increase in personnel expenses compared to the previous year of EUR 2,375 k results primarily from the increase in the average number of employees and the increase in share-based remuneration due to the higher share price compared to the previous year's reporting date.

1.5. Depreciation and amortization

Depreciation decreased by EUR 227 k to EUR 35,358 k compared with 2018. The effect was mainly due to a decrease in scheduled depreciation by EUR 951 k. An increase in non-scheduled depreciation by EUR 607 k compensated for this effect.

1.6. Other operating expenses

Other operating expenses increased by EUR 2,910 k compared with the 2018 financial year to EUR 42,147 k in the reporting period. The effect is mainly due to an increase in real estate operating expenses by EUR 3,717 k. In addition to an increase in lettable area due to acquisitions, the increase mainly resulted from expenses in the course of reletting, as well as the refurbishment of a parking lot. In contrast, the costs of sale decreased by EUR 898 k due to a reduced volume of sale transactions.

1.7. Financial result

in EUR k	2019	2018	Change (%)
Interest expenses, corporate bonds	-20,037	-19,509	2.7
Interest result “Schuldschein” (“senior unsecured debt“)	-2,502	-2,987	-16.2
Interest expenses from bank loans	-762	-964	-21.0
Interest result from financial derivatives	-141	-441	-68.0
Interest expenses from convertible bond	0	-379	-100.0
Other interest expenses	-7,737	-616	1.156.0
Financial expenses	**-31,179**	**-24,896**	**25.2**
Income from participating interests	38,559	2,004	1.824.1
Income from loans to affiliates	7,255	10,839	-33.1
Other interests and similar income	507	740	-31.5
Write down on financial assets	-68	-300	-77.3
Net financial result	**15,074**	**-11,613**	**-229.8**

Compared to the previous period, **financial expenses** increased by EUR 6,283 k to EUR 31,179 k.

The increase is mainly due to transaction costs of EUR 7,066 k relating to the issuance of a corporate bond. The new corporate bond caused additional interest expenses of EUR 528 k in the period under review. This effect was compensated for by a reduction of interest expenses due to repayments on bank loans and on the Schuldscheindarlehen (senior unsecured debt), as well as a redemption of the convertible bond.

The **income from participating interests** increased by EUR 36,555 k compared with 2018. The gain is the result of a profit distribution from an affiliate (EUR 33,066 k; 2018: EUR 2.004 k), as well as a distribution of profits from an investment in a joint venture (EUR 5,493 k). In contrast, the **income from loans to affiliates** decreased by EUR 3,584 k due to repayments in the year under review.

2. FINANCIAL AND ASSET POSITION

On the balance sheet date, alstria owned 73 real estate properties (in 2018: 69). The following table illustrates alstria's changes in investment property in 2019:

Change in Land and Buildings	(in EUR m)
Land and Buildings on December 31, 2018	**1,334.92**
Investments	51.02
Adjustments	0.01
Disposals	-8.33
Appreciation	3.01
Non-scheduled depreciation	-1.55
Ordinary depreciation	-33.25
Land and Buildings as of December 31, 2019	**1,345.84**

The **land and buildings** line item increased by EUR 10,917 k. During the reporting period, five properties were purchased at a purchase price of EUR 45,905 k in total, and EUR 5,115 k was invested in the existing portfolio. The disposals concerned the sale of one building. A disposal price of EUR 9,120 k, relating to a carrying amount of EUR 8,328 k, resulted in an accounting profit of EUR 792 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				
Gathe 78	Wuppertal	9,120	Oct. 10, 2018	Jan. 1, 2019
		9,120		
Acquisitions				
Lehrter Straße 17	Berlin	8,470	Dec. 12, 2018	Feb. 1, 2019
Handwerkstraße 4 / Breitwiesenstraß	Stuttgart	7,350	Dec. 18, 2018	March1, 2019
Maxstraße 3a	Berlin	10,200	March 6, 2019	June 1, 2019
Hauptstraße 98-99	Berlin	12,135	April 4, 2019	April 30, 2019
Adlerstraße 63	Düsseldorf	7,750	Juli 25, 2019	Sept. 11, 2019
		45,905		

[1)] Excluding transaction costs.

The reversal of write-downs on land and buildings of EUR 3,010 k resulted from increased market values of investment properties.

The prepayments and constructions in progress increased by EUR 45,681 k to EUR 99,768 k compared with the previous balance sheet date. The increase was mainly due to refurbishment projects unfinished on December 31, 2019. In addition, EUR 8 k was reclassified to the line item of land, property rights, and buildings due to the completion of several projects.

Compared to December 31, 2018, **financial assets** decreased by EUR 131,751 k to EUR 1,183,151 k as of December 31, 2019. The decrease mainly resulted from the redemption of loans to subsidiaries in the amount of EUR 148,868 k. The decrease was partly mitigated by the reversal of write-downs on the investment in alstria office Prime (EUR 18,528 k).

The Company's **cash position** increased by EUR 387,509 k to EUR 464,581 k. The increase was mainly a result of the issuance of a bond (EUR 400,000 k), the redemption of loans to affiliates (EUR 148,868 k), the profit distributions of subsidiaries and participating interests (EUR 38,559 k), and rent and interest payments as well as cash inflow due to the disposal of assets. The effect was partly compensated by the outflow of funds due to the dividend payment (EUR 92,257 k) as well as the investments in real estate properties (EUR 52,950 k).

Total **equity** amounted to EUR 1,494,553 k, reflecting an equity ratio of 46.3%. This represents a decrease of 6.8 percentage points compared with 53.1% in the prior year.

The decrease in equity of EUR 49,585 k reflects a dividend payment in the amount of EUR 92,257 k for the 2018 financial year. The decrease was reduced by a net result of EUR 42,318 k as well as a capital increase based on the conversion of profit participation rights into shares (EUR 354 k).

Provisions decreased slightly by EUR 316 k compared with the previous balance sheet date to EUR 21,491 k as of December 31, 2019. They mainly include accruals due to outstanding balances (EUR 11,798 k), share-based remuneration (EUR 2,941 k), risks of litigation (EUR 2,785 k), bonuses (EUR 2,340 k), supervisory board compensation (EUR 525 k), tax consulting (EUR 354 k), audit fees (EUR 349 k), and miscellaneous provisions (EUR 400 k).

Additionally, **liabilities** increased by EUR 370,569 k compared with the prior year. Bond loans increased mainly due to the issuance of a new bond (EUR 400,000 k). In contrast to this, the balance of intercompany clearing accounts decreased by EUR 16,905 k mainly due to a repayment on a loan by an affiliate. The effect was mitigated by the cash inflows due to profits of the affiliates that increased the cash pool liabilities. Additionally, other liabilities decreased by EUR 8,182 k compared with the prior year. The prior year's balance included a prepayment of EUR 9,120 k. At least bank loans were repaid by EUR 6,500 k.

3. 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 (see following overview of the loan facilities and maturity profile of financial debt).

Liabilities	Maturity	Principal amount drawn as of Dec. 31, 2019 (EUR k)	LTV as of Dec. 31, 2019 (%)	LTV covenant (%)	Principal amount drawn as of Dec. 31, 2018 (EUR k)
Loan #1	June 28, 2024	34,000	14.9	65.0	39,500
Loan #2	June 30, 2026	47,223	27.6[1]	65.0[1]	47,223
Loan #3	Sept. 29, 2028	17,330	33.6[1]	-	17,330
Total secured loans		**98,553**		**-**	**104,053**
Bond #1	March 24, 2021	326,800	-	-	326,800
Bond #2	April 12, 2023	325,000	-	-	325,000
Bond #3	Nov. 15, 2027	350,000	-	-	350,000
Bond #4	Sept. 26, 2025	400,000			-
Schuldschein 10y / fixed	May 6, 2026	40,000	-	-	40,000
Schuldschein 7y / fixed	May 8, 2023	37,000	-	-	37,000
Schuldschein 4y / fixed	May 6, 2020	37,000	-	-	38,000
Revolving credit line	Sept. 14, 2022	-	-	-	-
Total unsecured loans		**1,515,800**	**-**	**-**	**1,116,800**
Total		**1,614,353**		**-**	**1,220,853**

[1] The indication of the LTV refers to the entire loan, which includes a further share of a subsidiary.

4. CORPORATE MANAGEMENT

alstria proactively focuses on the following key financial performance indicators: revenues* and FFO of the group. The performance indicators explained below therefore relate to those of the Group. There is neither a control based on the local GAAP key figures based, nor for the purposes of measuring the dividend distribution. In this respect, there is no forecasting and monitoring of indicators or results based on local GAAP. The control and forecast is carried out exclusively - as already mentioned - on the basis of group figures, which are drawn up according to IFRS or derived from the IFRS consolidated financial statements. The assessment of risks and opportunities in the risk management system also does not take commercial law implications into account.

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 remained stable for 2019. Due to sales of non-strategic assets, revenues for the 2019 financial year were above EUR 187 million, which is slightly above the forecast of EUR 190 million. The FFO totaled approx. EUR 113 million in the reporting year and thus is slightly above the forecast of EUR 112 million.

The Company also monitors the progress of its Net LTV, G-REIT equity ratio, net-debt**/ EBITDA, and liquidity. For the internal control of the Company, these are not classified as the most relevant performance indicators. alstria's Net LTV was 27.1 % as of December 31, 2019, compared to 30.4 % at

* This involves in this passage revenues without revenues from service charge income.
** Total debt deducted by cash positions and short-term financial assets.

the end of the 2018 financial year. The G-REIT equity ratio was 70.9 %, compared to 67.2 % in the previous year and the minimum statutory rate of 45 %. The net-debt / EBITDA was 10.1 as of December 31, 2019, compared to 8.3 as of December 31, 2018.

III. RISK AND OPPORTUNITY REPORT

1. RISK REPORT

1.1. Risk management

The risk management of the alstria group takes place exclusively at the group level, the following presentation therefore refers to information provided by the group. 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 Group against losses and risks to its going concerns. The Group'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 Group'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.

1.1.1. 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 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 Group 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.

1.1.2. 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	l				
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 2019, the Group's risk-management system was not exposed to any significant changes from the previous year.

1.2. Key characteristics of accounting-related internal controls 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 incorporated into 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 Group'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 Group'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.

1.3. 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 described relate to the planning period from 2020 to 2022.

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
Compliance risks				
Risks resulting from not complying with G-REIT legislation	unlikely	moderate	L	unchanged
Risks arising from fraud or noncompliance	unlikely	moderate	L	unchanged
Litigation risks	unlikely	moderate	L	unchanged
Climate related risks	unlikely	low	L	unchanged
Human rights risks	unlikely	low	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	moderate	L	decreased
Liquidity risks	unlikely	moderate	L	unchanged
Refinancing on unfavorable terms	very unlikely	high	L	unchanged
Counterparty risks	very unlikely	high	L	unchanged

1.3.1. Strategic risks

Strategic risk management addresses the factors that influence the Group'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 debts. 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. After a period of sustained growth in previous years, the German market showed only slight growth rates in 2019.* Market analyses assume a calendar-adjusted increase in gross domestic product of 1.1% in 2020.** In the following years, a stronger growth in economic output is again expected.*** As a result, market environment risks continue to be rated at a low (L) risk level.

Risks in relation to changes in the legal environment

Risks related to the Group'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, as 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 Group'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 – Monthly Report – December 2019, ‚Perspektiven der deutschen Wirtschaft -Gesamtwirtschaftliche Vorausschätzung für die Jahre 2020 und 2021 mit einem Ausblick auf das Jahr 2022, page 1.
** Annual Economic Report 2020 from the Federal Ministry of Economics and Energy, page 67.
*** Deutsche Bundesbank, Monthly Report – Monthly Report – December 2019, ‚Perspektiven der deutschen Wirtschaft -Gesamtwirtschaftliche Vorausschätzung für die Jahre 2020 und 2021 mit einem Ausblick auf das Jahr 2022, page 1.

1.3.2. Operational risks

alstria's operational risk management deals with property-specific risks and with general business risks. These include 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 Group 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, or incorrect assessment of 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 still strong economy in the construction industry places increasing demands on the on the procurement and execution of contracts due to the limited availability of craftsmen and construction companies. The risk resulting from refurbishment projects is still categorized as moderate (M).

Vacancy risk

In the cases 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, a high volume of new leases and lease extensions was achieved. 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 potential purchasers regarding factual and legal matters for the property in question. The possibility that alstria's management may not be 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 risks that hidden deficiencies on land and/or property may not be observed and that unfavorable contractual agreements may be transferred to the Group, 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 Group'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 and further growth opportunities in its markets. 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; trainee programs; training of apprentices and profit-oriented variable remuneration schemes. Furthermore, employee surveys on employee motivation, management and corporate culture are carried out anonymously by independent external experts. 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 systems 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 attempted hacker attacks, measures to combat such cyberattacks were implemented. Structural security measures are in place to protect the computer center. All data are backed up daily in an internal 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 of 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 considered to be low (L), as in the previous year.

1.3.3. 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 admission to the regulated market (Prime Standard).

Certain requirements have to be met by the Group in order to qualify for and retain its designation as a G-REIT. The most significant requirements are as follows: The G-REIT must be a stock corporation listed on an organized market and its registered office and management must be in Germany. Its registered share capital must amount to at least EUR 15 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 noncompliance 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 Group with retrospective effect since January 1, 2007.

Capital and investment management activities maintain the Group'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 German exemption from corporate income taxes (KSt) and trade taxes (GewSt) ceases at the end of the third financial year.

The G-REIT equity ratio is 70.9 % 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, 2022.

Risks resulting from fraud or noncompliance

alstria depends on all employees and management respecting the compliance standards in place. alstria's business expects employees and members of management to comply with documented laws, policies, and procedures. If alstria's senior management fails to document and reinforce the Group's policies and procedures, or if employees commit criminal, unlawful, or unethical acts (including corruption), such actions could have an adverse material effect on alstria's business, financial condition, and results of operations. They 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 financial year 2018, provides significantly higher fines in the event of infringement. 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.

In doing so, the Group has established central behavioral principles in the areas of

- Anti-corruption,
- Avoiding conflicts of interest,
- Handling confidential information and insider knowledge, and
- Anti-discrimination, equality, and diversity concerns.

The materialization of compliance risks is assessed to be low (L), which is unchanged from the assessment of 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 significant impacts 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 development projects implemented 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 who declared an objection during the office's gen-eral meeting on July 12, 2016 and their intention to exit the limited partnership alstria office Prime Port-folio GmbH & Co. KG have taken the view that the EUR 4.68 cash compensation offered to them 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 to initiate such a proceeding. If the court rules in a final decision that the Group must improve the cash compensation, 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 applications in the arbitration proceeding and/or have already declared their exits 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 operations results of the Group. Prior to the transformation, the Group 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 additional cash compensation, the Group receives legal support from external advisors in the current proceeding.

In its decision on September 26, 2019, the Hamburg Regional Court set the cash compensation to be paid to entitled shareholders leaving the Group with regard to the legal form change at EUR 5.58 (plus interest at 5 percentage points above the base interest rate). alstria office Prime Portfolio GmbH & Co. KG as a defendant, as well as several applicants, have filed an appeal against this decision, which is therefore not yet effective.

The effects of the described lawsuit on the risk of litigation as well as the general risk situation have been taken into account by the establishment of liabilities.

Apart from this lawsuit, neither alstria office REIT-AG nor any of its group companies 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 development projects implemented over the last few years.

The respective group companies have accounted for appropriate provisions to cover any potential financial charges from further court or arbitration proceedings.

Since none of the Group's companies are currently exposed to any further civil rights proceedings or other kinds of legal disputes and none are expected to occur, the risk of legal disputes is classified as low (L), as it was in the previous year.

Climate-related 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 Group faces are the following:

Physical risks – acute: alstria's property portfolio is subject to extreme weather events, such as flooding, storms and hail that may weaken building structures and threaten tenants' safety. Such phenomena will intensify in the coming years. alstria's control process includes the following:

- 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, are to be anticipated. These might impose more stringent obligations on the building sector, resulting in a need for more renovations per year. alstria's control process includes the following:

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

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 decline in their rental potential. The prevention measures alstria takes are as follows:

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

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

Risk of noncompliance with human rights

There is a risk that alstria's activities will trigger activities or have an impact that offends against human rights, e.g. as a result of unworthy working conditions in construction sites or in the production of products or services used in the business activity. alstria is fully committed to its responsibility to respect human rights.

Efficient management guidelines and the compliance organization, which is particularly geared toward legal compliance, anti-discrimination, and diversity, support the goal that the behavior of alstria's legal representatives and employees will always correspond to high ethical standards. These standards also apply to the drafting of contracts with contractors or customers, which should be done with the aim of minimizing risks of noncompliance with human rights along the value chain. Within the entire group, we are especially respecting the UN Guiding Principles on Business and Human Rights, which are grounded on the recognition that states and companies are obliged to respect human rights. States are primarily responsible for protecting the human rights of their citizens, and it is their obligation to translate their international human rights duties into national regulation and laws to ensure that human rights are protected. In situations where national laws do not cover internationally recognized human rights, or the implementation of such laws is weak the UN Guiding Principles clearly expect companies to operate according to a higher international standard.

In Germany, the degree to which human rights are respected and protected by the government is rather high. As a German real estate Group focusing solely on German office property, alstria operates in the framework of German law and accordingly obeys its rules and regulations concerning human rights. Overall, the risk of noncompliance with regards to human rights is classified as low (L), as in the previous year.

1.3.4. 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 Group reflects the market value as determined by independent appraisers. It could 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 its conditions, expected market rents, 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, then subsequent valuations of the respective property may result in a diminished market value ascribed to it. If such valuations reveal significant decreases in market value compared to prior valuations, the Group may 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 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 the end of the year by independent, internationally recognized experts. In summary, the risk of unexpected devaluations is, classified as medium (M), as in the previous year.

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 to achieve a minimum income (debt service coverage ratios) from mortgaged properties or not to exceed a certain level of debt (LTV). 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, changes in tax laws or their interpretations may result in higher tax liability for prior tax periods that have not yet been finally approved. As a 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, particularly the conversion of the legal form of these companies into limited partnerships, resulted in the taxation of hidden reserves and hidden liabilities 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 reentry 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 legislature passed a new regulation on property tax at the end of 2019. From January 1, 2022, new property tax values will apply, which will be the new tax base for property taxes beginning January 1, 2025. Basically, the new model is a value-based model. At the same time, an amendment to the Basic Law (Grundgesetz) grants German states the right to deviate from the federal regulation and go their own ways, e.g. by use of an area model. In the case of non-residential properties relevant to alstria - in particular business properties - the so-called real value method is used in principle. The property value is thereby determined from the building value, calculated on the basis of standard production costs, usable space, and year of construction – as well as on the basis of the land value, which results from the multiplication of the land area and the standard land value. It is therefore not necessary to determine standard rents. Even if the new concept is to be revenue-neutral, an increase in the property tax for alstria's real estate cannot be ruled out. Basically, changes in property tax may affect tenants by way of higher service charge costs as the passing on of costs to tenants was not restricted. The Federal Constitutional Court will allow the application of the current property tax rates until the end of the year 2024. Therefore, higher property tax rates are not expected for the next three years.

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

Interest rate risks

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

alstria's hedging policy allows for using a combination of plain vanilla caps and swaps if applicable to limit the Group'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 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. As a result of the refinancing in the 2019 financial year of a bond that would have matured in 2021 through a new bond with a term extending to 2025, the interest rate risk is classified as low risk (L) as of the balance sheet date, after it was assessed a medium risk (M) as of the previous year's reporting date.

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 for 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 Group manages its future cash position and monitors its progress daily. 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, such as the placement of several corporate bonds with diversified maturity profiles, the substantial liquidity risk arising from the repayment of all or most of alstria's credit commitments in one sum (‘balloon repayment’) has been successfully managed. Since the main part of the loans and bonds will not be due until the year 2023, the liquidity risk resulting from repayment obligations is currently low (L), as in the previous year.

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 bank loans is to finance alstria’s business activities. Derivative financial instruments include interest caps and have the purpose hedging against interest risks arising from the Group’s business activities and 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 27.1 %, which is a low value compared to the average LTV of the real estate companies listed in the DAX segment of Deutsche Börse AG (DAX, MDAX and SDAX). The Group’s bank loan LTVs on the balance sheet date are well below the LTVs permitted under the respective loan agreements (see an overview of loan facilities on page 19). 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. Refinancing of the majority of alstria’s bonds and bank loans is not required before the 2023 financial year, when one out of three bonds matures. The two other bonds mature by the 2025 and 2027 financial years, respectively, to the effect that a diversified maturity profile exists and refinancing of all loans in one amount can be avoided (see the maturity profile of the loans on page 20). As a result, the risk of refinancing on unfavorable terms was classified as low (L), as it was at the end of the previous year.

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 regularly reviews the ratings of its counterparties to mitigate any risk of default. The 2007 financial crisis has raised doubts regarding the reliability of rating agencies’ assessments. In response to this concern, alstria uses other information sources to verify the rating agencies’ assessments.

alstria is otherwise not exposed to any significant credit risks. Hence, counterparty risk can be classified as low (L), just as it was last year.

1.4. 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 that of 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, high risks accounted for 0.9 % (December 31, 2018: 1.0 %) of all identified risks while medium risks accounted for 35.5 % (December 31, 2018: 41.2 %) of all identified risks. On one hand, these percentages are due to the economic environment of alstria's investment market, which still proves to be economically strong. On the other hand, the Group'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, and the low LTV ratio 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 34.9 million as of the balance sheet date.

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

2. REPORT ON OPPORTUNITIES

2.1. Management of opportunities

alstria's management aims to identify and assess opportunities as early as possible and to initiate appropriate measures 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 a property's position in its 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 market opportunities related to the properties held in the portfolio. This analysis includes assessing 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. 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.

2.1.1. 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, location 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, which are thus open to additional growth opportunities through the stabilization of the 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.

2.1.2. 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 flexible response to existing or potential tenants' needs. The Company has the knowledge and resources to provide solutions and implement tenants' requirements, which gives rise to opportunities to generate sustainable, long-term leases.

2.1.3. 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 properties opens up the opportunity for value creation by reshaping assets for the next 20 to 30 years and strengthening their future attractiveness in the market and for tenants. The implementation of development projects is becoming increasingly important, especially against the background of historically low purchase yields on real estate.

2.1.4. 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, which requires implementing long-term and flexible funding at favorable conditions and safeguarding financial covenants at all times. Significant opportunities also arise out of a low debt ratio, which represents 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.

2.2. 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 approx. 6.3 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 has high-quality properties with tenants with good credit ratings. The low LTV debt ratio offers a chance for greater flexibility to acquire real estate in the event that spontaneous opportunities arise.

Therefore, alstria is well-positioned to continue its buying, development, and management strategies 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.

IV. SUSTAINABILITY REPORT

In November 2019, alstria published its tenth sustainability report, for the calendar year 2018. To mark this anniversary, the company updated the visual appearance of the report and released a digital product exclusively. The report is based on the GRI and EPRA Standards and has obtained a third-party limited assurance for all disclosed environmental and social information.

Sustainability is an integral part of alstria's business strategy, governance, and operations. The integration of sustainability into the design, construction, and operation of its properties helps the company to ensure that its buildings continue to match the needs of their tenants and surrounding communities while also minimizing the company's environmental impacts.

With the aim of decarbonizing its portfolio, alstria managed in 2018 to procure 100 % renewable energy for the electricity that it controls,achieving its RE100 target. The company also emitted 20 times less carbon compared to its emissions in base year 2013. Finally, its comprehensive sustainability strategy was recognized by ESG rating boards, including MSCI, CDP and ISS-oekom.

For further information on the company's sustainability engagement, please refer to alstria's Sustainability Report 2018/19.

V. DISCLOSURES REQUIRED BY TAKEOVER LAW

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

1. COMPOSITION OF SUBSCRIBED CAPITAL

On the balance sheet date as of December 31, 2019, the share capital of alstria amounted to EUR 177,593,422.00, divided into 177,593,422 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.

2. 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 basis does not restrict either of these activities. According to Sections 71b and 136 of the 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.

3. SHAREHOLDINGS EXCEEDING 10% OF THE VOTING RIGHTS

On the balance sheet date as of December 31, 2019, 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. 17.3 Voting Rights Notifications.

4. SHARES WITH SPECIAL RIGHTS

There are no shares with special rights of control.

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

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

6. 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 of the AktG. The Articles of Association do not contain any special provisions in this respect. Pursuant to Section 84 of the AktG, members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. Reappointment or extension of the term of office is permitted for a maximum of five years in each case.

Amendments to the Articles of Association are made pursuant to Sections 179 and 133 of the 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 May 22, 2019, been authorized to adapt the wording of the Articles of Association to the utilization of the Conditional Capital III 2017 and the Authorized Capital 2019 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 December 5, 2019: Section 5 para. 1, 2 and 6 of the Articles of Association were formally adapted to a capital increase executed from the Company's Conditional Capital III 2015.

7. AUTHORITY OF MANAGEMENT BOARD REGARDING THE ISSUE AND BUYBACK OF SHARES

7.1. 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 May 21, 2024, 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 35,483,299.00. Further details are governed by Section 5 Paras. 3, 4, and 4a of the Articles of Association.

7.2. Conditional Capital

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

7.2.1. Conditional capital III 2015

The share capital is conditionally increased by an amount of up to EUR 179,325.00 by issuing up to 179,325 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 converting certificates.

7.2.2. 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 converting of certificates.

7.3. 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 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).

8. 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 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 control change.

The terms and conditions of the fixed-interest bonds issued by the Company in the 2015, 2016, 2017, and 2019 financial years entitle each bond holder to request the Company to redeem or purchase its bond for 101 % of the principal amount 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 if, within 120 days of 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 1,676 million on the balance sheet date.

9. 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.

All these takeover 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.

VI. ADDITIONAL DISCLOSURE

1. EMPLOYEES

As at December 31, 2019, alstria had 159 employees (December 31, 2018: 144). The annual average number of employees was 149 (previous year: 134). These figures exclude Management Board members.

2. 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 (see pages 157 to 164), which contains details of the principles for the remuneration of the Management Board and Supervisory Board, forms an integral part of the audited management report.

VII. 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.

VIII. REPORT ON EXPECTED DEVELOPMENTS

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.

1. EXPECTED ECONOMIC DEVELOPMENT

The German economy grew for the tenth year in a row in 2019. However, the economic dynamic has noticeably slowed. GDP increased by 0.6 % in 2019. The employment level has increased by 400,000 people to 45.3 million. Economic growth will continue and regain momentum in 2020. For

2020, the German government expects GDP growth of 1.1 % compared to the previous year and positive development in the labor market leading to an employment level of approx. 45.4 million. German economic associations also estimate positive economic development for 2020, as well as a 2.1 % rise in investments in public construction.*

2. DEVELOPMENT OF THE REAL ESTATE MARKET: OUTLOOK FOR 2020

alstria assumes that interest rates will remain low and investment alternatives will be lacking, so that the importance of real estate as an investment class will still be high. For this reason, alstria also expects high demand for real estate in core areas in 2020. Due to limited investment offerings, the tendency to invest in value added assets is likely to continue.

3. 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 2020 financial year could have impacts on the projections.

Mainly due to the transfer of benefits and burdens of the assets sold in 2019 and 2020, alstria expects revenues to decrease in 2020 to EUR 179 million, approx. EUR 8 million lower than revenues in 2019.

For the 2020 financial year, the Company expects FFO of around EUR 108 million. The year-on-year decrease in FFO compared to the 2019 financial year, when the Company achieved FFO of EUR 113 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 global equity markets and is therefore difficult to predict over a longer period of time.

Hamburg, February 18, 2020

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* Please refer to Annual Economic Report 2020 from the Federal Ministry of Economics and Energy.

ANNEX TO THE MANAGEMENT DISCUSSION & ANALYSIS

I. REMUNERATION REPORT*

The remuneration report of alstria office REIT-AG explains the main elements of the compensation of the members of the Management Board and the Supervisory Board of the Company. It describes the amount and structure of the remuneration. The remuneration report is prepared on the basis of the recommendations of the German Corporate Governance Code and contains the information required by the relevant statutory provisions. The remuneration report is an integral part of the audited management report of the financial statements of alstria office REIT-AG and the group management report as of December 31, 2019 or the notes to the group financial statements.

1. REMUNERATION OF MANAGEMENT BOARD MEMBERS

The remuneration system for the members of the Management Board is decided by the Supervisory Board and reviewed regularly. The Supervisory Board is supported in this by the Nomination and Remuneration Committee formed from among its members. The Supervisory Board last adjusted the remuneration system with effect as of January 1, 2018. It was assisted in this by an external, independent compensation expert. The Annual General Meeting of alstria office REIT-AG on May 16, 2017 approved the current Management Board remuneration system.

The remuneration system aims to motivate the members of the Management Board to create sustainable, long-term value and to allow them to participate adequately in the economic and financial success of the Company according to their tasks and performance, taking into account the comparative environment. In doing so, the interests of the members of the Management Board should be reconciled with the interests of the shareholders to the greatest extent possible.

The Supervisory Board has determined the amount of the total remuneration of the members of the Management Board, taking particular account of a horizontal comparison with the remuneration of the Management Board members of other MDAX companies and comparable real estate companies. In addition, the Supervisory Board bases its annual determination of the variable remuneration components on the results of a vertical comparison with the total remuneration of the senior management and all employees of the Company. For each variable remuneration element granted, the Supervisory Board sets target amounts and performance targets; the respective maximum amounts of each variable remuneration element are calculated on the basis of the maximum amounts for target achievement or payment defined in the respective Management Board service agreements.

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

The following table shows the meaning of abbreviations used in this remuneration report:

Glossary	
FFO	Funds From Operations
LTI	Long term incentive
STI	Short term incentive
TSR	Total shareholder return

1.1. Remuneration in the 2019 Financial Year

The total target remuneration for the members of the Management Board in the last financial year amounted to EUR 2,242 k. The total amount of cash payments made to the members of the Management Board in the last financial year (including the multi-year remuneration elements) was EUR 2,963 k. The correctness of the calculation of the payment amounts for the multi-year variable remuneration elements was verified by an external, independent remuneration expert. The presentation of individual Management Board compensation below is based on the sample tables in accordance with the German Corporate Governance Code in the version dated February 7, 2017.

1.1.1. Benefits granted

In addition to the fixed component, this table lists the target values of the variable remuneration components granted in the 2019 financial year. Hypothetical minimum and maximum amounts of later payments of the variable remuneration components are also listed.

	Olivier Elamine CEO				Alexander Dexne CFO			
in EUR k	2018	2019	2019 (min.)	2019 (max.)	2018	2019	2019 (min.)	2019 (max.)
Total amount of fixed compensation and ancillary benefits	**455**	**456**	**456**	**456**	**383**	**380**	**380**	**380**
Fixed compensation[1]	440	440	440	440	360	360	360	360
Ancillary benefits[2]	15	16	16	16	23	20	20	20
Total amount of one-year variable compensation	**231**	**231**	**0**	**347**	**189**	**189**	**0**	**284**
STI 2018	231[3]	-	-	-	189[3]	-	-	-
STI 2019	-	231[3]	0	347[4]	-	189[3]	0	284[4]
Total amount of multi-year variable compensation	**440**	**440**	**0**	**1.100**	**360**	**360**	**0**	**900**
LTI 2018 (4 years)	440[5]	-	-	-	360[5]	-	-	-
LTI 2019 (4 years)	-	440[5]	0	1.100[6]	-	360[5]	0	900[6]
Total amount of fixed and variable compensation	**1.126**	**1.127**	**456**	**1.903**	**932**	**929**	**380**	**1.564**
Service costs[7]	100	102	102	102	79	84	84	84
Total	**1.226**	**1.229**	**558**	**2.005**	**1.011**	**1.013**	**464**	**1.648**

[1] Annual fixed salary according to the employment contract.
[2] Benefits for company cars.
[3] STI target value for the respective financial year.
[4] Maximum achievable payout amount for the STI: target value STI x 1.5.
[5] LTI target value for the respective financial year.
[6] Maximum achievable payout amount for the LTI after a 4-year holding period: LTI target value x 2.5. Payout in alstria shares foreseen.
[7] Insurance and pension benefits.

CEO Pay Ratio

The ratio between the total amount of fixed and variable compensation granted to the CEO as shown above in relation to the median fixed and variable compensation of all alstria employees (*CEO Pay Ratio*) was 17:1 in financial year 2018 and 15:1 in financial year 2019.

Benefits paid out

In addition to fixed components, this table shows the amounts paid to the members of the Management Board in the 2019 financial year as part of the variable remuneration components.

	Olivier Elamine		Alexander Dexne	
	CEO		CFO	
in EUR k	**2018**	**2019**	**2018**	**2019**
Total amount of fixed compensation and ancillary benefits	**455**	**456**	**383**	**380**
Fixed compensation[1)]	440	440	360	360
Ancillary benefits[2)]	15	16	23	20
Total amount of one-year variable compensation	**178**	**249**	**146**	**204**
STI 2017[3)]	178	-	146	-
STI 2018[4)]	-	249	-	204
Total amount of multi-year variable compensation	**855**	**818**	**699**	**670**
STI 2015 (3 years)[5)]	83	-	68	-
STI 2016 (3 years)[5)]	-	70	-	58
LTI 2014 (4 years)[6)]	772	-	631	-
LTI 2015 (4 years)[6)]	-	748	-	612
Total amount of fixed and variable compensation	**1.488**	**1.523**	**1.228**	**1.254**
Service costs[7)]	100	102	79	84
Total	**1.588**	**1.625**	**1.307**	**1.338**

[1)] Annual base salary according to service contracts.
[2)] Benefits for company cars.
[3)] Payout amount for 75% of the STI after 1 year.
[4)] Payout amount for 100% of the STI after 1 year.
[5)] Payout amount for 25% of the STI after 3 years.
[6)] Payout amount for LTI after holding period of 4 years.
[7)] Insurance and pension benefits.

The amounts paid to both Management Board members in the 2018 and 2019 financial years as part of their variable remuneration were based on the following achievement of performance targets:

Variable element	Performance target	Target achievement
STI 2017	FFO	103%
STI 2018	FFO per share	108%
LTI 2014	Absolute TSR	150%
	Relative TSR	66%
LTI 2015	Absolute TSR	119%
	Relative TSR	134%

No services were granted or rendered by third parties to individual members of the Management Board in the 2019 financial year with regard to their activities as members of the Management Board.

1.2. Remuneration system

The remuneration of the Management Board is predominantly performance-related and is designed to promote sustainable corporate development.

The remuneration for each member of the Management Board consists of a fixed basic remuneration, a short-term and a long-term variable remuneration element, and ancillary benefits (benefits in kind). As provided for by the German Stock Corporation Act (*AktG*) and the German Corporate Governance Code, the majority of the remuneration is made up of variable remuneration components, which in turn mainly have a multi-year, future-oriented basis for assessment. In addition, share ownership guidelines apply, according to which the members of the Management Board must invest part of their remuneration in shares of the Company.

The criteria for the appropriateness of the remuneration of the Management Board are the tasks of each Management Board member's personal performance, the economic situation, the success, future prospects and sustainable development of the Company, the appropriateness of the remuneration taking the comparative environment into account and the applicable remuneration structure in the Company.

In the event of a termination of the employment relationship with a Management Board member, a post-contractual non-competition clause of six months has been agreed with the members of the Management Board, which alstria may waive. As remuneration, the members of the Management Board receive a severance payment in the amount of their last fixed salary for the duration of the post-contractual non-competition period. In the event of a premature termination of the Management Board service agreement by mutual consent, the members of the Management Board receive their compensation claims for the remaining term of their service agreement; the amount is limited to a maximum of two annual salaries. The same applies in the event of a termination of the Management Board appointment by the Company for which the Management Board member is not responsible, e.g. within six months after a change of control. Payments made by the Company in the event of termination of employment by death comprise the fixed remuneration for the month of death and the following three months. In this case, the variable remuneration is paid *pro rata temporis* up to and including the month of death.

1.2.1. Overview of Management Board compensation elements

	Since 2018	Until 2017
Fixed compensation	▪ Amounts to approx. 40 % of the total target compensation ▪ Paid out on a monthly basis	▪ Amounts to approx. 40 % of the total target compensation ▪ Paid out on a monthly basis
STI	▪ Amounts to approx. 20 % of the total target compensation ▪ Short term variable remuneration with 1-year holding period ▪ FFO per share as performance target (corridor for target achievement 70 % to 130 %) ▪ Multiplier to take individual performance into account: 0.7–1.3 ▪ 100 % cash pay out ▪ Cap: 150 % of target value	▪ Amounts to approx. 20 % of the total target compensation ▪ Short term variable remuneration with 1 to 3-year holding period ▪ FFO as performance target (corridor for target achievement 50 % to 150 %) ▪ Multiplier to take individual performance into account: 0.8-1.2 ▪ 75 % cash payout and 25 % payout in virtual shares with 2 year holding period ▪ Cap: 250 % of multi-year component
LTI	▪ Amounts to approx. 40% of the total target compensation ▪ Long term variable remuneration: stock awards with term of at least 4 years ▪ Performance subject to absolute TSR (25 %) and relative TSR (FTSE EPRA/ NAREIT Developed Europe Index) (75 %) ▪ Multiplier to take individual performance into account: 0.7–1.3 ▪ Payout in Company shares (or cash, if no shares available) ▪ Cap: 250% of target value	▪ Amounts to approx. 40% of the total target compensation ▪ Long term variable remuneration: virtual shares with term of 4 years ▪ Performance subject to absolute TSR (50%) and relative TSR (EPRA/NAREIT Europe Ex-UK Index) (50%) ▪ Multiplier to take individual performance into account: 0.8 - 1.2 ▪ Payout in cash ▪ Cap: amount of virtual shares times 250% of reference share price at granting
Share Ownership Guidelines	▪ Obligation to acquire shares of the Company ▪ Volume: 3 times fixed annual remuneration ▪ Holding period until end of office	▪ n/a
Ancillary benefits	▪ Insurance premiums, private use of company car, pension benefits	▪ Insurance premiums, private use of company car, pension benefits

1.2.2. Variable remuneration elements

Short-Term Incentive Plan

The members of the Management Board receive a short-term variable remuneration element (STI) in each financial year with a target value measured in euros. The budgeted Funds From Operations per share (FFO per share) value is intended as the performance target. The amount of the STI depends on the degree of target achievement, i.e. the ratio of the FFO per Share actually achieved during the financial year to the budgeted FFO per share. For a payout to occur, at least 70 % of the performance target value must be achieved (Threshold Value). A maximum of 150 % of the performance target value can be achieved (Cap).

The payout value achieved is adjusted at the discretion of the Supervisory Board, i.e. multiplied by a multiplier between 0.7 and 1.3. This enables the Supervisory Board to take into account the personal performance of the Management Board member in addition to the achievement of targets. Criteria for this can include the individual performance of the Management Board member in the relevant financial year as well as his tasks and responsibilities within the alstria group. Overall, the STI is limited to 150 % of the respective target value (Cap) and is paid out in full in cash.

Functionality of the STI Plan[1]:

$$\text{target value} \times \frac{\text{achieved FFO per share}}{\text{budgeted FFO per share}} \times \text{multiplier} = \text{STI} \rightarrow \text{100 \% cash}$$

1) Simplified representation.

Long Term Incentive Plan

In each financial year, the members of the Management Board may be granted a long-term variable remuneration element (LTI) with a target value in euros to be determined by the Supervisory Board. The LTI is weighted substantially higher than the STI. The long-term variable remuneration exceeds the short-term variable remuneration. The Long Term Incentive Plan provides for stock awards, which are converted into shares of the Company after a minimum four-year holding period. Performance targets are 25 % absolute and 75 % relative TSR. The FTSE EPRA/NAREIT Developed Europe Index is used as a benchmark for the relative TSR. The individual performance of the Management Board member is accounted for by using a multiplier between 0.7 and 1.3. Thereby, non-financial performance criteria are also taken into account.

The number of stock awards to be granted is based on a target value defined at the discretion of the Supervisory Board and measured in euros divided by the arithmetic mean of the alstria share price (commercially rounded to two decimal places) during the 60 trading days prior to the grant date. The stock awards granted must be held by the Management Board member for a period of at least four years from the grant date. After this holding period, the number of stock awards granted is adjusted depending on the performance of alstria's share during the holding period. The performance targets set by the Supervisory Board to determine the performance are 25 % of the absolute TSR, which is derived from the weighted average cost of capital (WACC) and compared to the XETRA based total return index. 75 % is measured on the basis of the relative TSR to the FTSE EPRA/NAREIT Developed Europe reference index.

Furthermore, as with the STI, the individual performance of the Management Board member during the holding period is accounted for by means of a multiplier, which can vary within a corridor of 0.7 to 1.3 and is determined at the discretion of the Supervisory Board. Criteria may include the individual performance of the Management Board member during the holding period and his tasks and responsibilities within the alstria group. This enables these factors to be taken into account beyond the achievement of the set performance targets. The stock awards achieved after the adjustment, (taking performance into account) are multiplied by the multiplier and then result in the number of alstria shares to be delivered. In addition, the dividends accumulated during the holding period for the alstria shares to be paid out are taken into account. For this purpose, the sum of the dividends accrued during the holding period is divided by the arithmetic mean of the alstria share price (commercially rounded to two decimal places) during the 60 trading days prior to the payment date. The stock awards determined in this way are converted into alstria shares at a ratio of 1:1, which the Management Board member then receives. In addition, the Long Term Incentive Plan 2018 also has a cap (250 % of the target value measured in euros).

If the Company is unable to deliver shares, the payment will be made in cash (calculated from the number of shares to be delivered multiplied by the arithmetic mean of the alstria share price (commercially rounded to two decimal places) during the 60 trading days prior to the payment date.

Functionality of the LTI Plan[1]:

target value / share price	**=**	**amount of granted stock awards**	**→**	**75% of stock awards**	**x**	**Relative TSR**	**=**	**amount of stock awards**	**x**	**multiplier**	**=**	**amount of stock awards**
			→	**25% of stock awards**		**Absolute TSR**						

amount of stock awards	**+**	**accrued dividends / share price**	**=**	**total amount of stock awards**	**→**	**payout in shares**

1) Simplified representation.

1.2.3. Share Ownership Guidelines

The members of the Management Board have undertaken to build up a stock portfolio corresponding to three years' fixed annual salaries over a period of five years starting in the 2018 financial year and to hold this stock until they leave office. The Share Ownership Guidelines aim in particular to align the interests of the members of the Management Board with those of the shareholders and thus promote sustainable entrepreneurial action.

1.2.4. Ancillary benefits

The members of the Management Board also receive benefits in kind; these mainly consist of insurance premiums and the private use of company cars. As a remuneration component, these ancillary benefits are taxable. In principle, all Management Board members are equally entitled to them, while the amount varies depending on their personal situations. In addition, the Company grants the members of the Management Board a monthly cash amount for pension purposes. These pension benefits amount to approximately 20 % of the members' annual fixed salaries. For reasons of transparency and risk management, the Company has chosen a defined contribution model for the private pension plan of the Management Board members. There are no unforeseen future liabilities for the Company for pension claims.

2. REMUNERATION OF SUPERVISORY BOARD MEMBERS

The remuneration system for the members of the Supervisory Board is decided by the Annual General Meeting. The Annual General Meeting last adjusted the remuneration system effective January 1, 2018.

2.1. Remuneration in the 2019 Financial Year

The total remuneration for the Supervisory Board members in 2019 amounted to EUR 525 k.

in EUR k

Supervisory Board member	Audit Committee	Nomination & Remuneration Committee	Finance & Investment Committee	CSR Committee	Remuneration for 2018	Remuneration for 2019
Dr. Johannes Conradi (Chair)	-	Chair	-	Chair	**165.00**	**165.00**
Richard Mully (Vice-Chair)	-	Member[1)]	Chair	Member	**97.50**	**92.92**
Dr. Bernhard Düttmann	Member	-	Member[2)]	-	**60.00**	**64.60**
Stefanie Frensch	-	Member	Member	-	**65.00**	**65.00**
Benoît Hérault	Member	Member[2)]	Member [1)]	-	**67.50**	**67.52**
Marianne Voigt	Chair	-	-	Member	**70.00**	**70.00**
Total					**525.00**	**525.04**

[1)] Until May 2019.
[2)] Since May 2019.

2.2. 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 entitle 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 the Corporate Social Responsibility Committee and in temporary 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.

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 the adjusted fixed annual remuneration for their activity as members, 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 must 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. At the end of the reporting period, all Supervisory Board members had fulfilled their obligation to purchase shares ahead of schedule.

Income Statement
alstria office REIT-AG
January 1 to December 31, 2019
District Court Hamburg HRB 99204

	2019	2018
	EUR	EUR
1. Revenues	116,859,161.13	121,149,201.19
2. Increase or decrease in work in progress	105,282.12	-9,003,104.73
3. Total operating performance	116,964,443.25	112,146,096.46
4. Other operating income	29,735,881.38	98,773,793.09
5. Cost of materials		
Cost of purchased services	-23,678,067.78	-23,098,218.63
6. Personnel expenses		
a) Wages and salaries	-16,271,715.89	-14,133,518.22
b) Social security pension and other benefits	-2,002,092.34	-1,765,218.70
(of which relating to pensions EUR 313,036.48; previous year EUR 233 k)		
	-18,273,808.23	-15,898,736.92
7. Amortization and depreciation of fixed intangible and tangible assets	-35,357,769.27	-35,584,522.30
8. Other operating expenses	-42,146,924.70	-39,236,956.75
9. Income from participating interests	38,559,276.95	2,003,515.05
10. Income from loans	7,254,787.43	10,838,677.52
(of which from affiliated companies EUR 7,254,787,43; previous year EUR 10,839 k)		
11. Other interest and similar income	505,938.95	740,454.38
12. Write-down of financial assets	-67,614.62	-300,000.00
13. Interest and similar expenses	-31,178,607.44	-24,896,254.87
14. Taxes on income	0.00	36,246.39
15. Result after taxes	**42,317,535.92**	**85,524,093.42**
16. profit for the year	**42,317,535.92**	**85,524,093.42**
17. Profit carried forward from previous year	9,743,421.56	829,733.76
18. Transfer from capital surplus	52,939,042.52	15,646,172.82
19. Balance sheet profit	**105,000,000.00**	**102,000,000.00**

alstria office REIT-AG

Balance sheet as at December 31, 2019

District Court Hamburg HRB 99204

Assets

	31.12.2019	31.12.2018
	EUR	EUR
A. Non-current assets		
I. Intangible assets		
Licenses and similar rights acquired for consideration	**229,945.36**	**344,280.98**
II. Property, plant and equipment		
1. Land, property rights and buildings	1,345,833,505.17	1,334,915,963.27
2. Technical plant	177,947.30	264,389.42
3. Other plant, operating and office equipment	1,032,902.06	1,135,198.57
4. Prepayments and construction in progress	99,767,832.37	54,086,697.30
	1,446,812,186.90	**1,390,402,248.56**
III. Financial assets		
1. Shares in affiliates	899,223,911.59	882,511,868.79
2. Loans to affiliates	244,927,910.55	393,796,175.68
3. Participating interests	135,504.85	2,027,094.24
4. Other loans	38,864,098.01	36,566,799.03
	1,183,151,425.00	1,314,901,937.74
	2,630,193,557.26	**2,705,648,467.28**
B. Current assets		
I. Inventories		
Work in progress	17,740,548.47	17,635,266.35
II. Receivables and other assets		
1. Trade receivables	1,924,694.87	1,301,938.19
2. Receivables from affiliated companies	108,203,399.96	101,803,767.98
3. Receivables from companies in which the company has a participating interest	0.00	0.00
4. Other assets	1,034,688.13	1,409,111.44
	111,162,782.96	104,514,817.61
IV. Cash in hand and at banks	464,830,719.23	77,071,673.28
	593,734,050.66	**199,221,757.24**
C. Prepaid and deferred expenses	**685,491.20**	**715,210.97**
	3,224,613,099.12	2,905,585,435.49

Equity and liabilities

	EUR	31.12.2019	31.12.2018
		EUR	EUR
A. Shareholders' equity			
I. Share capital (conditional capital EUR 1,179,325.00; previous year EUR 1,356 k)		177,593,422.00	177,416,497.00
II. Capital reserves		1,211,959,681.41	1,264,721,798.93
IV. Balance sheet profit (of which unappropriated profits brought forward EUR 9,743,421.56; previous year EUR 829 k)		105,000,000.00	102,000,000.00
		1,494,553,103.41	**1,544,138,295.93**
B. Provisions			
1. Other provisions		21,490,943.42	21,806,443.63
		21,490,943.42	**21,806,443.63**
C. Accounts payable			
1. Equity participation		457,200.00	383,750.00
2. Bonds		1,413,671,308.75	1,013,143,558.70
3. Bank loans and overdrafts		98,636,586.77	104,205,829.90
4. Payments received		21,311,602.90	20,612,618.54
5. Trade payables		944,939.08	864,070.15
6. Payables to affiliated companies		48,623,226.38	65,528,147.71
7. Other liabilities		124,580,282.88	132,761,960.41
		1,708,225,146.76	**1,337,499,935.41**
D. Deferred income		**343,905.53**	**2,140,760.52**
		3,224,613,099.12	2,905,585,435.49

alstria office REIT-AG, Hamburg

D. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2019

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.

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. Propertie tax expenses are stated under operating cost of purchased services. Pro 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, 2019.

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, they are systematically amortized by respective amounts. The useful life is one to 10 years.

1.2.2 Land, property rights and buildings

Land, property right,s 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 the 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 limited useful lives (three to 15 years), they are reduced pro rata temporis by scheduled depreciation accordingly. From January 1, 2010, onward, low-value assets up to a purchase price of EUR 800 k 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 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 onto 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 lower fair values.

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; they are calculated on the basis of the remaining period and of the average market interests over the past seven years as published by the Deutsche Bundesbank and according to Section 253 para. 2 of the 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).

One asset was sold during the reporting period. The book value of the disposed asset amounted to EUR 8,328 k. The asset was disposed for a total sales price of EUR 9,120 k. The transactions resulted in an accounting profit of EUR 792 k, which is recognized as a part of other operating income. During the reporting period, five properties were acquired. The properties were recorded at their purchase price of EUR 45,905 k, excluding costs of purchase. Due to the impairment, extraordinary write-downs on buildings totaled EUR 1,547 k in the year under review. At the same time, a reversal of depreciation resulting from increased fair values amounted to EUR 3,010 k.

2.2. Financial assets

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

	Interest	Equity Dec. 31, 2019	Net result 2019
	%	EUR k	EUR k
Direct investments			
alstria Bamlerstraße GP GmbH, Hamburg	100	10	1
alstria Englische Planke GP GmbH, Hamburg	100	13	1
alstria Gänsemarkt Drehbahn GP GmbH, Hamburg	100	21	-2
alstria Halberstädter Straße GP GmbH, Hamburg	100	10	-4
alstria Ludwig-Erhard-Straße GP GmbH, Hamburg	100	7	-3
alstria Mannheim/Wiesbaden GP GmbH, Hamburg	100	14	1
alstria Prime Portfolio GP GmbH, Hamburg	100	20	-5
alstria Portfolio 1 GP GmbH, Hamburg	100	17	1
alstria Prime Portfolio 2 GP GmbH, Hamburg	100	132	11
alstria Portfolio 3 GP GmbH	100	172	123
alstria solutions GmbH, Hamburg	100	1.422	0
alstria Steinstraße 5 GP GmbH, Hamburg	100	14	2
alstria office Bamlerstraße GmbH & Co. KG, Hamburg	100	49.534	3.123
alstria office Englische Planke GmbH & Co. KG, Hamburg	100	4.784	639
alstria office Gänsemarkt Drehbahn GmbH & Co. KG, Hamburg	100	89.114	2.604
alstria office Insterburger Straße GmbH & Co. KG, Hamburg	100	282	510
alstria office Mannheim/Wiesbaden GmbH & Co. KG, Hamburg	100	33.740	2.854
alstria office Prime Portfolio GmbH & Co. KG, Hamburg	94	784.568	32.298
alstria office Steinstraße 5 GmbH & Co. KG, Hamburg	100	23.668	2.215
beehive GmbH & Co. KG, Hamburg	100	-1.511	-1.085
Alte Post General Partner GmbH i.L., Hamburg	49	94	-22
Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG, Hamburg	49	662	-486
Indirect investments (via alstria solutions GmbH, Hamburg)			
Fluxus Innovations S.C.Sp, Luxembourg, Luxembourg	100	939	12

	Interest	Equity Dec. 31, 2019	Net result 2019
	%	EUR k	EUR k
Indirect investments (via alstria office Prime Portfolio GmbH & Co. KG)			
alstria office PP Holding I GmbH & Co. KG, Hamburg	94	212.365	630
alstria office Kampstraße GmbH & Co. KG, Hamburg	94	3.106	969
alstria office Berliner Straße GmbH & Co. KG, Hamburg	94	14.092	1.952
alstria office Hanns-Klemm-Straße GmbH & Co. KG, Hamburg	94	7.506	1.175
alstria office Maarweg GmbH & Co. KG, Hamburg	94	10.188	583
alstria office Heerdter Lohweg GmbH & Co. KG, Hamburg	94	36.928	1.222
alstria office Solmsstraße GmbH & Co. KG, Hamburg	94	35.798	3.123
alstria office PP Holding II GmbH & Co. KG, Hamburg	94	305.051	10.018
alstria office Wilhelminenstraße GmbH & Co. KG, Hamburg	94	13.095	1.581
alstria office Hauptstraße GmbH & Co. KG, Hamburg	94	8.758	257
alstria office Mergenthaler Allee GmbH & Co. KG, Hamburg	94	3.187	-95
alstria office Am Hauptbahnhof GmbH & Co. KG, Hamburg	94	8.536	634
alstria office Kastor GmbH & Co. KG, Hamburg	94	58.500	-417
alstria office Heidenkampsweg GmbH & Co. KG, Hamburg	94	9.135	490
alstria office Stiftsplatz GmbH & Co. KG, Hamburg	94	5.703	1.438
alstria office An den Dominikanern GmbH & Co. KG, Hamburg	94	14.158	2.125
alstria office Carl-Schurz-Straße GmbH & Co. KG, Hamburg	94	8.056	48
alstria office Pempelfurtstraße GmbH & Co. KG, Hamburg	94	14.236	-737
alstria office Josef-Wulff-Straße GmbH & Co. KG, Hamburg	94	11.092	105
alstria office Frauenstraße GmbH & Co. KG, Hamburg	94	7.890	201
alstria office Olof-Palme-Straße GmbH & Co. KG, Hamburg	94	7.573	271
alstria office Region Nord GmbH & Co. KG, Hamburg	94	13.460	2.861
alstria office Region Süd GmbH & Co. KG, Hamburg	94	7.180	-242
alstria office Region Mitte GmbH & Co. KG, Hamburg	94	10.287	298
Balgebrückstraße GmbH & Co. KG	94	3.125	-1.644
alstria office PP Holding III GmbH & Co. KG, Hamburg	94	1.591	990
alstria office Vaihinger Straße GmbH & Co. KG, Hamburg	94	5.479	1.688

In the reporting period, 15,663 shares of alstria office Prime Portfolio GmbH & Co. KG (hereinafter referred to as Prime Portfolio alstria office Prime) were acquired at EUR 73 k. As a result as of December 31, 2019, 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 1,857 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 740,080 k. The write-up of EUR 18,528 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.

Another affiliate of the company distributed an amount of EUR 7,350 k to its shareholder alstria. A share of EUR 1,857 k represents a capital withdrawal of the affiliate, which reduced its carrying amount accordingly. The remaining amount of EUR 5,493 k is recognized as income from investments.

During the reporting period the alstria office Frankfurter Straße GmbH & Co. KG, the alstria office Berner Straße GmbH & Co. KG as well as the alstria office Ingersheimer Straße GmbH & Co. KG were merged on their shareholder alstria office PP Holding II GmbH & Co. KG.

Alte Post General Partner GmbH i.L. was registered for liquidation effective from November 30, 2019. The company was deleted from the commercial register on January 30, 2020.

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 353,651 k as of the previous year's balance sheet date. In the reporting period, an amount of EUR 140,688 k was repaid, leaving an amount of EUR 212,963 k as of the balance sheet date. In the financial year, interest income of EUR 6,285 k was generated from the loan.

At the end of the previous period, the loans to affiliates of alstria office Prime had an outstanding amount of EUR 40,146 k. After repayment of EUR 8,181 k the loans amounted to EUR 31,965 k as of Dec. 31, 2019. Interests of EUR 965 k arose from the loan.

Financial assets of EUR 36,567 k relating to long-term bank deposits with a term until the financial year 2021 were terminated before maturity during the period.

Next to this a loan with an amount of EUR 38.864 k was issued to a third party. The loan, with a term until December 30, 2032, holds an interest rate of 0.27%. During the reporting period the loan generated an interest income of EUR 9 k.

2.3. Inventories

Inventories contain recoverable service charges that were paid in 2019. The settlement of recoverable charges for 2019 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 6,400 k to the amount of EUR 108,203 k, as compared with the previous balance sheet date. The amount includes trade receivables of EUR 167 k (compared to EUR 9,826 k in 2018). 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 of EUR 73,116 k.

Other assets amounted to EUR 1,035 k as of December 31, 2019 (December 31, 2018: EUR 1,409 k). They include an amount of EUR 506 k related to value added tax, EUR 206 k receivables against employees as well as vendors with debit balances amounting to EUR 55 k.

The receivables mature within one year after balance sheet date.

2.5. Cash in hand and at banks

The cash and cash equivalents include a fixed-term deposit of EUR 200,000 thousand, with a term until December 30, 2020.

2.6. Prepaid and Deferred expenses

Prepaid expenses (EUR 685 k; compared to EUR 715 k in 2018) include acquisition costs for financial derivatives (EUR 181 k) that have to be amortized over their remaining period. In 2019, an amount of EUR 131 k was amortized and recorded as interest expenses (compared to EUR 428 k in 2018).

After termination of an interest rate cap the yearsend prepaid and deferred expenses include an interest rate cap. Its purpose is to hedge the Company's exposure to interest rate risks arising from its business activities and sources of financing. alstria office REIT-AG's financial derivatives are presented below:

Product	Notional amount EUR k	Strike price per year	Maturity date	Fair value EUR k	Carrying amount EUR k
Cap	50,250	3.0000	Sept. 30, 2019	n/a	n/a
Cap	45,090	3.0000	April 4, 2021	(EUR 1.00)	181
Total				**0**	**181**

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

The cap with a notional amount of EUR 50,250 k matured in the reporting period.

The cap with a notional amount of EUR 45,090 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 181 k as of December 31, 2019.

Finally, the prepaid expenses include miscellaneous expenses of EUR 504 k. Out of this amount, EUR 226 k relate to accrued expenses for insurance premiums concerning the following period.

2.7. Equity

2.7.1 Share capital (subscribed capital)

In the balance sheet of the previous period, alstria office REIT-AG's share capital amounted to EUR 177,416,497.

In the second quarter of 2019 profit participation rights were converted into 176,925 new shares by utilizing the conditionally increased capital provided for such purposes. Due to the conversion, the Company's share capital has increased to an amount of EUR 177,593 k as of the balance sheet date.

The share capital is divided into 177,593,422 bearer shares in the form of no-par shares, each of which represents an interest in the capital stock of EUR 1.00.

2.7.2 Authorized capital

The authorized capital 2018 of the Company in the amount of EUR 33,950 k was replaced by the authorized capital 2019 by resolution of the Annual General Meeting on May 22, 2019. The authorized capital 2019 allows the Management Board, with the Supervisory Board's approval, to increase the Company's share capital by May 21, 2024 by up to a total of EUR 35,483 k.

2.7.3 Conditional capital

The Company's share capital has been conditionally increased to grant convertible profit participation rights to the employees of the Company and its subsidiaries. As of December 31, 2019, the conditional capital amounted to EUR 1,179 k. This was divided into conditional capital III 2015 (EUR 179 k) and conditional capital III 2017 (EUR 1,000 k).

In the year under review, conditional capital III 2015 was used in the amount of EUR 177 k.

2.7.4 Capital surplus

alstria's capital surplus contains contributions of the shareholders less withdrawals, as well as allocations resulting from capital increases 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] decreased due to a transfer to the balance sheet profits by EUR 52,939 k in total. An increase of EUR 177 k resulted from the conversion of profit participation rights.

The capital surplus changed as follows during the financial year:

EUR k	December 31, 2019	December 31, 2018
As of January 1	**1,264,722**	**1,036,964**
Result of convertible bonds	0	65,512
Conversion of profit participation rights	177	144
Result of capital increase	0	177,748
Transfers to balance sheet profits	-52.939	-15,646
As of December 31	**1.211.960**	**1,264,722**

2.8. Provisions

Other provisions (EUR 21,490 k; compared to EUR 21,806 k as of Dec. 31, 2018) were recognized mainly for provisions due to outstanding balances (EUR 11,798 k), share-based remuneration (EUR 2,941 k), risks of litigation (EUR 2,784 k), bonuses (EUR 2,340 k), Supervisory Board compensation (EUR 525 k), for tax consulting (EUR 354 k), audit fees (EUR 349 k) and miscellaneous provisions (EUR 400 k).

Provisions amounting to EUR 1,226 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.

2.9. Liabilities

Schedule of liabilities in EUR k:

	December 31, 2019				
				Due in	Total
	up to 1 year	more than 1 year	between 1 and 5 years	more than 5 years	
1. Equity participation	205	252	252	0	457
2. Bond loan	338,671	1,075,000	325,000	750,000	1,413,671
3. Bank loans and overdrafts	84	98,553	34,000	64,553	98,637
4. Payments received on account	21,312	0	0	0	21,312
5. Trade payables	945	0	0	0	945
6. Liabilities to affiliated companies	48,623	0	0	0	48,623
7. Other liabilities	43,673	80,907	40,907	40,000	124,580
- (thereof for taxes)	0	0	0	0	0
Total	**453,513**	**1,254,712**	**400,159**	**854,553**	**1,708,225**

	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**

2.10. Bond loan

In the financial year 2017, 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.

Finally, a bond loan in an amount of EUR 400,000 k was issued in the period under review. The bond has a term of six years and an interest rate of 0.5% p.a.

As of December 31, 2019, interest liabilities in the amount of EUR 11,871 k were accrued in total for the bond loans. The loans resulted in interest expenses of EUR 20,037 k.

2.11. 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 commitment fee of EUR 367 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 381 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 34,000 k. A portion of EUR 5,500 was repaid in the period under review. The loan resulted in interest expenses of EUR 304 k, of which EUR 1 k were accrued as interest liabilities.

Finally, a loan amounted to EUR 17,330 k unchanged compared to the prior year. Interest expenses in the amount of EUR 77 k arose from the loan, an amount of EUR 187,75 was accrued as interest liabilities.

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.

2.12. Prepayments received

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

2.13. Liabilities to affiliated companies

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

2.14. Other liabilities

The other liabilities include a 'Schuldscheindarlehen' (senior unsecured debt) with a total value of EUR 114,000 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 37,000 k and a term to maturity until May 6, 2020, has a coupon of 1.547% p.a. The latter portion was repaid by EUR 1,000 k in the reporting period.

The 'Schuldschein' resulted in interest expenses of EUR 2,501 k, of which EUR 1,647 k in accrued interest expenses were reported in current interest liabilities.

In addition, the other liabilities mainly include security deductions amounting to EUR 3,907 k, rent deposits in the amount of EUR 3,800 k as well as customers with credit balances in the amount of EUR 877 k.

2.15. Other financial commitments

Other financial obligations from ongoing maintenance and refurbishment projects amounted to EUR 25,899 k (compared to EUR 22,493 k in 2018).

As of December 31, 2019, leasing contracts resulted in future financial obligations of EUR 6,408 k. These commitments included EUR 469 k in agreements with a remaining maturity of less than one year, EUR 1,014 k in leases with a remaining maturity of one to five years, and EUR 4,924 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 45,900 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 116,964 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	2019	2018
Proceeds from the reversal of write-downs on financial assets	18.528	49.224
Proceeds from appreciation of land and buildings	3.010	2.997
Compensation payments and other recharges	2.580	2.287
Proceeds from payments in kind	2.084	1.506
Reimbursements for service charges	807	463
Proceeds from property disposals	792	23.733
Proceeds from the release of provisions	623	623
Insurance proceeds	430	540
Proceeds from a step-up merger	0	16.118
Other	882	1.283
Total	**29.736**	**98.774**

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

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.

Proceeds from payments in kind were mainly related to charges out of payroll tax deductions regarding 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.

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

Proceeds from property disposals mainly arose from the disposal of one object (see Note 2).

3.3. Cost of materials

The cost of materials is made up as follows:

EUR k	2019	2018
Operating expenses	13.835	13.819
Land tax	4.183	4.242
Maintenance costs	3.057	3.220
Passed-on charges	1.243	868
Insurance costs	1.269	806
Repairs	81	132
Other	10	11
Total	**23.678**	**23.098**

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 4,183 k in the reporting year (previous year: EUR 4,250 k).

3.4. Personnel expenses

The salaries and wages in the reporting period amounted to EUR 18,274 k (previous period: EUR 15,899 k). The increase of EUR 2,375 k as compared to the previous year is mainly based on an increase in the average number of employees as well as an increase in share-based compensation due to a higher share price.

3.5. Other operating expenses

Other operating expenses are made up as follows:

EUR k	2019	2018
Real estate operating expenses	30,135	26,417
Legal and consulting fees	4,463	4,283
General administration expenses	1,076	871
Leasing and leasing-related expenses	904	858
IT costs	828	550
Supervisory Board compensation	525	525
Travel expenses	513	593
Audit fee and other audit-related expenses	467	441
Expenses for conferences and marketing	459	408
Expanses due to impairment on receivables	373	791
Telecommunication and postal charges	315	331
Carpool expenses	313	260
Insurance costs	231	282
Cost of disposals	26	924
Expenses from the reversal of deferred acquisition costs on financial instrument	0	276
Other	1,519	1,427
Total	**42,147**	**39,237**

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

The legal and consulting fees include EUR 4,305 k in consulting and legal fees and EUR 158 k in tax consulting fees.

The general administration expenses mainly include costs related to bank charges (EUR 536 k), recruiting (EUR 347 k), sustainability reporting (EUR 19 k) as well as office expenses (EUR 174 k).

3.6. Income from loans from financial assets

The income from loans from financial assets in the amount of EUR 7,255 k (previous year: EUR 10,839 k) resulted from interest income on loans granted to subsidiaries.

3.7. Other interest and similar income

Interest income (EUR 506 k) results from interest income on bank deposits.

3.8. Interest and similar expenses

Interest expenses in the reporting period amounted to EUR 31,179 k (compared to EUR 24,896 k in 2018). The expenses comprise EUR 20,037 k of interest expenses on corporate bonds; EUR 2,502 k of interest on a ‘Schuldscheindarlehen’ (senior unsecured debt); EUR 762 k of interest expenses on other bank loans; EUR 7,066 k of transaction costs regarding the issuance of a corporate bond;

EUR 131 k of interests on the allocation of acquisition costs concerning financial derivatives (see Note 2.6) as well as EUR 22 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 2019.

4. OTHER NOTES

4.1. Significant events after the end of the reporting period

As per February 11, 2020 alstria signed a purchase contract for the disposal of an asset in Ratingen.

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	2019	2018
Short-term benefits	1.282	1.277
Postemployment benefits	800	800
Share-based remuneration	160	160
Total	**2.242**	**2.237**

As of the reporting date, liabilities for the compensation of the members of the Management Board amounted to EUR 450 k (compared to EUR 433 k in 2018).

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 525 k in 2018).

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 May 22, 2019, KPMG AG Wirtschaftsprüfungsgesellschaft, Ludwig-Erhard-Strasse 11-17, Hamburg, was appointed to perform the audit of the separate and consolidated financial statements for the 2019 financial year.

Auditors' fee		**2019**
Audit services		448
thereof from previous year	*23*	
Other confirmation services		81
Tax advisory services		0
Other services		0
Total		**529**

The non-audit services essentially relate to the issuance of a comfort letter and the review of the sustainability report.

Haiko Schmidt and René Drotleff are the professionally qualified auditors in charge of the financial statements for alstria office REIT-AG and the Group. Both held this position for the first time in financial year 2018.

4.4. Shares

The share capital is divided into 177,593,422 non-par-value bearer shares.

4.5. Dividend

At the Annual General 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 2019 financial year:

Distribution of a dividend of EUR 0.52 for each share of no par value entitled to the dividend for the 2019 financial year as of the date of the Annual General Meeting. Payment of the proposed dividend is contingent upon approval by alstria shareholders at the Annual General Meeting on April 23, 2019. This proposed dividend of EUR 0.52 per share for the 2019 financial year represents a total payment of around EUR 92.3 million based on the number of shares entitled to dividend at the balance sheet date.

Furthermore, in agreement with the Supervisory Board, the Management Board intends to propose to the Annual General Meeting to increase the dividend by EUR 0.01 to EUR 0.53 per dividend-entitled share (dividend increase), or - if this proposed resolution is rejected – to use these funds for investments in certain defined sustainable projects ('Green Projects').

If the dividend increase of EUR 0.01 to EUR 0.53 per dividend-entitled share is accepted, the total distribution for the 2019 financial year represents a payment of around EUR 94.1 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 2019 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 Vorsitzender	**Hamburg, Deutschland**	**Rechtsanwalt und Partner, Freshfields Bruckhaus Deringer LLP**
	Elbphilharmonie und Laeiszhalle Betriebsgesellschaft mbH	Member of the Advisory Board
	HamburgMusik gGmbH	Member of the Supervisory Board
Richard Mully stellv. Vorsitzender	**Cobham (Surrey), Großbritannien**	**Director, Starr Street Limited**
	Arlington Business Parks LLC, UK	Director
	Great Portland Estates plc, UK	Non-Executive Chairman
	TPG Europe LLC, UK	Senior Advisor
Dr. Bernhard Düttmann	**Meerbusch, Deutschland**	**Vorstandsvorsitzender CECONOMY AG / Selbständiger Unternehmensberater**
1. April bis 17. Oktober	CECONOMY AG	Member of the Supervisory Board
1. Januar bis 31. März	CECONOMY AG	CFO
bis 31. Dezember 2019	Vossloh AG	Member of the Supervisory Board
Stefanie Frensch	**Berlin, Deutschland**	**Mitglied des Vorstands, Familienstiftung Becker & Kries**
Benoît Hérault	**Uzès, Frankreich**	**Managing Director, Chambres de l'Artémise S.à r.l.**
	Batipart Immo Long Terme, Spanien	Independent Director
	Shaftsbury Fund Management, Luxemburg	Independent Director
	Batipart Immo Long Terme, Luxemburg	Senior Advisor
	Westbrock Real Estate, USA	Senior Advisor
Marianne Voigt	**Berlin, Deutschland**	**Geschäftsführer, bettermarks GmbH**
	BDO AG Wirtschaftsprüfungs-gesellschaft	Mitglied des Aufsichtsrats
	DISQ Deutsches Institut für Service-Qualität GmbH & Co. KG	Mitglied des Beirats

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**
	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**

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, 2019, the Company employed 149 people on average (2018: 134 employees on average). The average was calculated based on the number of employed people at the end of each quarter. On December 31, 2019, alstria office REIT-AG employed 159 people (December 31, 2018: 144 employees), excluding the Management Board.

	Average 2019	Employees December 31, 2019
Real estate management and development	81	89
Finance and legal	37	38
Other occupations	31	32
Total	**149**	**159**

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 320,675 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 458,450 certificates.

The certificates are issued as nontransferable 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 share price on the issue date by 5% or more on at least seven non-subsequent trading days (market condition). For 204,825 certificates issued on April 27, 2018, and 252,375 certificates issued on May 23, 2019, this market condition was fulfilled until the end of the 2019 financial year.

Upon conversion of a certificate, the beneficiary shall pay an additional conversion price to the Company for each certificate to be converted. This 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. The conversion will automatically be affected 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 14, 2019	Portfolio valuation will lead to a positive P&L impact of approx. EUR 400 million in 2018
July 30, 2019	Portfolio value increases by approx. EUR 200 million in H1 2019
Jan 13, 2020	Portfolio value increases to approx. EUR 4.4 billion as per December 31, 2019

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	Aug 28, 2019; UTC + 2	14.95	6,727.50
Olivier Elamine	CEO	Buy	Outside a trading venue	Aug 28, 2019; UTC + 2	14.95	6,727.50
Olivier Elamine	CEO	Buy	Outside a trading venue	Aug 28, 2019; UTC + 2	14.95	6,727.50
Olivier Elamine	CEO	Buy	Outside a trading venue	Aug 28, 2019; UTC + 2	14.95	2,242.50
Aggregated information for the transactions by Mr. Elamine on August 28, 2019: Average weighted share price: EUR 14.95; aggregated volume: EUR 22,425.00						

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	Aug 28, 2019; UTC + 2	15.03	22,545.00
Aggregated information for the transaction by Ms. Frensch on August 28, 2019: Average weighted share price: EUR 15.03; aggregated volume: EUR 22,545.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Benoît Hérault	Member of the Supervisory Board	Buy	Frankfurt	Aug 28, 2019; UTC + 2	14.98	10,486.00
Benoît Hérault	Member of the Supervisory Board	Buy	Frankfurt	Aug 28, 2019; UTC + 2	14.98	28,462.00
Benoît Hérault	Member of the Supervisory Board	Buy	Frankfurt	Aug 28, 2019; UTC + 2	14.98	28,462.00
Benoît Hérault	Member of the Supervisory Board	Buy	Frankfurt	Aug 28, 2019; UTC + 2	14.98	14,980.00
Aggregated information for the transactions by Mr. Hérault on August 28, 2019: Average weighted share price: EUR 14.98; aggregated volume: EUR 82,390.00						

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 28, 2019; UTC + 2	15.00	109,290.00
Alexander Dexne	CFO	Buy	XETRA	Aug 28, 2019; UTC + 2	14.99	40,682.86
Aggregated information for the transactions by Mr. Dexne on August 28, 2019: Average weighted share price: EUR 14.997; aggregated volume: EUR 149,972.86						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Aug 30, 2019; UTC + 2	14.99	18,902.39
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Aug 30, 2019; UTC + 2	15.00	76,650.00
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Aug 30, 2019; UTC + 2	15.01	84,491.29
Aggregated information for the transactions by Dr. Conradi on Aug 30, 2019: Average weighted share price: EUR 15.004; aggregated volume: EUR 180,043.68						

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 2018, 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 , and have been published pursuant to Section 40 para. 1 WpHG. The Company did not receive any notifications pursuant to Section 20 para. 1 and 4 AktG or pursuant to Section 33 para. 2 WpHG during the reporting period.

No.	Shareholders, registered office	Voting rights (new) (%)[1)]	Amount of shares	Date of change	Attribution of voting rights	Contains 3 % or more of voting rights from
1	Brookfield Asset Management Inc., Toronto, Canada	2.94	5,229,658	Jan 2, 2019	Yes	-
2	SAS Rue la Boétie, Paris, France	5.18	9,189,324	May 13, 2019	Yes	Predica Prevoyance Dialogue du Crédit Agricole
3	Stichting Pensioenfonds ABP, Heerlen, Netherlands	3.04	5,396,674	Sep 17, 2019	Yes	APG Asset Managmeent N.V.
4	BNP PARIBAS ASSET MANAGEMENT France S.A.S., Paris, France	3.01	5,346,585	Dec 10, 2019	Yes	-
5	Ministry of Finance on behalf of the State of Norway, Oslo, Norway	3,73[3]	6.620.384[3]	Jan 31, 2020	Yes	Norges Bank (3,69%)
6	Government of Singapore, acting by and through the Ministry of Finance, Singapore, Singapore	4.89	8,675,868	Jan 31, 2020	Yes	GIC Private Limited (3.16%)
7	BNP PARIBAS ASSET MANAGEMENT Holding S.A., Paris France	0.00	0	Feb 4,2020	No	-
8	BlackRock, Inc., Wilmington, Delaware, USA	5.05[3]	8,965,448[3]	Feb 7,2020	Yes	-

1) Percentage as per date of change. Current percentage in voting rights can deviate, e.g. due to changes in the share capital of the issuer.
2) Contains 0.04 % financial instruments pursuant to Sec. 38 para. 1 No. 1 WpHG (corresponds to 68.309 voting rights).
3) Contains 0.05 % financial instruments pursuant to Sec. 38 para. 1 No. 1 and No. 2 WpHG (corresponds to 90,943 voting rights).

6. DECLARATION OF COMPLIANCE PURSUANT TO AKTG SECTION 161

The Management Board and the Supervisory Board have submitted the declaration of compliance that is required by AktG Section 161 with respect to the recommendations of the German Corporate Governance Code as developed by a government commission. It is permanently available to the public on alstria office REIT-AG's website (www.alstria.com) and is included in the Group's declaration of corporate management according to HGB Section 315d.

Hamburg, February 18, 2020

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	
	1.1.2019	Additions	Disposals	Transfers	31.12.2019	1.1.2019	Additions	Disposals	Appreciations	31.12.2019	31.12.2019	31.12.2018
	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	**2,475,056**	**139,971**	**0**	**0**	**2,615,027**	**2,130,775**	**254,307**	**0**	**0**	**2,385,081**	**229,945**	**344,281**
II. Property, plant and equipment												
1. Land, property rights and buildings	1,598,907,490	51,026,585	10,939,328	8,364	1,639,003,112	263,991,527	34,798,746	2,611,344	3,009,323	293,169,606	1,345,833,505	1,334,915,963
2. Technical plant and machinery	2,139,789	0	0	0	2,139,789	1,875,400	86,442	0	0	1,961,842	177,947	264,389
3. Other plant, operating ond office equipment	2,193,763	115,978	0	0	2,309,740	1,058,564	218,274	0	0	1,276,838	1,032,902	1,135,199
4. Prepayments and construction in progress	54,086,697	45,689,499	0	-8,364	99,767,832	0	0	0	0	0	99,767,832	54,086,697
	1,657,327,740	**96,832,062**	**10,939,328**	**0**	**1,743,220,473**	**266,925,491**	**35,103,463**	**2,611,344**	**3,009,323**	**296,408,287**	**1,446,812,187**	**1,390,402,249**
III. Financial assets												
1. Shares in affiliated companies	950,517,893	0	1,783,395	0	948,734,498	68,006,024	32,527	0	18,527,964	49,510,587	899,223,912	882,511,869
2. Loans to affiliated companies	393,796,176	0	148,868,265	0	244,927,911	0	0	0	0	0	244,927,911	393,796,176
3. Participating interests	2,036,416	0	1,856,501	0	179,915	9,322	35,088	0	0	44,410	135,505	2,027,094
4. Other loans	36,566,799	2,297,299	0	0	38,864,098	0	0	0	0	0	38,864,098	36,566,799
	1,382,917,284	**2,297,299**	**152,508,161**	**0**	**1,232,706,421**	**68,015,346**	**67,615**	**0**	**18,527,964**	**49,554,996**	**1,183,151,425**	**1,314,901,938**
	3,042,720,079	**99,269,332**	**163,447,490**	**0**	**2,978,541,922**	**337,071,612**	**35,425,383.89**	**2,611,344**	**21,537,288**	**348,348,364**	**2,630,193,557**	**2,705,648,467**

II. Independent Auditor’s Report

To alstria office REIT-AG, Hamburg

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 of December 31, 2019, and the income statement for the financial year from January 1, 2019 to December 31, 2019, 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, 2019 to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Other Information" section of our auditor's report.

The management report contains cross-references that are marked as unchecked and not provided for by law. We have not audited the content of these cross-references and the information to which the cross-references refer in accordance with the German legal regulations.

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 of December 31, 2019 and of its financial performance for the financial year from January 1, 2019 to December 31, 2019 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 those components of the management report specified in the "Other Information" section of the auditor's report. The management report contains cross-references that are marked as unchecked and not provided for by law. We have not audited the content of these cross-references and the information to which the cross-references refer in accordance with the German legal regulations.

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, 2019. 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 1,346 million were presented under property, plant and equipment as of December 31, 2019.

These items represent 42 % of total assets and thus significantly influence the Company's balance sheet.

Property, plant and equipment is stated at cost less sheduled 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, 2019.

The fair values were determined by the accredited, external and independent expert 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 annual 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 include assessing the appropriateness of the assumptions and parameters as well as the results and objectivity of the external valuation appraiser as well as the accuracy and completeness of the data used concerning the real estate portfolios.

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 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.

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 on 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 899 million are recognized in the annual financial statements of alstria office REIT-AG as of December 31, 2019. These items represent 28 % 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 and the significant valuation assumptions resulting from this determination, please see our comments on 'Impairment testing of land, leasehold rights and buildings recognized under property, plant and equipment'.

There is a risk for the annual financial statements that shares in affiliated companies are impaired. Furthermore there is a risk that impairment is not reversed in case the reasons for impairement cease to apply.

OUR AUDIT APPROACH

To examine the alstria'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. Reversal of impairment was realized completely in case the reasons for impairement ceased to apply.

Other Information

Management is responsible for the other information. The other information comprises

- the corporate governance statement, which is referred to in the management report, and
- information extraneous to management reports and marked as unaudited.

The other information also includes the remaining parts of the annual report.

The other information does not include the annual financial statements, the management report information audited for content and our auditor's report thereon.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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 judgment and maintain professional skepticism 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 held on May 22, 2019. We were engaged by the supervisory board on May 22, 2019. We have been the auditor of alstria office REIT-AG without interruption since the 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.

Hamburg, 18. February 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

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

III. Responsibility Statement

To the best of our knowledge we confirm that, in accordance with the applicable reporting principles, the financial statements 2019 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 18, 2020

alstria office REIT-AG

The Management Board

Olivier Elamine	**Alexander Dexne**
CEO	CFO

BUILDING *YOUR* FUTURE

alstria

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

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

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

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

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

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