alstria

ANNUAL REPORT 2019

IFRS financial statements

KEY FIGURES

FIVE-YEAR OVERVIEW

EUR k	2019	2018	2017	2016	2015
Revenues and earnings					
Revenues	187,467	193,193	193,680	202,663	115,337
Net rental income	162,904	169,068	172,911	179,014	102,140
Consolidated profit for the period	581,221	527,414	296,987	176,872	–110,970
FFO[1)]	112,572	114,730	113,834	116,410	59,397
Earnings per share (EUR)[1)]	3.27	3.02	1.94	1.16	–1.15
FFO per share (EUR)[1)]	0.63	0.65	0.74	0.76	0.61

1) Excluding minorities.

EUR k	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Balance sheet					
Investment property	4,438,597	3,938,864	3,331,858	2,999,099	3,260,467
Total assets	5,029,328	4,181,252	3,584,069	3,382,633	3,850,580
Equity	3,175,555	2,684,087	1,954,660	1,728,438	1,619,377
Liabilities	1,853,773	1,497,165	1,629,409	1,654,195	2,192,916
Net asset value (NAV) per share (EUR)	17.88	15.13	12.70	11.28	10.64
Net loan-to-value (Net LTV, %)	27.1	30.4	40.0	40.9	49.3

G-REIT figures	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
G-REIT equity ratio (%)	70.9	67.2	57.1	56.7	49.4
Revenues including other income from investment properties (%)	100	100	100	100	100

EPRA figures[1)]	2019	2018	2017	2016	2015
EPRA earnings per share (EUR)	0.61	0.62	0.68	0.57	0.42
EPRA cost ratio A (%)[2)]	26.1	23.0	19.6	20.6	26.1
EPRA cost ratio B (%)[3)]	21.7	19.0	16.4	16.6	22.1

	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
EPRA NAV per share (EUR)	17.91	15.14	12.71	11.31	10.91
EPRA NNNAV per share (EUR)	17.61	14.96	12.45	10.81	10.66
EPRA net initial yield (%)	3.3	4.0	4.6	5.0	5.0
EPRA 'topped-up' net initial yield (%)	3.8	4.4	5.0	5.4	5.3
EPRA vacancy rate (%)	8.1	9.7	9.4	9.2	11.2

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

2) Including vacancy costs.

3) Excluding vacancy costs.

CONTENT

DETAIL INDEX GROUP MANAGEMENT REPORT

A. GROUP 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. The solid key economic and real estate figures indicate that investors are still interested in German commercial real estate.[**]

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 %.

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,

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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.

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 m^2 (+22.9 %), along with 765,975 m^2 (−21.7 %) in Munich, 579,475 m^2 (−9.1 %) in Frankfurt, 526,467 m^2 (−7.3 %) in Hamburg and 518,850 m^2 (+35.5 %) in Düsseldorf. Lower uptakes of office space were observed in Cologne (315,550 m^2, +46.3 %) and Stuttgart (290,767 m^2, −3.2 %).

1.2.4. New office supply

According to the largest commercial real estate agencies, approx. 1,090,350 m^2 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 m^2.

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:

* 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.

- alstria's portfolio has a weighted average of unexpired lease terms — WAULT — of around 6.3 years. Approx. 60 % 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.

3. PORTFOLIO OVERVIEW

3.1. Key metrics of the portfolio

Key metrics	Dec. 31, 2019	Dec. 31, 2018
Number of properties	116	118
Market value (EUR bn)[1)]	4.5	4.0
Annual contractual rent (EUR m)	208.3	197.0
Valuation yield (%, annual contractual rent / market value)	4.7	4.9
Lettable area (m²)	1,509,200	1,577,000
EPRA vacancy rate (%)	8.1	9.7
WAULT (years)	6.3	4.8
Average value per m² (EUR)	2,966	2,525
Average rent/m² (EUR / month)	12.62	12.25

[1)] Including fair value of owner-occupied properties.

3.2. Real Estate Operations

Letting metrics (m²)	2019	2018	Change
New leases	197,600	110,800	86,800
Renewals of leases	171,300	92,500	78,800
Total	**368,900**	**203,300**	**165,600**

In the 2019 financial year, letting activities amounted to approx. 368,900 m² (as measured by new leases and lease extensions).

The signings of the following lease contracts had a substantial impact on the positive development of the new leases:

Asset	City	Lettable area (m²)	Net rent / m² [1] (EUR)	Net rent p.a. (EUR k)	Lease length (years)	Rent free (%)[2]
Solmsstrasse 27–37	Frankfurt am Main	30,900	16.50	6,081	20.0	1.7
Gustav-Nachtigal-Strasse 3 + 5	Wiesbaden	26,000	28.00	8,714	15.0	0.0
Am Seestern 1	Düsseldorf	15,000	16.59	3,338	10.0	1.7
Heerdter Lohweg 35	Düsseldorf	13,500	11.70	1,894	12.0	7.6
T-Online-Allee 1	Darmstadt	13,300	12.00	2,242	5.0	5.0
Georg-Glock-Strasse 18	Düsseldorf	6,500	21.50	1,613	12.0	2.8
Rotebühlstrasse 98–100	Stuttgart	6,300	19.95	1,627	15.0	1.7
Gustav-Nachtigal-Strasse 5	Wiesbaden	5,400	20.00	1,415	1.6	0.0
Kanzlerstrasse 8	Düsseldorf	5,000	13.61	865	10.0	5.2
Platz der Einheit 1	Frankfurt am Main	4,200	21.00	1,100	3.0	8.3
Platz der Einheit 1	Frankfurt am Main	2,900	24.00	850	10.0	5.8
Amsinckstrasse 28	Hamburg	2,900	14.10	524	5.0	0.0
Amsinckstrasse 28	Hamburg	2,700	16.50	529	10.0	0.0
Schinkestrasse 20	Berlin	2,400	21.60	444	5.0	0.0
Amsinckstrasse 34	Hamburg	2,200	14.75	424	5.0	1.7
Maarweg 165	Köln	2,000	14.55	364	10.0	3.3
Pempelfurtstrasse 1	Ratingen	1,700	7.50	179	10.0	0.0
Epplestrasse 225	Stuttgart	1,700	16.00	370	5.0	0.0
Süderstrasse 23	Hamburg	1,600	15.30	294	10.0	2.5

[1] Disregarding parking, storage and other supplementary spaces.

[2] In % of lease length.

A low vacancy rate remains the primary focus of the company in the 2020 financial year.

3.3. Portfolio Valuation and Regions

As of December 31, 2019, external appraisers (Savills Advisory Services Germany GmbH & Co. KG) valued alstria’s portfolio in line with International Financial Reporting Standards (IFRS) 13 requirements at market value. The valuation resulted in a total market value for the total portfolio, (including owner-occupied properties) of EUR 4,476 million*. Of this total market value, approx. EUR 4,353 million, or 97 %, were located in Company’s core markets.

* Including assets held for sale.

The regional split is shown in the following table:

alstria's main tenants (% of annual rent)	Dec. 31, 2019	Dec. 31, 2018	Change (pp)
Hamburg	32	31	1
Düsseldorf	28	29	–1
Frankfurt am Main	19	19	0
Stuttgart	12	12	0
Berlin	7	6	1
Others	2	3	–1

3.4. Tenants

The table below shows alstria's ten largest tenants as of December 31, 2019:

alstria's main tenants (% of annual rent)	Dec. 31, 2019	Dec. 31, 2018	Change (pp)
Daimler AG	11	12	–1
City of Hamburg	11	12	–1
Bundesanstalt für Immobilienaufgaben	4	0	4
GMG Generalmietgesellschaft	4	8	–4
HOCHTIEF Aktiengesellschaft	3	5	–2
City of Frankfurt am Main	2	0	2
Commerzbank Aktiengesellschaft	2	0	2
Residenz am Dom gem. Betriebsgesellschaft mbH	2	2	0
Hamburger Hochbahn AG	2	2	0
Württembergische Lebensversicherung AG	1	1	0
Others	58	58	0

Furthermore, the focus is clearly on one asset class: approx. 90 % of the lettable area is office space.*

The table below summarizes the current lease expiry profile of the portfolio for the next three years:

Lease expiry profile (% of annual rent)	Dec. 31, 2019	Dec. 31, 2018	Change (pp)
2020	6.3	17.6	–11.3
2021	12.7	13.2	–0.5
2022	11.0	9.0	2.0

* Office and storage.

3.5. Transactions

alstria's investment decisions are based on both analyses of local markets and individual inspections of each asset. The latter focuses on the attributes of location, size and quality (relative to those of direct competitors' assets) as well as the long-term potential for value growth. alstria's strategy is aimed at both establishing a lucrative portfolio size at the respective locations and retracting from markets that do not adhere to alstria's core investment focus. alstria performed the following transactions in the 2019 financial year:

Disposals

Asset	City	Disposal price (EUR k)	Gain to book value (EUR k)[1]	Signing SPA	Transfer of benefits and burdens
Frankfurter Strasse 71–75	Eschborn	16,200	500	Oct. 9, 2017	Jan. 31, 2019
Gathe 78	Wuppertal	9,120	120	Oct. 10, 2018	Jan. 1, 2019
Brödermannsweg 5–9[2]	Hamburg	4,300	1,800[3]	Nov. 29, 2018	Feb. 28, 2019
Opernplatz 2	Essen	38,900	3,800	Jan. 16, 2019	Jan. 30, 2019
Ingersheimer Strasse 20	Stuttgart	41,500	11,500	Feb. 18, 2019	Mar. 31, 2019
Berner Strasse 119	Frankfurt am Main	27,000	2,800	Feb. 28, 2019	Apr. 30, 2019
Stiftsplatz 5	Kaiserslautern	12,750	1,300	Aug. 12,2019	Nov. 1, 2019
Werner-von-Siemens-Platz 1	Hannover	16,680	–700	Dec. 13, 2019	Feb. 29, 2020[4]
Balgebrückstrasse 13	Bremen	2,900	–800	Dec. 19, 2019	Feb. 29, 2020[4]
Total Disposals		**169,350**	**20,320**		

[1] Different from the position "Net result from the disposal of investment property" in the income statement. This position only contains contracts which were signed in 2019 financial year and their transaction costs.

[2] Partial sale of the residential building.

[3] Disposal price less OMV of the residential building (percentage share of residential rents).

[4] Expected.

Acquisitions

Asset	City	Acquisition price (EUR k)[1]	Signing SPA	Transfer of benefits and burdens
Lehrter Strasse 17	Berlin	8,470	Dec. 12, 2018	Feb. 1, 2019
Handwerkstrasse 4	Stuttgart	7,350	Dec. 18, 2018	Mar. 1, 2019
Maxstrasse 3a	Berlin	10,200	Mar. 6, 2019	June 1, 2019
Hauptstrasse 98–99	Berlin	12,140	Apr. 4, 2019	Apr. 30, 2019
Adlerstrasse 63	Düsseldorf	7,750	July 25, 2019	Sep. 11, 2019
Total acquisitions		**45,910**		

[1] Excluding transaction costs.

3.6. Refurbishment projects

alstria has achieved progress with respect to the following development projects:

〉 Besenbinderhof 41, Hamburg

The listed office building from 1927 was built for the Public Health Department and acquired by alstria in 2006 as part of the Primo portfolio. The property is located close to the central station in Hamburg and is characterized by its clinker front, with narrow clinker pillars. The front part of the building has a basement and five floors. The building was built in typical 1920s style.

As the offices did not meet today's requirements in terms of space flexibility or the building's technical equipment, alstria decided to fundamentally revitalize the building. Current planning includes the core removal of the office space except for the shell of the building and the reconstruction of the floors destroyed during the Second World War. Due to a bomb strike, the building lost one and a half floors. Over the course of the refurbishment, both floors will be restored in close cooperation with the Historic Preservation Office. The main entrance and staircases will keep their 1920s charm. In addition to the main entrance, two new entrances will be created that resemble the main entrance in terms of style and materials.

The construction work, which is expected to last until mid-2021, has begun in January 2019.

〉 Gustav-Nachtigal-Strasse 3, 4, 5, Wiesbaden

The office buildings at Gustav-Nachtigal-Strasse 3 and 4 have been part of alstria's portfolio since 2008 and were constructed in 1981 and 1984. The rental area of the skyscraper in Gustav-Nachtigal-Strasse 3 of approx. 18,500 m² is spread out over ten upper und two lower floors. Gustav-Nachtigal-Strasse 4 offers approx. 770 m² of rental area. Due to the acquisition of the building in Gustav-Nachtigal-Strasse 5 (mid-2018) with a rental area of approx. 7,300 m², alstria has the opportunity to market a campus with 26,000 m² rental area.

The campus is located five minutes east of the central station in Wiesbaden.

At the end of 2019, alstria was able to successfully sign a lease agreement with the BIMA for the Gustav-Nachtigal-Strasse 3 and 5. With an investment volume of EUR 63 million, the campus is the biggest refurbishment project in alstria's history. During the refurbishment, both buildings will be extensively refurbished, and the fire safety of the buildings will be brought up to date. With the gutting of the buildings finished Gustav-Nachtigal-Strasse 3 is expected to be delivered at the end of 2021. The rental areas of Gustav-Nachtigal-Strasse 5 will be delivered to the tenant one year later.

〉 Carl-Reiß-Platz 1–5, Mannheim

The three linked buildings, which consist of one office skyscraper (Building 1) and two single office buildings (Buildings 2 and 3), are located in the office and residential area Schwetzingerstadt in Mannheim. After the previous tenant moves out, the buildings, which were constructed from 1959 to 1979, will be refurbished. During the refurbishment, the structurally and technically connected buildings will be separated. After the refurbishment, the total rental area of all buildings will be approx. 18,500 m². Around 8,700 m² will be spread out over the 14 upper and two ground floors of

Building 1. Floor-to-ceiling windows will be installed on the ground floor of the northeast and northwest façades, while all other windows will be retrofitted for energy efficiency.

The detached Building 2 will offer approx. 4,400 m² of rental space after refurbishment. The current 4th floor, which is being used as a service floor, will be demolished and rebuilt as a stepped floor with a rooftop terrace and extensive roof greening.

Unlike Buildings 1 and 2, Building 3 will not be refurbished. alstria has planned the demolition of the old office building and the construction of a new residential building with eight stories and commercial units on the ground floor. The 46 apartments with a view on the park areas of Carl-Reiß-Platz will be spread out over 5.400 m² rental area. All apartments will be equipped with a loggia and/or rooftop terrace.

In addition to 65 parking spaces in the yard of the property, around 268 parking spaces will be available in a separate underground parking under the Carl-Reiß-Platz.

The demolition of all three buildings has already begun and more construction contracts are being awarded. The completion of buildings 1 and 2 is planned for mid-2021. Building 2 should be completed by mid-2022.

- Solmsstrasse 27–37, Frankfurt

Located in west of Frankfurt, the office building at Solmsstrasse 27–37 is structured as three connected buildings and has a total rental area of approx. 27,000 m². The rental area is spread out over seven upper and two ground floors. On the ground floor there is a cafeteria, which will be operated by the future tenant.

After the move-out of the previous tenant in March 2018, alstria signed a new 20-year lease agreement with the City of Frankfurt at the end of 2019. In addition to the tenant fit-out, the focus of the project lies in the optimization of the building's energy efficiency. This includes among other items the renewal of the external sun protection, the exchange of windows, insulation of the façade, and the installation of a photovoltaic system on the roof, which is supposed to cover most of the energy demand of the building's technical facilities.

The start of construction is planned for mid-2020 to allow the delivery of the rental spaces to the tenant in mid-2021.

In 2019, alstria invested around EUR 116 million in ongoing refurbishment projects. Around EUR 35 million of this amount was for the main development projects, and the remainder of EUR 81 million was invested in value-increasing tenant-improvement measures. The main part of the 2019 capital expenditure investment was linked to the Düsseldorf assets Momentum, Glockturm and Heerdter Lohweg 35, Epplestraße 225 in Stuttgart, Gustav-Nachtigal-Straße 3 in Wiesbaden and Heidenkampsweg 99–101 in Hamburg.

Within the next three years, alstria plans to invest around EUR 360 million into its portfolio through refurbishment measures. This investment plan is part of alstria's ongoing asset-value-enhancement program. The volume of these investments, however, also depends on ongoing lease negotiations with existing and potential tenants.

II. FINANCIAL ANALYSIS

The 2019 financial year developed as expected for alstria. Due to the disposals of properties, alstria's revenues decreased by approx. EUR 6 million, from EUR 193 million to EUR 187 million, compared to the previous year. The FFO (after minorities) amounted to EUR 113 million in the reporting period, which is slightly above the forecasted level of EUR 112 million for the alstria Group. The decline in FFO compared to 2018 (approx. EUR 115 million) was mainly due to lower revenues.

1. EARNINGS POSITION

1.1. Funds from operations (FFO)

In 2019, the FFO amounted to EUR 115,530 k before minority shareholders or EUR 112,571 k after minorities, compared to EUR 118,027 k before minorities or EUR 114,730 k after minorities in 2018. The FFO margin increased to 61.6 % (i. e., by 0.5 percentage points; before minorities). As a result, FFO per share was EUR 0.65 before minorities or EUR 0.63 after minorities in the 2019 financial year (compared to EUR 0.67 before minorities or EUR 0.65 after minorities in 2018).*

The slight reduction in total FFO was mainly due to lower net rental income as a result of property disposals and the corresponding reduction in lettable areas. A slightly opposite effect resulted from the higher other operating income and the reduced net financial results, as compared to the previous year. The first application of IFRS 16 led to a FFO increase of EUR 443 k compared to the previous calculation.

* This is calculated using the number of shares as of December 31, 2019, which was 177,593,422 (December 31, 2018: 177,416,497).

EUR k	IFRS P&L	Adjustments	FFO 2019	FFO 2018
Revenues	187,467	–	187,467	193,193
Revenues from service charge income	37,038	–	37,038	39,160
Real estate operating expenses	–61,601	–	–61,601	–63,285
Net rental income	**162,904**	**–**	**162,904**	**169,068**
Administrative expenses	–9,545	1,106	–8,439	–8,040
Personnel expenses	–18,441	2,544	–15,897	–14,606
Other operating income	16,185	–13,644[3)]	2,541	928
Other operating expenses	–15,230	13,824[4)]	–1,406	–994
Net gain / loss from fair value adjustments on investment property	454,767	–454,767	–	–
Gain / loss on disposal of investment properties	17,350	–17,350	–	–
Net operating result	**607,990**	**–468,287**	**139,703**	**146,356**
Net financial result	–27,460	3,331	–24,129	–28,259
Share of the result of joint venture	–170	126	–44	–70
Pre-tax income / FFO (before minorities)[1)]	**580,360**	**–464,830**	**115,530**	**118,027**
Income tax expenses	861	–861	–	–
Consolidated profit	**581,221**	**–465,691**	**115,530**	**118,027**
Minority interests[2)]	–	–2,959	–2,959	–3,297
Consolidated profit / FFO (after minorities)	**581,221**	**–468,650**	**112,571**	**114,730**
Number of outstanding shares (k)			177,593	177,416
FFO per share (EUR)			**0.63**	**0.65**

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

2) Limited-partner capital of noncontrolling shareholders in alstria office Prime Portfolio GmbH & Co. KG.

3) The adjustment of the operating income mainly stems from the reversal of accruals for real estate transfer tax.

4) The other operating expenses are adjusted by the expenses for the valuation of the limited partner capital and provisions for legal disputes.

1.2. Net operating result

alstria closed the 2019 financial year with a net operating result (before financing costs and taxes) of EUR 607,990 k, compared to EUR 555,075 k for the previous year.

Compared to the previous year, alstria had a slightly higher other operating result as well as a higher result from fair value adjustments to investment properties. The following table shows the main figures of the income statements for the 2019 and 2018 financial years:

EUR k	2019	2018
Revenues	187,467	193,193
Net rental income	162,904	169,068
Administrative and personnel expenses	–27,986	–24,744
Other operating result	955	–3,090
Operating income	**135,873**	**141,234**
Net gain / loss from fair value adjustments to investment property	454,767	398,954
Gain / loss from disposals of investment properties	17,350	14,887
Net operating result	**607,990**	**555,075**

1.3. Revenues

In the reporting period, revenues totaled EUR 187,467 k (compared to EUR 193,193 k in 2018).

1.4. Real estate operating expenses

Real estate operating expenses consist of recoverable and non-recoverable operating costs and amounted to EUR 61,601 k (compared to EUR 63,285 k in 2018). The expense ratio of non-recoverable operating costs increased slightly from 12.5 % in 2018 to 13.3 % in 2019. Thus, the Group's net rental income decreased by EUR 6,164 k to EUR 162,904 k (compared to EUR 169,068 k in 2018).

1.5. Administrative and personnel expenses

Administrative expenses increased by EUR 711 k to EUR 9,545 k (compared to EUR 8,834 k in 2018), which was due to higher legal and consulting fees and the costs for the half-year valuation of the Group. Personnel expenses were EUR 18,441 k for the reporting period (compared to EUR 15,910 k in 2018). The 2019 increase was mostly a result of an increase in salaries by EUR 1,162 k to EUR 9,099 k due to an increased number of employees (from 149 employees as of December 31, 2018, to 165 employees as of December 31, 2019). Due to the higher stock price, the remuneration for virtual shares and stock options increased by EUR 792 k to EUR 2,135 k in 2019 (compared to EUR 1,343 k in 2018) and for convertible profit participation certificates by EUR 316 k to EUR 1,898 k (compared to EUR 1,582 k in 2018). Total administrative and personnel expenditures were around 14.9 % of total revenues and 0.6 % of the market value of the portfolio (compared to 12.8 % and 0.6 % in 2018, respectively).

1.6. Other operating results

alstria's other operating results amounted to EUR 955 k during the reporting period (compared to EUR −3,090 k in 2018). An increase in income in the amount of EUR 5,529 k mainly resulted from the omission of obligations for real estate transfer taxes. An increase in expenses in the amount of EUR − 1,484 k was mainly driven by provisions for legal disputes, which are partly compensated by fewer expenses for the valuation of limited partner capital compared to 2018.

1.7. Net result from fair value adjustments on investment properties

In the 2019 financial year, the net result from fair value adjustments on investment properties was EUR 454,767 k (compared to EUR 398,954 k in 2018). This growth was mainly linked to the success of asset management in the reporting year and the increase in value due to refurbishments of the assets, as well as the higher demand for real estate.

1.8. Net result on disposals of investment property

In 2019, alstria was able to achieve a positive result of EUR 17,350 k from the disposal of investment properties. The realized disposal gains mainly resulted from the sale of the Ingersheimer Strasse asset in Stuttgart.

1.9. Net financial results

EUR k	2019	2018
Interest expenses, corporate bonds	−21,960	−21,138
Interest expenses, other loans	−2,376	−3,433
Interest result Schuldschein	−2,577	−3,186
Interest expenses, convertible bond	–	−1,783
Other interest expenses	−8	−282
Financial expenses	**−26,921**	**−29,822**
Financial income / interest income	575	745
Other financial expenses	−1,114	−420
Net financial result	**−27,460**	**−29,497**

Financial expenses decreased by EUR 2,901 k to EUR 26,921 k due to a lower average interest rate.

The net financial result for the year decreased by EUR 2,037 k to EUR 27,460 k, as compared to the prior year. This development is mainly the result of a partial repayment of a loan of EUR 33,000 k and lower interest expenses for the Schuldschein which was significantly reduced by the end of financial year 2018. Furthermore, in financial year 2019, the interest expenses for the convertible bond, which had been repurchased in the middle of 2018, were omitted.

For details on the new loans, also refer to the 'Financial management' section starting on page 18.

1.10. Share of the result of joint venture companies

In 2019, alstria's share of the result of joint venture was EUR −170 k (compared to EUR −70 k in 2018).

1.11. Net result from fair value adjustments to financial derivatives

To minimize the impact of interest-rate volatility on profits and losses, alstria uses financial derivatives to hedge on floating-interest-rate loans. Due to the termination of an interest rate cap in the 2019 financial year, the nominal amount of the interest-hedging instruments decreased from EUR 95,892 k to EUR 45,090 k.

The net result from fair value adjustments on these financial derivatives amounted to EUR 0 k in 2019 (compared to EUR 2,452 k in 2018).

While no appreciable valuation result arose in the 2019 and 2018 financial years from the interest rate derivatives financial instruments (2019: EUR 0; 2018: EUR −14 k), the valuation of the embedded derivative linked to the convertible bond in 2018 resulted in a gain of EUR 2,466 k. The fair value of the embedded derivative was largely determined by the performance of the share price of alstria, as it affected the market value of the potential repayment obligation in the event of conversion of the convertible bond. With the end of its term on June 14, 2018, all units of the convertible bond have been converted into equity instruments of the Company. Since the conversion, the embedded derivative no longer exists.

Further details and a tabular reconciliation can be found in Section 6.5 of the consolidated financial statements.

1.12. Consolidated net result

The consolidated net result amounted to EUR 581,221 k (compared to EUR 527,414 k in 2018) in the reporting period; hence, it increased by EUR 53,807 k. The main drivers of this increase are the net result from fair value adjustments on investment properties and a higher other operating result. A slight opposite effect resulted from lower net rental income compared to the previous year. Undiluted earnings per share amounted to EUR 3.27 for the reporting period (compared to EUR 3.02 in 2018).

REITs are fully exempt from the German corporate income tax and trade tax. However, tax obligations can arise to a minor extent for REIT subsidiaries.

2. FINANCIAL AND ASSET POSITION

2.1. Investment properties

The total value of investment properties as of December 31, 2019 was EUR 4,438,597 k, compared to EUR 3,938,864 k at the beginning of 2019. This increase in investment property value was mainly due to the increase in value of the investment portfolio following the revaluation (EUR 454,767 k) as well as the result of the acquisition of five assets. A slight opposite effect results from the sale of four assets. Two of the assets are reported under assets held for sale in the balance sheet as of December 31, 2019.

EUR k	
Investment property as of December 31, 2018	**3,938,864**
Investments	116,268
Acquisitions	45,905
Acquisition costs	3,930
First application of IFRS 16	5,207
Advance payments in prior period	–1,944
Disposals	–103,814
Transfers to assets held for sale	–20,586
Net loss / gain from fair value adjustments to investment property	454,767
Investment property as of December 31, 2019	**4,438,597**
Carrying amount of owner-occupied properties	17,217
Fair value of assets held for sale	19,588
Interests in joint ventures	1,070
Carrying amount of immovable assets	**4,476,472**
Fair value adjustments of owner-occupied properties	5,746
Fair value of immovable assets	**4,482,218**

2.2. Cash position

Cash and cash equivalents increased by EUR 165,320 k from EUR 132,899 k to EUR 298,219 k in the reporting period. A positive cash flow of EUR 121,693 k was generated from operating activities. Financing activities have shown net cash inflows of EUR 264,178 k. The increase was mainly driven by a new bond in September 2019, resulting in a cash inflow of EUR 393,596 k. On the other hand, the net cash used in financing activities was affected by the dividend payment of EUR 92,257 k and the cash flows from the repayment of loans, resulting in net cash outflows of EUR 34,000 k. Investing activities amounted in cash outflows of EUR 220,551 k, mainly resulting from investments in financial assets in the amount of EUR 238,864 k (thereof EUR 199,750 k short term).

2.3. Equity metrics

	Dec. 31, 2019	Dec. 31, 2018	Change
Equity (EUR k)	3,175,555	2,684,087	18.3 %
NAV per share (EUR)	17.88	15.13	18.2 %
Equity ratio (%)	63.1	64.2	−1.1 pp
G-REIT equity ratio (%)[1)]	70.9	67.2	3.7 pp

[1)] This is defined as total equity divided by the carrying amount for immovable assets. The minimum requirement according to G-REIT regulations is 45 %.

Compared to December 31, 2018, equity increased by EUR 491,468 k as of December 31, 2019. The period's profit contributed to a higher equity of EUR 581,221 k. On the other hand, dividend payments in May decreased the equity by EUR 92,257 k.*

2.4. Liabilities minority interests

Liabilities due to minority interests represent the limited-partner capital of noncontrolling shareholders in alstria office Prime Portfolio GmbH & Co. KG. In line with IFRS requirements, the share capital owned by minority shareholders in German partnerships is treated as a liability on the Company's balance sheet.

2.5. 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, page 20).

On March 29, 2019, alstria partly repaid a loan by EUR 33 million, which had amounted to a notional amount of EUR 67 million as of December 31, 2018.

On September 26, 2019, alstria issued its fourth unsecured, fixed-rate bond with a nominal value of EUR 400 million. The proceeds from the bond will be used to refinance the bond maturing on March 24, 2021, with an outstanding volume of EUR 326.8 million and a Schuldschein with an outstanding volume of EUR 37.0 million (maturity: May 6, 2020) as well as for general corporate purposes.

On September 6, 2019, the loan agreement for an unsecured revolving credit line in the amount of up to EUR 100 million was extended until September 14, 2022.

* See also the consolidated statement of changes in equity on page 56.

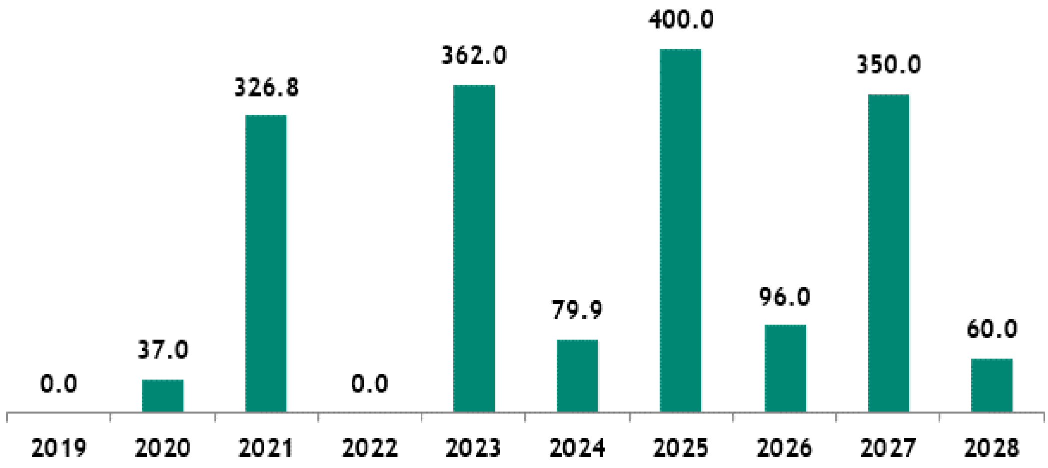
The loan facilities in place as of December 31, 2019, are as follows:

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	67,000
Loan #2	Mar. 28, 2024	45,900	31.6	75.0	45,900
Loan #3	June 30, 2026	56,000	27.6	65.0	56,000
Loan #4	Sept. 29, 2028	60,000	33.6	–	60,000
Total secured loans		**195,900**	**26.0**	–	**228,900**
Bond #1	Mar. 24, 2021	326,800	–	–	326,800
Bond #2	Apr. 12, 2023	325,000	–	–	325,000
Bond #3	Nov. 15, 2027	350,000	–	–	350,000
Bond #4	Sept. 26, 2025	400,000	–	–	–
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		**1,711,700**	**38.2**	–	**1,345,700**
Net LTV			**27.1**[1]		

[1] Net-debt / Fair value of immovable assets (deducted by interests in joint ventures).

Cash cost of debt	Dec. 31, 2019			Dec. 31, 2018		
	Nominal amount (EUR k)	Ø cost of debt (%)	Ø maturity (years)	Nominal amount (EUR k)	Ø cost of debt (%)	Ø maturity (years)
Bank debt	195,900	1.1	6.3	228,900	1.1	7.1
Bonds	1,401,800	1.5	4.7	1,001,800	1.9	5.3
Schuldschein	114,000	2.2	3.5	115,000	2.2	4.5
Total	**1,711,700**	**1.5**	**4.8**	**1,345,700**	**1.8**	**5.5**

Maturity profile of financial debt as of December 31, 2019[1)] in EUR m



1) Excluding regular amortization.

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

In case of the incurrence of new Financial Indebtedness for purposes other than the refinancing of existing liabilities, alstria needs to comply with the following covenants:

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

In the third quarter of 2019, alstria incurred further financial indebtedness in the amount of EUR 400,000 k primarily to refinance existing secured financial indebtedness in 2020 and 2021 (for further information, please refer to the loan overview on page 19). The compliance with the covenant was reported in the consolidated interim statement as of September 30, 2019.

* The following section refers to the Terms and Conditions of the Fixed Rate Notes, issued on November 24, 2015, April 12, 2016, on November 15, 2017, and on September 26,2019 as well as to the Terms and Conditions of the Schuldschein issued on May 6, 2016 (for further information, please refer to www.alstria.com). Capitalized terms have the meanings defined in the Terms and Conditions.

Furthermore, alstria needs to maintain a ratio of the Consolidated Adjusted EBITDA over Net Cash Interest of no less than 1.80 to 1.00. The ratio should be calculated and published at every reporting date following the issuance of the bond or the Schuldschein, respectively, starting after the fifth reporting date. Publication first took place in the 2016 annual report.

EUR k	Cumulative 2019
Earnings Before Interest and Taxes (EBIT)	**607,819**
Net profit / loss from fair value adjustments to investment property	−454,767
Net profit / loss from fair value adjustments to financial derivatives	–
Profit / loss from the disposal of investment property	−17,350
Other adjustments[1)]	7,161
Fair value and other adjustments in joint venture	126
Consolidated Adjusted EBITDA	**142,989**
Cash interest and other financing charges	−24,622
One-off financing charges	–
Net Cash Interest	**−24,622**
Consolidated Coverage Ratio (min. 1.80 to 1.00)	**5.8**

1) Depreciation and amortization and nonrecurring or exceptional items.

As of December 31, 2019, no covenants under the loan agreements and / or the terms and conditions of the bonds and Schuldschein have been breached.

2.7. Long-term loans

Long-term loans increased by 24.3%, from EUR 1,336,090 k as of December 31, 2018, to EUR 1,661,080 k as of December 31, 2019. The increase resulted essentially from the issue of a new bond in September 2019 with a nominal amount of EUR 400,000 k. This was contrasted by the repayment of a loan of EUR 33,000 k and a reclassification of a Schuldschein with a maturity in May 2020 into short-term loans.

2.8. Short-term loans

Short-term loan obligations amounted to EUR 50,590 k as of the reporting date (prior year: EUR 14,171 k) and hence were EUR 36,419 k higher than as of the previous reporting date. This increase essentially resulted from the reclassification of a previously long-term Schuldschein with a maturity in May 2020 into short-term loans (EUR 37,000 k).

2.9. Current liabilities

Current liabilities amounted to EUR 109,431 k (December 31, 2018: EUR 90,777 k) and mainly consisted of short-term loan obligations of EUR 50,590 k (December 31, 2018: EUR 14,171 k) and of liabilities to noncontrolling shareholders of EUR 24 k (December 31, 2018: EUR 47 k). Another EUR 5,793 k of this total was attributable to income tax obligations (December 31, 2018: EUR 5,945 k) that arose at the level of the consolidated alstria office Prime companies. Moreover, current liabilities include trade payables (December 31, 2019: EUR 4,611 k; December 31, 2018: EUR 4,400 k). The other current financial liabilities (December 31, 2019: EUR 45,451 k; December 31, 2018: EUR 60,207 k) are reduced compared to the previous year. The previous year included purchase price payments in the amount of EUR 9,120 k and obligations for real estate transfer taxes (December 31, 2018: EUR 13,902 k), which were incurred at the alstria office Prime level. Furthermore, the other current financial liabilities consisted of provisions for outstanding invoices (December 31, 2019: EUR 22,328 k; December 31, 2018: EUR 16,595 k) and tenant's deposits (December 31, 2019: EUR 7,280 k; December 31, 2018: EUR 6,353 k).

3. CORPORATE MANAGEMENT

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

alstria's original revenue and FFO forecasts 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 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

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

For alstria, risk management involves the targeted securing of existing and future potential for success and improvements in the quality of the Company's planning processes. alstria's risk-management

* This involves in this passage revenues without revenues from service charge income.

** For further details, please refer to page 12f.

*** Total debt deducted by cash positions and short-term financial assets.

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 Company is that he or she represents the area in which the identified risks could materialize; the risk owner is also responsible for the assigned risk category:

alstria's areas of risk and risk categories

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

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

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

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					
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 Company'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 Company's processes. The internal audit function is transferred to an external auditing firm.

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

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

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

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 Company's market environment, regulatory environment, and strategic corporate organization.

Market environment risks

For the Group, market environment risks are derived from macroeconomic developments and their impact on respective real estate markets. An economic downturn in the German market could result in a decreasing number of employees and in lower demand for rental areas in office properties. For alstria, this would lead to a higher risk of vacant space or to lower rental income. Developments that could have a negative impact on the export-sensitive German domestic market, at least indirectly through the reduction in foreign demand, are slowing growth in developing and emerging countries, the increasing political instability of certain countries in crisis, the continuing low interest rates of the European Central Bank, and the discussion about certain states' high 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 Company's legal environment result from changes to regulations and laws. These may, in turn, have an impact on key regulatory requirements and on the corporate constitution of the alstria companies. These include alstria's classification as a REIT and other regulations concerning publicly listed companies. New laws and regulations may result in new regulatory requirements and thus in higher expenses. Overall, risks regarding the legal environment are, 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 Company's dependence on IT systems and structures. Both the organizational structure and the IT infrastructure support strategic and operational objectives. The risk of strategic corporate organization therefore remains low (L).

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.

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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.

Maintenance risks

To plan for the requirements of maintenance measures, the Company makes assumptions about a property's condition and the intended standard. Undetected defects, repair requirements resulting from external damage, new legal requirements regarding the condition of the building, 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 Company, resulting in additional future costs.

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

HR risks

The skills and motivations of alstria's employees are decisive factors in the Company's success. The risk of losing knowledge results from the fluctuation of staff and from the inability to recruit sufficiently qualified experts to fill vacancies in good time. Both cases could result in a shortfall of suitable experts and key personnel, which could endanger alstria's competitive advantages 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 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 Company in order to qualify for and retain its designation as a G-REIT. The most significant requirements are as follows: The G-REIT must be a stock corporation listed on an organized market and its registered office and management must be in Germany. Its registered share capital must amount to at least EUR 15 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 Company with retrospective effect since January 1, 2007.

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

According to Section 15 of the REIT Act, alstria's equity (as reported in its consolidated financial statements) must not fall short of 45 % of its immovable assets. If the minimum equity ratio is, however, not satisfied for three consecutive financial years, the 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 Company'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 Company 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 Company 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 Company obtained an expert opinion with the aim of establishing the enterprise value and adequate cash compensation. Subsequently, the adequate cash compensation was subject to a mandatory audit by an independent expert, as prescribed by law. In addition to measures implemented before the litigation to reduce the risk of additional cash compensation, the Company 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 company 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 Company 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 company 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 Company 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 Company 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 Company.

alstria's hedging policy allows for using a combination of plain vanilla caps and swaps if applicable to limit the Company's exposure to interest rate fluctuations. It still provides enough flexibility to allow for the disposal of real estate assets, avoiding any costs associated with an over-hedged situation. The interest base for the financial liability (loan) is the 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 Company 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 Company’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. From the Management Board's point of view, the Company's stable funding position, conservative level of debt, and solid REIT equity ratio support this assessment. The long-term refinancing position mitigates the risk of higher borrowing costs in the event of rising interest rates, 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 (the Net LTV of bank loans is currently 27.1%; see the overview of loan facilities on page 19, 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.

* This section is an unaudited statement.

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. The participation fell below 5 % in January 2020. 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 GROUP DISCLOSURE

1. 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 167 to 175), which contains details of the principles for the remuneration of the Management Board and Supervisory Board, forms an integral part of the audited Group management report.

2. CORPORATE GOVERNANCE GROUP DECLARATION PURSUANT TO SECTION 315D HGB ("HANDELSGESETZBUCH": 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.

3. EMPLOYEES

As of December 31, 2019, alstria had 165 employees (compared to 149 on December 31, 2018). The annual average number of employees was 156 (compared to 139 in the previous year). These figures exclude Management Board members.

4. DIVIDEND

At the Annual General Meeting, the Managing 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:

To distribute a dividend of EUR 0.52 for each share of no par value that is entitled to the dividend for the 2019 financial year and existed at the date of the Annual Shareholders' Meeting, with the remaining amount to be carried forward. Payment of the proposed dividend is contingent upon approval by alstria shareholders at the Annual General Meeting on April 23, 2020. The proposed dividend of EUR 0.52 per share for the 2019 financial year represents a total payment of EUR 92.3 million based on the number of shares entitled to the 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.

VII. 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.

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

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

DETAIL INDEX CONSOLIDATED FINANCIAL STATEMENTS

B. CONSOLIDATED FINANCIAL STATEMENTS

I. CONSOLIDATED INCOME STATEMENT

For the periode from January 1 to December 31, 2019

in TEUR	Anhang	2019	2018
Revenues	5.1	187,467	193,193
Revenues from service charge income	5.1	37,038	39,160
Real estate operating expenses	5.2	–61,601	–63,285
Net rental income		**162,904**	**169,068**
Administrative expenses	5.3	–9,545	–8,834
Personnel expenses	5.4	–18,441	–15,910
Other operating income	5.5	16,185	10,656
Other operating expenses	5.6	–15,230	–13,746
Net result from fair value adjustments to investment property	6.1	454,767	398,954
Net result from the disposal of investment property	5.7	17,350	14,887
Net operating result		**607,990**	**555,075**
Net financial result	5.8	–27,460	–29,497
Share of the result of companies accounted for at equity	2.2.3	–170	–70
Net loss from fair value adjustments to financial derivatives	5.8; 6.5	0	2,452
Pretax result		**580,360**	**527,960**
Income tax expenses	5.9	861	–546
Consolidated profit		**581,221**	**527,414**
Attributable to:			
Shareholders of alstria office REIT-AG		581,221	527,414
Earnings per share in EUR			
Basic earnings per share	10	3.27	3.02
Diluted earnings per share	10	3.27	3.00

II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from January 1 to December 31, 2019

EUR k	Notes	2019	2018
Consolidated profit for the period		**581,221**	**527,414**
Items that will not be classified to the income statement in a future period:			
Additions in the revaluation surplus according to IAS 16	6.3; 7.1	0	3,485
Other comprehensive income for the period		**0**	**3,485**
Total comprehensive income for the period		**581,221**	**530,899**
Total comprehensive income attributable to			
Shareholders of alstria office REIT-AG		581,221	530,899

III. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2019

ASSETS

EUR k	Notes	Dec. 31, 2019	Dec. 31, 2018
Noncurrent assets			
Investment property	6.1	4,438,597	3,938,864
Equity-accounted investments	6.2	1,070	8,589
Property, plant and equipment	6.3	19,055	18,972
Intangible assets	6.3	232	349
Financial assets	6.4	39,108	36,737
Total noncurrent assets		**4,498,062**	**4,003,511**
Current assets			
Trade receivables	6.6	3,877	6,865
Financial assets	6.4	199,750	0
Income tax receivables		1,231	43
Other receivables	6.6	8,601	8,314
Cash and cash equivalents	6.7	298,219	132,899
thereof restricted		*0*	*0*
Assets held for sale	6.8	19,588	29,620
Total current assets		**531,266**	**177,741**
Total assets		**5,029,328**	**4,181,252**

EQUITY AND LIABILITIES

EUR k	Notes	Dec. 31, 2019	Dec. 31, 2018
Equity	7.1		
Share capital		177,593	177,416
Capital surplus		1,448,709	1,538,632
Retained earnings		1,545,768	964,554
Revaluation surplus		3,485	3,485
Total equity		**3,175,555**	**2,684,087**
Noncurrent liabilities			
Limited partnership capital noncontrolling interests	7.2	70,504	64,013
Long-term loans and bonds, net of current portion	7.3	1,661,080	1,336,090
Other provisions	7.4	1,226	1,275
Other liabilities	7.5	11,532	5,010
Total noncurrent liabilities		**1,744,342**	**1,406,388**
Current liabilities			
Limited partnership capital noncontrolling interests	7.2	24	47
Short-term loans	7.3	50,590	14,171
Trade payables	7.5	4,611	4,400
Profit participation rights	5.4; 13.2	457	530
Income tax liabilities	7.6	5,793	5,945
Other provisions	7.4	2,505	5,477
Other current liabilities	7.5	45,451	60,207
Total current liabilities		**109,431**	**90,777**
Total liabilities		**1,853,773**	**1,497,165**
Total equity and liabilities		**5,029,328**	**4,181,252**

IV. CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ending December 31, 2019

EUR k	Notes	2019	2018
1. Cash flows from operating activities			
Consolidated profit or loss for the period		**581,221**	**527,414**
Interest income	5.8	–575	–745
Interest expense	5.8	28,035	30,241
Result from income taxes	5.9	–861	546
Unrealized valuation movements		–445,940	–389,465
Other noncash income (–)/expenses (+)	8.3	663	5,616
Gain (–)/loss (+) on disposal of investment properties	5.7	–17,350	–14,887
Depreciation and impairment of fixed assets (+)	6.3	1,106	794
Increase (–)/decrease (+) in trade receivables and other assets not attributed to investing or financing activities		867	–1,055
Increase (+)/decrease (–) in trade payables and other liabilities not attributed to investing or financing activities		–1,093	–369
Cash generated from operations		**146,073**	**158,090**
Interest received		814	745
Interest paid		–24,674	–26,658
Income taxes paid		–520	–13,163
Net cash generated from operating activities		**121,693**	**119,014**
2. Cash flows from investing activities			
Acquisition of investment properties		–164,915	–253,119
Proceeds from the sale of investment properties		139,777	119,200
Payment of transaction cost in relation to the sale of investment properties		–179	–139
Acquisition of other property, plant and equipment		–287	–2,145
Proceeds from the equity release of interests in joint ventures		7,350	0
Payments for investment in financial assets		–238,864	0
Proceeds from disposal of financial assets		36,567	0
Net cash used in investing activities		**–220,551**	**–136,203**

EUR k	Notes	2019	2018
3. Cash flows from financing activities			
Cash received from cash equity contributions	7.1	0	193,072
Payment of transaction costs of issue of shares		0	−2,611
Payments for the acquisition of shares in limited partnerships of minority interests	7.1	−73	−101
Distributions on limited partnerships of minority shareholders		−1,947	−1,941
Proceeds from borrowing	7.3	0	60,000
Proceeds from the issuing of corporate bonds	7.3	393,596	0
Payments of transaction costs for taking out loans		−698	−151
Payments for the redemption portion of leasing obligations		−443	0
Payments of dividends	11	−92,257	−92,170
Payments due to the redemption of bonds and borrowings		−34,000	−108,088
Net cash generated from financing activities		**264,178**	**48,010**

4. Cash and cash equivalents at the end of the period			
Change in cash and cash equivalents (subtotal of 1 to 3)		165,320	30,821
Cash and cash equivalents at the beginning of the period		132,899	102,078
Cash and cash equivalents at the end of the period *thereof restricted: EUR 0 k; previous year: EUR 0 k*	6.7	**298,219**	**132,899**

V. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from January 1 to December 31, 2019

EUR k	Notes	Share capital	Capital surplus	Retained earnings	Revaluation surplus	Total equity
As of Dec. 31, 2018		**177,416**	**1,538,632**	**964,554**	**3,485**	**2,684,087**
First-time adoption from IFRS 16	2.1	0	0	–7	0	–7
As of Jan. 1, 2019		**177,416**	**1,538,632**	**964,547**	**3,485**	**2,684,080**
Changes in the financial year 2018						
Consolidated profit		0	0	581,221	0	**581,221**
Other comprehensive income		0	0	0	0	**0**
Total comprehensive income		**0**	**0**	**581,221**	**0**	**581,221**
Payments of dividends	11	0	–92,257	0	0	**–92,257**
Share-based remuneration	5.4; 13.2	0	2,157	0	0	**2,157**
Conversion of convertible participation rights	13.2	177	177	0	0	**354**
As of Dec. 31, 2019	7.1	**177,593**	**1,448,709**	**1,545,768**	**3,485**	**3,175,555**

For the period from January 1 to December 31, 2018

EUR k	Notes	Share capital	Capital surplus	Retained earnings	Revaluation surplus	Total equity
As of Dec. 31, 2017		**153,962**	**1,363,316**	**437,382**	**0**	**1,954,660**
First-time adoption from IFRS 9	2.1	0	0	–242	0	**–242**
As of Jan. 1, 2018		**153,962**	**1,363,316**	**437,140**	**0**	**1,954,418**
Changes in the financial year 2018						
Consolidated profit		0	0	527,414	0	**527,414**
Other comprehensive income		0	0	0	3,485	**3,485**
Total comprehensive income		**0**	**0**	**527,414**	**3,485**	**530,899**
Payments of dividends	11	0	–92,170	0	0	**–92,170**
Proceeds from shares issued against contribution in cash	7.1	15,323	175,138	0	0	**190,461**
Share-based remuneration	5.4; 13.2	0	1,629	0	0	**1,629**
Conversion of convertible participation rights	13.2	144	144	0	0	**288**
Conversion of convertible bond	7.2	7,987	90,575	0	0	**98,562**
As of Dec. 31, 2018	7.1	**177,416**	**1,538,632**	**964,554**	**3,485**	**2,684,087**

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

alstria office REIT-AG (the Company) is a listed real estate property corporation under the scope of the G-REIT Act. The main objectives of the Company and its subsidiaries (the Group or alstria) are the acquisition, management, operation, and sale of owned real estate property and the holding of participations in enterprises that acquire, manage, operate, and sell owned property.

alstria prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and with the additional requirements set forth in Section 315e para. 1 of the German Commercial Code (HGB). The consolidated financial statements were authorized for issue by the Management Board on February 18, 2020.

alstria office REIT-AG's registered office and address is Steinstrasse 7, 20095 Hamburg, Germany. The Company is entered in the commercial register at the local court of Hamburg under HRB No. 99204.

alstria prepares and reports its consolidated financial statements in Euro (EUR), the Group's functional currency. Due to rounding, the numbers presented may not add up precisely to the totals provided.

The financial year ends on December 31 of each calendar year. The consolidated financial statements presented in this report were prepared for the period from January 1 to December 31, 2019.

2. BASIS OF PREPARATION

Apart from investment property (land and buildings) and certain financial instruments that are measured at fair values at the end of each reporting period and as explained in the accounting policies below, the consolidated financial statements have been prepared based on historical cost.

The preparation of financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates and for management to exercise its judgement when applying the Group's accounting policies. Areas involving a higher degree of judgement or complexity or items wherein assumptions and estimates have a significant impact on the consolidated financial statements are disclosed in Note 2.3.

The consolidated income statement is prepared using the total cost method. Single items are summarized in the consolidated statement of financial position and the income statement. They are commented on in the Notes to the financial statements.

Assets and liabilities are classified as noncurrent and current, respectively. Current items are defined as items that are due in less than one year and vice versa for noncurrent items.

2.1. Changes in accounting policies and mandatory disclosures

Effects of new and amended IFRSs

The Company adopted the following new standard IFRS 16, amendments to existing standards and the new interpretation IFRIC 23 for the first time for the financial year beginning January 1, 2019:

EU Endorsement	Standard/ interpretation	Content	Applicable for FY beginning on/after	Effects
Oct. 31, 2017	IFRS 16	New standard 'Leases'	Jan. 1, 2019	No material effects
Mar. 22, 2018	Amendments to IFRS 9	Prepayment features with negative compensation	Jan. 1, 2019	None
Mar. 13, 2019	Amendments to IAS 19	Plan amendment, curtailment or settlement	Jan. 1, 2019	None
Feb. 8, 2019	Amendments to IAS 28	Long-term interests in associates and joint ventures	Jan. 1, 2019	None
Mar. 14, 2019	Annual Improvements to IFRSs	Improvements to IFRSs 2015–2017	Jan. 1, 2019	None
Oct. 23, 2018	IFRIC 23	Uncertainty over income tax treatments	Jan. 1, 2019	Currently no material

IFRS 16 'Leases'

IFRS 16 provides a model for the accounting for leases. IFRS 16 is generally applicable to all leases.

For **lessees**, the previous distinction between operating leasing and finance leasing is not made. Instead, the lessee has to account for the right of use of a leased asset (so-called 'right-of-use asset' or RoU asset) and a corresponding lease liability for the leasing payment obligations. Exceptions to this are made only for short-term leases and leases for low-value assets. The amount of the RoU asset at the time of acquisition is equal to the amount of the lease liability plus any initial direct costs of the lessee. In subsequent periods, the RoU asset in principle is valued at amortized cost. In of a RoU asset that qualifies as an investment property, it is measured at fair value in accordance with IAS 40. The lease liability is the present value of the lease payments that are paid during the term of the lease. Subsequently, the book value of the lease liability is compounded using the interest rate used for discounting and reduced by the lease payments made. Changes in the lease payments lead to a revaluation of the lease liability.

For **lessors**, on the other hand, the accounting principles known from IAS 17 'Leases', with a distinction between finance lease and operating leases, remain the same.

According to IFRS 16, some payment entitlements from lease agreements represent cost allocations. These include property tax, building insurance and allowances for asset management services. With the application of IFRS 16, the service charges to be paid by the lessee will be divided between all leasing and non-leasing components identified in the contract.

EUR k	2019
IFRS 16	
Net basic rent	185,184
Share of income concerning property tax, insurance premiums and management fees charged to the tenants	10,991
IFRS 15	
Other service charge income	26,743
Share of income concerning property tax, insurance premiums and management fees charged to the tenants	1,587
Total	**224,505**

Apart from this the first-time application of IFRS 16 is not expected to have a material impact on the the presentation of the net assets, financial position and results of the Company's operations, as the Group has mainly concluded lease agreements for the commercial leasing of its investment properties, thereby acting as the lessor However, the scope of the transactions agreed upon by the Company as a lessee is of minor importance.

The lease obligations were discounted at an average interest rate of 1.8 %. The resulting rights of use are amortized, and the lease liabilities are compounded and repaid. Accordingly, the difference between amortized rights of use and discounted leasing liabilities at the time of initial application led to a first-time application result of IFRS 16 in the amount of EUR 7 k.

The Group started applying IFRS 16 using the modified retrospective method. The comparative figures from the previous year were not adjusted. In addition, the disclosure requirements of IFRS 16 were not generally applied to the comparative information. The Group utilizes the recognition exemptions provided by IFRS 16.5 and, as such, does not have to apply IFRS 16.22 to IFRS 16.49 to leases with a contractual term of 12 months or less, or to leases (on a case-by-case basis) in which the underlying asset is of low value. For the first application, all leases with a remaining term of less than 12 months at the time of first application are also treated as short-term.

A reconciliation of the lease liabilities as a result of the first-time adoption of IFRS 16 as of January 1, 2019 is shown in the following table:

EUR k	
Other financial obligations from leases as of Dec. 31, 2018	**6,251**
- Non-inclusion of short-term contracts or contracts of low value	−38
- Discounting the present value of the liability	−878
Lease liability as of Jan 1, 2019	**5,335**

Further information on the leases can be found in Sections 5.3 Administrative expenses, 5.8 Financial and valuation result, 6.1 Investment property, 6.3 Intangible assets and property, plant and equipment and 7.5 Trade payables and other liabilities.

New and amended IFRSs and interpretations to existing standards that are not yet effective and that the Group has not adopted early

EU Endorsement	Standard	Content	Applicable for FY beginning on/after	Effects
Not yet endorsed	IFRS 17	New standard 'Insurance contracts'	Jan. 1, 2021	None
Not yet endorsed	Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform, requiring additional disclosures in IFRS 7 around uncertainty arising from the interest rate benchmark reform	Jan. 1, 2020	None
Not yet endorsed	Amendments to IFRS 3	Business combinations: Definition of a business	Jan. 1, 2020	None
Not yet endorsed	Amendments to IAS 1 and IAS 8	Definition of 'material'	Jan. 1, 2020	None
Not yet endorsed	Amendments to IFRS Framework		Jan. 1, 2020	None
Not yet endorsed	Amendments to IFRS 10 and IAS 28	Selling or depositing assets in associates or joint ventures	tbd	None

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

The Group did not adopt any new or amended standards or interpretations early in the 2019 financial year.

2.2. Basis of consolidation

2.2.1. Subsidiaries

The consolidated financial statements incorporate the financial statements of alstria office REIT-AG and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- exercises authority over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and
- can use its authority to affect the amount of its returns.

The Company reassesses whether it controls an investee if facts and circumstances indicate changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date when the Company gains control until the date when the Company ceases to control the subsidiary.

The profit or loss and each component of the other comprehensive income are attributed to the Company’s owners and noncontrolling interests. The total comprehensive income of the subsidiaries is attributed to the Company’s owners and noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and

(ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any noncontrolling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i. e. reclassified to profit or loss or transferred to another category of equity, as specified/permitted by applicable IFRSs).

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable acquired assets and the assumed liabilities are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. After reassessment, if the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree and fair value of the acquirer's previously held interest in the acquiree fit and the excess is recognized immediately in profit or loss as a bargain purchase gain.

Noncontrolling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis. Other types of noncontrolling interests are measured at fair value or, when applicable, on the basis specified in another IFRSs.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value, and the resulting gain or loss, if any, is recognized in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive incomes are reclassified as profit or loss, where such treatment would be appropriate if that interest were disposed of.

Significant companies wherein alstria office REIT-AG is directly or indirectly able to significantly influence financial and operating decisions (associates), or directly or indirectly share control (joint ventures), are accounted for using the equity method.

2.2.2. Fully consolidated subsidiaries

The Group of consolidated companies, including alstria office REIT-AG, comprised 51 companies in the financial year (2018: 56). As of the balance sheet date, 48 companies (prior-year balance sheet date: 51 companies) existed. In addition, two joint ventures and one noncontrolling interest have been accounted for using the equity method.

In the consolidated financial statements of alstria office REIT-AG, the following companies are included (statement according to Section 313 para. 2 and Section 315 (e) HGB):

No.	Company		Headquarters	Equity interest (%)	Held by no.	Business activity
1	alstria office REIT-AG		Hamburg	Parent company		Asset management; holding
2	alstria Bamlerstraße GP GmbH		Hamburg	100.0	1	General Partner
3	alstria Englische Planke GP GmbH		Hamburg	100.0	1	General Partner
4	alstria Gänsemarkt Drehbahn GP GmbH		Hamburg	100.0	1	General Partner
5	alstria Halberstädter Straße GP GmbH		Hamburg	100.0	1	General Partner
6	alstria Ludwig-Erhard-Straße GP GmbH		Hamburg	100.0	1	General Partner
7	alstria Mannheim/Wiesbaden GP GmbH		Hamburg	100.0	1	General Partner
8	alstria office Bamlerstraße GmbH & Co. KG	1)	Hamburg	100.0	1	Own property
9	alstria office Englische Planke GmbH & Co. KG	1)	Hamburg	100.0	1	Own property
10	alstria office Gänsemarkt Drehbahn GmbH & Co. KG	1)	Hamburg	100.0	1	Own property
11	alstria office Insterburger Straße GmbH & Co. KG	1)	Hamburg	100.0	1	Own property
12	alstria office Mannheim/Wiesbaden GmbH & Co. KG	1)	Hamburg	100.0	1	Own property
13	alstria office Steinstraße 5 GmbH & Co. KG	1)	Hamburg	100.0	1	Own property
14	alstria Portfolio 1 GP GmbH		Hamburg	100.0	1	General Partner
15	alstria Portfolio 3 GP GmbH		Hamburg	100.0	1	General Partner
16	alstria Prime Portfolio 2 GP GmbH		Hamburg	100.0	1	General Partner
17	alstria Prime Portfolio GP GmbH		Hamburg	100.0	1	General Partner
18	alstria solutions GmbH		Hamburg	100.0	1	Service company
19	alstria Steinstraße 5 GP GmbH		Hamburg	100.0	1	General Partner
20	beehive GmbH & Co. KG	1)	Hamburg	100.0	1	Service company
21	alstria office Prime Portfolio GmbH & Co. KG	1)	Hamburg	94.0	1	Intermediate holding
22	alstria office PP Holding I GmbH & Co. KG	1)	Hamburg	94.0	21	Intermediate holding
23	alstria office Kampstraße GmbH & Co. KG	1)	Hamburg	94.0	22	Own property
24	alstria office Berliner Straße GmbH & Co. KG	1)	Hamburg	94.0	22	Own property
25	alstria office Hanns-Klemm-Straße GmbH & Co. KG	1)	Hamburg	94.0	22	Own property

No.	Company		Headquarters	Equity interest (%)	Held by no.	Business activity
26	alstria office Maarweg GmbH & Co. KG	1)	Hamburg	94.0	22	Own property
27	alstria office Heerdter Lohweg GmbH & Co. KG	1)	Hamburg	94.0	22	Own property
28	alstria office Solmsstraße GmbH & Co. KG	1)	Hamburg	94.0	22	Own property
29	alstria office PP Holding II GmbH & Co. KG	1)	Hamburg	94.0	21	Intermediate holding
30	alstria office Wilhelminenstraße GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
31	alstria office Hauptstraße GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
32	alstria office Frankfurter Straße GmbH & Co. KG	1);2)	Hamburg	94.0	29	Own property
33	alstria office Mergenthaler Allee GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
34	alstria office Am Hauptbahnhof GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
35	alstria office Berner Straße GmbH & Co. KG	1);2)	Hamburg	94.0	29	Own property
36	alstria office Kastor GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
37	alstria office Heidenkampsweg GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
38	alstria office Stiftsplatz GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
39	alstria office An den Dominikanern GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
40	alstria office Carl-Schurz-Straße GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
41	alstria office Pempelfurtstraße GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
42	alstria office Josef-Wulff-Straße GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
43	alstria office Ingersheimer Straße GmbH & Co. KG	1);2)	Hamburg	94.0	29	Own property
44	alstria office Frauenstraße GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
45	alstria office Olof-Palme-Straße GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
46	alstria office Region Nord GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
47	alstria office Region Süd GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
48	alstria office Region Mitte GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
49	Balgebrückstrasse GmbH & Co. KG	1)	Hamburg	94.0	29	Own property
50	alstria office PP Holding III GmbH & Co. KG	1)	Hamburg	94.0	21	Intermediate holding
51	alstria office Vaihinger Straße GmbH & Co. KG	1)	Hamburg	94.0	50	Own property

1) The Company has made use of the exemption from the obligation to prepare annual financial statements in accordance with the provisions applicable to corporations in accordance with Section 264b HGB.

2) Terminated as a result of a step-up merger in 2019.

Alongside alstria office REIT-AG, the consolidation comprised companies in which the Company directly or indirectly held the majority of voting rights. The consolidated group at the balance sheet date consisted of the Company, 20 domestic subsidiaries, and 30 domestic second-tier subsidiaries. Three subsidiaries were terminated as a result of a step-up merger.

The reporting date for the consolidated financial statements is the same as the reporting date for the Company and consolidated subsidiaries.

There were no further changes to the consolidated Group in the 2019 financial year in comparison to the consolidated financial statements as of December 31, 2018. All of the Group's companies are property management, holding, or general partner companies.

2.2.3. Interests in joint ventures and noncontrolling interests

The Group holds interests in two joint ventures and an entity with noncontrolling interests. The companies are accounted for using the equity method. The carrying value of EUR 1,070 k relates to the associated company with EUR 915 k and the joint venture with EUR 155 k.

Details of the Group's joint ventures at the end of the reporting period are as follows:

in %			Proportion of ownership, interest, and voting rights held by the Group	
Name of joint venture	**Principal activity**	**Place of incorporation and business**	**Dec. 31, 2019 (%)**	**Dec. 31, 2018 (%)**
Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG	Hold and manage real estate	Hamburg, Germany	49.0	49.0
Alte Post General Partner GmbH i.L.	n/a	Oststeinbek, Germany	49.0	49.0

In these consolidated financial statements, the abovementioned joint ventures were accounted for using the equity method. Alte Post General Partner GmbH i.L. was registered for liquidation effective from November 30, 2019.

The following table provides the aggregated information for joint ventures whose individual carrying amounts are not material:

EUR k	2019	2018
The Group's share of profit (loss) from continuing operations	–145	–82
The Group's share of total comprehensive income	**–145**	**–82**

EUR k	Dec. 31, 2019	Dec. 31, 2018
Aggregate carrying amount of the Group's interests in these joint ventures	155	7,650

There were no unrecognized shares of joint venture's losses or any significant restrictions as to the ability of joint ventures to transfer cash funds to the Group.

Furthermore, alstria holds a noncontrolling interest in an affiliate amounting to EUR 915 k. The Company was acquired in the 2016 financial year and is considered immaterial. Its business is the investment in innovative real estate technology concepts. The Company recorded a loss of EUR 24 k in the reporting period.

2.3. Key judgments and estimates

To a certain degree, estimates, assessments, and assumptions must be made in the course of preparing the Group’s consolidated financial statements. These can affect the reported amounts and recognition of assets and liabilities, contingent assets and liabilities on the balance sheet date, and the amounts of income and expenses reported for the overall period. The major items that such estimates, assessments, and assumptions affect are described hereafter. Actual amounts may differ from the estimates. Changes in the estimates, assessments, and assumptions can have a material impact on the consolidated financial statements.

2.3.1. Judgements

Management has made the following discretionary decision in line with the Group’s accounting policies. Apart from decisions involving estimations, it has the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments—Group as lessor

The Group has entered into commercial property leases in its investment-property portfolio. Based on an evaluation of the terms and conditions of the arrangements, the Group has determined that all significant risks and rewards of ownership of these properties remain with the Group. As a result, the contracts are treated and accounted for as operating leases.

Equity settled share-based payment transactions

As part of its remuneration, the Management Board was granted virtual shares in the form of share-based payments (see Note 13.1). While the virtual shares issued in business year 2017 were cash-settled share-based payments, in the 2018 financial year, share-based payments were for the first time equity settled.

All conditions of the share-based payment conditions were settled in advance by the parties involved. The predominant value-determining parameters are objectively observable market parameters, such as the share price performance of the alstria share or the performance of a benchmark index. At the end of the term, the number of equity instruments to be granted can be adjusted by the Supervisory Board of the Company in a narrow band (so-called discretionary factor). This leads to the question of whether the grant date is in the current financial year or only at the time when the Supervisory Board determines the discretionary factor. In the first case, the virtual shares are measured at fair value at their issue. The amount of the valuation is to be recognized pro rata in equity over the term until conversion. If the grant date falls to the end of the term, the value of the virtual shares must be revalued at each reporting date and recognized as a liability.

The terms of the agreement on which the equity instruments were granted were already fixed when the virtual shares were issued during the reporting period. The main value drivers are observable market parameters. Therefore, the issue date of the virtual shares is considered the date of granting the share-based payment with the result that the virtual shares were valued at the issue date and recognized pro rata as personnel expenses and in the equity of the Group. The option of the Supervisory Board to exercise a discretionary factor does not exclude this judgement, since it is not a change in the terms of the contract. Furthermore, based on previous practices, a reduction in the number of equity instruments cannot be assumed.

2.3.2. Estimates and assumptions

Significant key sources of estimation uncertainty and key assumptions concerning the future as of the balance sheet date relate to the following balance sheet items. They present a significant risk, possibly resulting in necessary material adjustments to the carrying amounts of assets and liabilities within the next financial year. Applying estimates is particularly necessary to

- determine the fair value of investment property (see Note 6.1);
- determine the fair value of derivative financial instruments, including the embedded derivative (see Note 6.5);
- determine the fair value of virtual shares granted to management (see Note 13.1);
- determine the fair value of limited partnership capital of noncontrolling interests (see Note 7.2);
- determine the fair value of other provisions (see Notes 7.4); and
- determine the best estimate of convertible profit participation certificates (see Note 13.2).

At the end of the reporting period, the above-stated assets, liabilities, and equity instruments, which are particularly exposed to estimation uncertainties, had the following impact on the consolidated statement of financial position:

EUR k	Dec. 31, 2019	Dec. 31, 2018
Investment property and properties held for sale, without prepayments made	4,458,185	3,966,540
Positive fair values of derivatives	0	0
Negative fair values of derivatives	0	0
Limited partnership capital of noncontrolling interests	70,528	64,060
Other provisions	3,731	6,752
Valuation of convertible profit participation rights and virtual shares	−4,033	−2,925

2.4. Summary of significant accounting policies

The following accounting and valuation methods have been used to prepare the consolidated financial statements of alstria office REIT-AG.

2.4.1. Fair value measurement

The Group measures financial instruments, such as derivatives, and nonfinancial assets, such as investment property, at their fair value at each reporting date.

The fair value of an asset or liability is determined based on the assumptions that market participants would use in pricing the asset or liability, regardless of whether that price is directly observable or estimated by applying another valuation technique. In estimating fair value, it is assumed that the transaction during which the disposal of the asset or the transfer of the liability occurs takes place either

- in the principal market for the asset or liability or
- in the most advantageous market for the asset or the liability if no principal market exists.

The Group must have access to the principal market or the most advantageous market.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis. Hereby excluded are the following:

- share-based payment transactions that are within the scope of IFRS 2 'Share-based payments,'
- leasing transactions that are within the scope of IFRS 16 'Leases,' and
- measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 'Inventories' or value in IAS 36 'Impairment of assets.'

Market prices are not always available to determine the fair value. It must often be determined based on various valuation parameters. In addition, for financial-reporting purposes, fair value measurements are categorized as Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Level 3 inputs require more extensive disclosures.

2.4.2. Investment property

Investment properties are properties held to earn rental income and/or for capital appreciation (including property under construction for such purposes). They are not used in production or for administrative purposes. This includes properties that are in production and are intended to serve the aforementioned purposes. Investment properties are measured initially at cost at the time of purchase or construction, including transaction costs. In accordance with IAS 40.17, costs incurred subsequently for dismantling, replacement of parts, or maintenance of property are also included, insofar as these contribute to an increase in the fair value of the property.

Costs of debt, which can be directly allocated to the acquisition or production of investment property, are capitalized in the year in which they arise.

For subsequent measurement, the Company uses the fair value model according to IFRS 13.61 et seq., which reflects an income-capitalization approach combined with market conditions at the end of the reporting period.

In the context of the fair value hierarchy described above, only inputs from Levels 2 and 3 are applicable for property. The majority is categorized as Level 3. Inputs used in the valuation approach that the Group has adopted for all of its properties include rental revenues, adjusted yield figures (e.g. property-based capitalization rates), and vacancy periods. These inputs are not observable in markets and are considered significant. Therefore, the fair value measurement used by the Group for valuation of all investment properties is generally categorized as Level 3. Information about the significant unobservable inputs used and their sensitivities to the fair values of the Group's investment property is presented in Note 6.1.

Gains and losses arising from changes in the fair value of investment properties are included in the profit or loss in the period when they arise.

An investment property derecognized upon disposal or when the investment property is permanently withdrawn from use and future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Investment properties are transferred to property, plant and equipment when there is a change in use evidenced by the commencement of owner occupation. The properties' deemed cost for subsequent accounting corresponds to the fair value at the date of reclassification.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in OCI and presented in the revaluation reserve.

Any loss is recognized in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognized in other comprehensive income and reduces the revaluation surplus within equity.

Leases of land and buildings in which the Group acts as a lessee are also classified as financial investments and subsequently measured at fair value. The investment properties are shown with the addition of the leasing liabilities.

2.4.3. Valuation process for investment properties

The fair value hierarchy gives no information about the applied valuation techniques.

The basis for deriving fair value as defined by IFRS 13.61 should, if possible, be based on valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, thereby maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The analysis above showed there was no sufficient number of official comparable transactions to derive any market values. Therefore, fair value was determined based on an income approach in accordance with IFRS 13.61.

In estimating the fair value of the properties, their current use of the property is the highest and best option. No fundamental change to the valuation method has occurred during the year.

As in the previous year, external real estate experts conducted the valuation of investment property at fair value on December 31, 2019, according to internationally accepted valuation methods in accordance with IFRS using the ‘hardcore-and-top-slice’ method. An accredited, external, and independent expert performed the fair value measurement (Savills Advisory Services Germany GmbH & Co. KG, Frankfurt am Main, Germany).

Description of the hardcore-and-top-slice method

According to the hardcore-and-top-slice method, rental income is horizontally segmented. The hardcore portion represents the prevailing contractual rent. The top slice represents the difference between market and contractual rent. This method fulfills the requirements of the *Red Book*, a set of international valuation standards, set forth by the Royal Institution of Chartered Surveyors. In addition, the method used by the independent experts is also appropriate and suitable for determining market values in accordance with the provisions of the International Valuation Standards (IVS, or the *White Book*).

To derive the fair value, the properties that the independent experts evaluated, were divided into two groups and valued accordingly. Group 1 contained properties with anchor lease terms of five years or less, and Group 2 held properties with anchor lease terms of more than five years.

Group 1 is for properties with leases set to expire in five years or less (i.e. hardcore-and-top-slice method), taking into account

- the contractual rent for the remaining term of the lease;
- a vacancy period of between 0 and 30 months following the expiry of the lease;
- the necessary maintenance costs to re-let the properties;
- re-lets at market rents (accounting for the difference between market and contractual rent);
- capitalization rates reflecting the individual risk of the property and market activity (comparable transactions);
- management costs between 1 and 4 % of the market rent;
- non-allocable costs of ongoing maintenance between EUR 4.00/m² and EUR 11.00/m² depending on the property standard; and
- the net selling price as comparable.

Group 2 is for properties with anchor leases that are let to tenants with strong credit ratings on a long-term basis (i.e., hardcore-and-top-slice method), taking into account

- the contractual rent for the remaining term of the lease (in the case of open-ended leases, a residual term of one year to half of the previous rental period is assumed);
- re-lets at market rents (accounting for the difference between market and contractual rent);
- capitalization rates reflecting the individual risk of the property and market activity (comparable transactions);
- management costs between 1 and 4 % of the market rent;
- non-allocable costs of ongoing maintenance between EUR 4.00/m² and EUR 11.00/m² depending on the property standard; and
- the net selling price as comparable.

If the future development of these properties differs from the estimate, then large-scale losses resulting from the change in the fair value may be incurred. This can have a negative impact on future earnings. The effects of the most significant input parameters on the valuation of the Group's investment properties are shown in Note 6.1.

The valuation method described also applies to investment properties in which development projects are realized.

Gains or losses arising from changes in the fair values of investment properties are disclosed in the income statement under the item ‘Net gain/loss from fair value adjustments on investment property’ in the year in which they arise.

Investment properties are derecognized when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

2.4.4. Assets held for sale

Noncurrent assets intended for disposal under an asset deal are reported separately as being held for sale in the consolidated financial statements if the formally required resolution of the Board — and, when above a certain level of transaction volume, the Supervisory Board — for the sale of a property is met until the end of the reporting period. If the disposal is to take the form of a share deal, noncurrent assets and other assets and liabilities held for sale are reported separately on the consolidated balance sheet.

Assets held for sale are measured at fair value on the date of reclassification and each subsequent reporting date. Gains or losses from measuring individual assets held for sale and disposal groups are reported under gain or loss on the disposal of investment property until they have been sold.

2.4.5. Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from January 1, 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, and is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index

or rate as of the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense in a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the asset's economic life. The group sublet some of its properties. According to IAS 17, main and sub-leases were classified as operating leases. At the time of transition to IFRS 16, the rights of use from the main lease are shown in the investment property and measured at fair value. The Group has classified the sublease contracts on the basis of the right of use and not the underlying asset and has come to the conclusion that they are operating leases in accordance with IFRS 16.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as revenues. Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before January 1, 2019

In accordance with IAS 17, the lessee is considered the beneficial owner of leased assets if the lessee bears all risks and rewards incidental to the assets (finance lease). If the lessee is deemed the beneficial owner, the leased asset is recognized at fair value or at the lower present value of the minimum lease payments at the inception date of the lease. The corresponding leasing liability is recorded as a lease commitment under other noncurrent liabilities. The resulting lease payments are divided into an interest portion and a redemption portion.

Operating leases

The lease agreements that alstria has entered into with commercial tenants are classified as operating leases under IFRS. Accordingly, alstria acts as a lessor in many types of operating lease agreements for investment properties. All of the Group’s leases are classified as operating leases, as all significant risks and rewards of the Group’s real estate remain with alstria. These leases generate the majority of proceeds and income for alstria. Furthermore, to a limited extent, alstria is the lessee within the scope of operating lease agreements.

2.4.6. Revenue and expense recognition

Revenues and other operating expenses are generally only recognized when the entity satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when the customer obtains control of the asset.

This is usually the case when services are rendered or goods or products have been delivered and the risk has thus been transferred.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duties. Revenues are recorded, excluding VAT. In addition, the following specific recognition criteria must be met before revenues are recognized.

Rental income from operating leases on investment properties is according to IFRS 16 recognized on a straight-line basis over the terms of the relevant lease, regardless of the payment date. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

Income from service charge expenses passed on to the tenants is, according to IFRS 15 realized over the period of performance, which essentially corresponds to the time at which service charge expenses are recognized.

Proceeds from the sale of investment properties are recognized when the risks and opportunities associated with ownership of the property have passed to the buyer (transfer of ownership, benefits and burdens of the property).

Operating expenses are recognized at the time of the service or when they are incurred.

Interest expenses and interest income are recognized using the effective interest method.

2.4.7. Income taxes

Income tax expense is recognized in profit or loss, except when it relates to items recognized in other comprehensive income or directly in equity, in which case, current taxes are also recognized in other comprehensive income or directly in equity, respectively.

As a REIT-AG, parent company alstria office REIT-AG is exempt from corporation and trade taxes.

Current tax assets and liabilities for the current and prior periods are shown as the amount expected to be recovered from or paid to the tax authorities. In order to take effect, the determination of the amount is based on the tax rates and tax laws applicable on the reporting date or soon after.

2.4.8. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the shareholders of the parent company by the weighted-average number of shares outstanding during the financial year. Diluted earnings per share are calculated based on the assumption that all potentially dilutive securities and share-based payments are converted or exercised.

2.4.9. Impairments of assets according to IAS 36

Assets are tested for impairment when triggering events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

An impairment loss is recorded at an amount equivalent to the excess of the carrying amount over the recoverable amount. If the reasons for an impairment loss cease to apply, the impairment loss is reversed as appropriate but not above the maximum value that would have resulted if normal amortization had been charged.

2.4.10. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. They include owner-occupied real estate, the right-of-use asset according to IFRS 16 and operating and office equipment. Such costs include the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss as incurred.

The depreciation of operating and office equipment is calculated on a straight-line basis over the estimated useful life of the asset (three to 15 years). The useful life of owner-occupied property is estimated at 33 to 50 years. While the building is depreciated on a scheduled basis, the land is not subject to depreciation.

2.4.11. Intangible assets

The Group amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives. Estimated useful lives for patents, licenses, and other similar rights generally range from one to ten years. Currently, the Company does not have intangible assets with indefinite useful lives.

2.4.12. Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at:

- amortized cost;
- FVOCI — debt investment;
- FVOCI — equity investment;
- or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms provide an increase on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as being measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 6.5). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

With respect to financial assets, the Group pursues a business model whose objective is to hold assets in order to collect the contractual cash flows.

Financial assets – Assessment of whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

A prepayment feature is consistent with the exclusive payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the outstanding principal amount, which may include reasonable additional compensation for early termination of the contract.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is categorized as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value, and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which all significant risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains all significant risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, are cancelled or expire. The Group also derecognizes a financial liability when its terms are significantly modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Upon derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

Derivative financial instruments, such as interest rate swap contracts, are measured at fair value and classified as being held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. At the end of the reporting period and on the same date in the previous year, the Group used derivative financial instruments in the form of interest cap hedging relationships, the market values of which were of a negligible magnitude, because the guaranteed interest rate cap is far above the underlying yield curve. Due to the large gap between the yield curve and the secured interest rate cap, there were no valuation effects, and they are no longer expected in the future (see Section 6.5).

Cash flow hedges

The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges is recognized in the line item other comprehensive income, and any ineffective portion is recognized immediately in net income. Amounts accumulated in equity are reclassified to net income during the same periods in which the hedged item affects net income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item’s cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods in which hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in the hedging reserve and the cost of the hedging reserve are immediately reclassified to profit or loss.

Other hedges

The Group uses neither any financial derivatives that qualify for the hedging of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges) nor such financial derivatives that qualify for the hedging of a net investment in a foreign operation (net-investment hedge).

Cash and cash equivalents

The Company considers all highly liquid investments with less than three months' maturity from the date of acquisition to be cash equivalents.

For the purposes of the consolidated cash flow statement, cash and cash equivalents include those defined above, other short-term, highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.4.13. Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost.

The Group generally measures loss allowances at an amount equal to the 12-month ECLs if the default risk (for example, the credit default risk) has not increased significantly since the initial recognition.

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs unless they are trade receivables from alstria's main tenant.

Value adjustments on trade receivables are always based on the amount of the ECL over the term. The Group applies the simplified approach in accordance with IFRS 9.5.5.15. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk of a financial asset other than trade receivables measured at an amount equal to lifetime ECLs, will have significantly increased if it is more than 30 days past due. For trade receivables the amount of days past due could be significantly higher due to the fact that service charge invoices are regularly under investigation on the tenants' side, causing a delay in acceptance by alstria until consent has been met. The same applies for rental receivables not paid by the tenants in case of other disputes relating to the tenancy.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held). This usually does not apply to rental receivables for which the usual security deposit of two months' net rent is included in the assessment of whether a rental claim is deemed canceled.

The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade.' The Group considers this to be Baa3 or higher per Moody's Corporation, New York, USA or BBB- or higher per Standard & Poor's Corporation, New York, USA.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs for financial assets are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i. e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial problems of the borrower or issuer;
- a breach of contract such as a default; or
- probability that the borrower will enter bankruptcy or other financial restructuring; or

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in whole or in part. For tenants, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off amount. However, financial assets that are written off could still be subject to enforcement activities.

2.4.14. Provisions

Provisions are recognized when a present obligation to third parties exists as a result of a past event, a future outflow of resources is probable, and a reliable estimate of that outflow can be made. Provisions are measured, taking all risks into account at the best estimate of future cash outflows required to meet the obligation. If they are not current, they are discounted. Provisions are not offset with reimbursements.

A debt resulting from the termination of employment (severance) is recognized when the Group may not withdraw the offer of such services or, if earlier, the Group has recorded costs related to restructuring.

2.4.15. Share-based payments

Share-based payments comprise cash-settled liability awards and equity-settled equity awards.

The fair value of equity awards is generally determined using a modified Black-Scholes option-pricing model at the grant date. It measures the total personnel expense, which is to be recognized in profit or loss for the service period and which, in turn, increases equity (paid-in capital) by the same amount. Equity-settled awards are granted to the Group's employees in the form of convertible profit participation certificates, the fair value of which is estimated at the respective grant dates by applying a binary barrier-option model based on the Black-Scholes model; the assumptions included an automatic conversion once the barrier is reached. The model took the terms and conditions upon which the instruments were granted into account. This valuation required the Company to make estimates concerning these parameters, which are therefore subject to uncertainty. Furthermore, share-based compensation plans with compensation through equity instruments were issued to the Company's Management Board for the first time in the 2018 financial year. The fair value of these stock awards at the grant date was calculated using a 100,000-path Monte Carlo simulation based on the terms of the LTIP 2018 and LTIP 2019.

Cash-settled liability awards are related to the virtual shares granted to the Management Board until the 2017 financial year. The virtual shares are measured at each balance sheet date and are accounted for as provisions. The proportional expense incurred in the period comprises the addition to and reversal of the provision between two reporting dates and the dividend paid during the respective period. This valuation requires the Company to make estimates about certain parameters, and, hence, they are subject to uncertainty. The fair value of the virtual shares granted is allocated to the vesting period subject to the terms of the underlying share-based incentive plan. The resulting personnel expenses incurred an addition to provisions of EUR 1,867 k (December 31, 2018: EUR 1,232 k) and a provision of EUR 2,941 k, as reported in the consolidated financial statements as of December 31, 2019 (December 31, 2018: EUR 2,563 k).

Further details on the share-based payment schemes are given in Note 13 and the remuneration report, respectively.

3. SEASONAL OR ECONOMIC EFFECTS ON BUSINESS

The business activities of alstria office REIT-AG (primarily the generation of revenues from investment properties) are not generally affected by seasonality. However, the sale of one or more large properties can have a significant impact on revenues and operating expenses.

Experience shows that the real estate market tends to fluctuate as a result of factors such as changes in consumers' net income, GDP, interest rates, consumer confidence, demographic factors, and other factors inherent to the market. Changes in interest rates might lead to a modified valuation of the investment property and derivatives.

4. SEGMENT REPORTING

IFRS 8 requires a ‘management approach,’ under which information on segments is presented to the Management Board on the same basis used for internal-reporting purposes.

The services offered by alstria office REIT-AG exclusively focus on letting activities to commercial-property tenants in Germany. In accordance with IFRS 8, a single reporting segment is identified that comprises all of the Group’s operations.

The manner of reporting for this segment is consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources to the operating segments of an entity and assessing their performance. The Group’s chief operating decision maker is the Management Board.

A larger number of tenants generate revenues. Total revenues amount to EUR 224.505 k (2018: EUR 232,353 k), of which EUR 29,376 k (2018: EUR 30,864 k) and EUR 25,164 k (2018: EUR 28,438 k) are related to leases to the Group’s two largest customers. No other single customer has contributed either 10% or more to the consolidated revenues in the 2018 or 2019 financial year.

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1. Revenues

EUR k	2019	2018
Revenues from investment properties	187,467	193,193
Revenues from service charge income	37,038	39,160
Revenues	**224,505**	**232,353**

Revenues from investment properties mainly comprised rental income from investment properties. The rental income includes effects totaling EUR 3,162 k (2018: EUR 2,696 k), which are attributable to rent-free periods. In addition, revenues include income from asset management services in relation to the leased real estate properties in the amount of EUR 2,470 k (2018: EUR 2,580 k).

Rental income from property leases contains variable rental income amounting to EUR 8,476 k (2018: EUR 7,908 k). These are rental agreements in which the rental payments are linked to the operating results of the tenants.

5.2. Real estate operating expenses

EUR k	2019	2018
Operating costs that can be charged to tenants	36,683	39,132
Maintenance and refurbishment	8,476	8,532
Vacancy costs	8,077	7,482
Ongoing repairs	5,095	4,802
Rent expenses	1,133	488
Property management	337	362
Electricity costs	260	161
Insurance expenses	184	155
Legal and advisory fees	40	159
Other expenses	1,316	2,012
Total	**61,601**	**63,285**

5.3. Administrative expenses

EUR k	2019	2018
Legal and consulting fees	3,222	2,345
Depreciation	856	794
Communication and marketing	729	703
IT maintenance	606	386
Travel expenses	532	604
Supervisory Board compensation	525	525
Audit fee (audit and audit-related services)	518	484
Recruitment	349	413
Office area costs	272	272
Insurance expenses	233	344
Training & workshops	230	186
Office equipment	227	362
Leasing payments and rents	143	402
Contributions	100	160
Other	1,003	854
Total	**9,545**	**8,834**

The lease payments and rents in the 2019 financial year amounting to EUR 143 k are related to short-term leases (EUR 78 k) and low value leases (EUR 65 k).

5.4. Personnel expenses

EUR k	2019	2018
Salaries and wages	9,701	8,588
Social insurance contribution	1,708	1,458
Bonuses	2,410	2,338
Expenses for share-based compensation	4,033	2,925
thereof relating to virtual shares	*2,135*	*1,343*
thereof relating to the convertible profit participation certificates	*1,898*	*1,582*
Amounts for retirement provisions and disability Management Board	148	144
Other	441	457
Total	**18,441**	**15,910**

The increase in personnel expenses is due to a higher number of average employees and higher share-based payments.

Convertible profit participation rights granted to employees grant the right not only to a conversion when the conditions apply but also to an annual payment equivalent to the dividend amount paid out per share. Therefore, expenses for share-based compensation resulting from the convertible profit participation rights must be accounted for in equity (for the conversion right) and in liabilities (for the dividend entitlement). Of the total expenses related to the profit participation rights amounting to EUR 1,898 k, EUR 1,888 k was recognized in equity (2018: EUR 1,518 k), while EUR 10 k was recorded as an item in liabilities (2018: EUR 64 k).

The employer's contribution to statutory pension insurance, included in wages and salaries, amounts to EUR 818 k for the 2019 financial year.

On average, the Group employed 156 employees in 2019 (2018: 139).

5.5. Other operating income

EUR k	2019	2018
Income from the reversal of accrued liabilities	11,189	2,771
of which due to the termination of litigation	0	*101*
Compensation payments and other recharges	3,280	6,597
Collection of security deposits	204	0
Payments on provisions on doubtful debts	106	231
Property management services	77	43
Other	1,329	1,014
Total	**16,185**	**10,656**

The income from the release of accrued liabilities amount to EUR 10,483 k in real estate transfer tax obligations, which were released as the obligation ceased to exist. Compensation payments and other charges result from early termination of leases and refurbishment activities conducted by alstria. The latter refers to refurbishments the tenants had originally committed themselves to carry out upon conclusion of the leasing contracts.

5.6. Other operating expenses

EUR k	2019	2018
Revaluation of the limited partnership capital noncontrolling interests	8,488	12,261
Allocation to provisions for the compensation of former minority shareholders	5,183	0
Impairment on trade receivables	850	247
IFRS 9 impairment on financial assets	250	0
Settlement agreements	191	444
Legal and advisory fees	122	0
Transaction and restructuring costs following the alstria office Prime takeover	0	27
Remaining other operating expenses	146	767
Total	**15,230**	**13,746**

While the valuation of limited partnership noncontrolling interests resulted in lower expenses than in the previous year, a potential increase in cash compensation for former minority shareholders was taken into account. This compensation is related to former shareholders of the former DO Deutsche Office AG, which was taken over in the 2015 financial year (see Section 7.5).

Impairment to receivables is mainly related to tenants subject to insolvency or eviction proceedings. This item also includes valuation allowances related to disputed invoicing of ancillary costs.

5.7. Net result on the disposal of investment property

EUR k	2019	2018
Proceeds from the disposal of investment property - transferred to buyer	147,915	91,837
Carrying amount of investment property disposed of - transferred to buyer	−128,422	−78,210
Costs in relation to the sale of investment properties - transferred to buyer	−152	−124
Gain on disposal of investment property - transferred to buyer	**19,341**	**13,503**
Agreed selling price of held-for-sale investment properties	19,462	11,408
Carrying amount of investment property at the time of reclassification to held for sale	−21,426	−10,009
Costs in relation to the sale of investment properties - held for sale	−27	−15
Valuation result of held-for-sale investment properties	**−1,991**	1,384
Gain on disposal of investment property	**17,350**	**14,887**

The total loss from the disposal of objects and portfolios sold below their carrying value amounted to EUR 1,991 k in 2019 and EUR 336 k in 2018.

5.8. Financial and valuation result

The financial result breaks down as follows:

EUR k	2019	2018
Income from financial instruments	**575**	**745**
Interest expenses, corporate bonds	−21,960	−21,138
Interest result ‘Schuldschein’	−2,577	−3,186
Interest expenses, other loans	−2,376	−3,433
Interest expenses, convertible bond	0	−1,783
Other interest expenses	−8	−282
Financial expenses	**−26,921**	**−29,822**
Commitment fees	−367	−385
Financial expenses lease liability IFRS 16	−94	0
Agency fees	−11	−13
Other	−642	−22
Other financial expenses	**−1,114**	**−420**
Net financial result	**−27,460**	**−29,497**

The total interest income and expenses for financial assets and liabilities other than financial derivatives amounted to an interest income of EUR 575 k (2018: EUR 745 k) and EUR 26,921 k of interest expenses (2018: EUR 29,822 k), respectively.

The total interest expenses calculated by applying the effective interest method for financial liabilities (i.e., not recognized at fair value through profit or loss) amounted to EUR 2,173 k (interest expenses, 2018: EUR 2,286 k).

In neither of the two former financial years did the Group hold any financial assets available for sale. Therefore, the net result from the disposal of financial assets available for sale amounted, as in the previous year, to EUR 0.

Fair value adjustments on financial derivatives resulted in a net loss:

EUR k	2019	2018
Ineffective change of the fair value of cash flow hedges	0	−14
Change in fair value of financial derivatives not qualifying as a cash flow hedge	0	2,466
Net loss from fair value adjustments on financial derivatives	**0**	**2,452**

Further details and explanations on derivatives are presented in Note 6.5.

5.9. Income tax expenses

On January 1, 2007, alstria office REIT-AG obtained G-REIT status. At that time, it was subject to final taxation and has been effectively tax exempt with regard to corporate tax and trade tax since then.

With the acquisition of the alstria office Prime, however, companies were included in the consolidated financial circle that are not subject to the REIT exemption. This resulted in expenses for income taxation at the level of the alstria office Prime subgroup.

Income tax expense comprises only current tax expenses, as a deferred tax result is no longer expected due to the de facto tax exemption of the Group.

6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

6.1. Investment property

This item, comprising investment properties held by the Company, breaks down as follows:

Fair values in EUR k	2019	2018
As of January 1	**3,938,864**	**3,331,858**
Property acquisition	47,891	172,375
Capital expenditure	116,268	86,420
Disposals	–103,814	–48,850
Transfers to held for sale	–20,586	–11,408
Transfers to property, plant & equipment (own used property)	0	–307
Transfers from property, plant & equipment (own used property)	0	7,878
Net result from the adjustment of the fair value of investment property	454,767	398,954
Effect from the first-time adoption of IFRS 16	5,207	0
Subtotal	**4,438,597**	**3,936,920**
Prepayments made	0	1,944
As of December 31	**4,438,597**	**3,938,864**

In the 2019 financial year, nine properties were sold or reclassified as assets held for sale. Two of the properties, with a transaction volume of EUR 19,462 k, are still included in the items held for sale at the end of the financial year.

	Acquisition		Disposal	
Property transaction	**Number of properties**	**Transaction amount in EUR k**	**Number of properties**	**Transaction amount in EUR k**
Contract signed until 2018, transferred in 2019	2	15,820	3	29,620
Contract signed and transferred in 2019	3	30,085	4	121,250
Contract signed in 2019, transferred 2020	0	0	2	19,462
Total	**5**	**45,905**	**9**	**170,332**

Capital expenditure (EUR 120,192 k) comprises subsequent acquisition and production costs relating to property acquisitions and refurbishment projects.

The investment property includes rights-of-use assets from leases, which are shown in the amount of the leasing liabilities of EUR 5,091 k.

For more information on changes to the immovable property, please refer to the ‘Transactions’ section in the Group management report for the 2019 financial year (see page 9).

Borrowing costs that would have had to be capitalized as construction costs were not incurred during the reporting period (2018: EUR 0).

The alstria office REIT-AG applied the fair value model pursuant to IAS 40.33 et seq. for subsequent measurement of investment property. External appraisals were obtained for measurement. For a detailed description of the valuation of assets, please see Note 2.4.

The item ‘net result from fair value adjustments on investment property’ on the income statement, in the amount of EUR 13,051 k is attributable to a change in unrealized losses.

Furthermore, the net result from fair value adjustments on investment property includes devaluations in the amount of EUR 1,401 k that relate to properties sold in the reporting period.

As in the previous year, all real estate held as investment property measured at fair value is classified as Level 3 in the fair value hierarchy.

The Group has considered the nature, characteristics, and risks of its properties, as well as the level of the fair value hierarchy within which the fair value measurements are categorized, in determining the appropriate classes of investment property.

The following factors help determine the appropriate classes:

a) The real estate segment: Within all investment portfolios, the majority of the lettable area is dedicated to offices. Therefore, all investment properties belong to one asset class: offices.
b) The geographical location of all properties is Germany.
c) The level of fair value hierarchy for all investment properties is Level 3.
d) There are large differences between the contractual lease terms. This also affects the weighted average unexpired lease term (**WAULT**) for each investment property. A distinction is made between objects with a short, medium, and long WAULT.

As a result, three appropriate classes of investment properties emerged:

- Germany – Office – Level 3 – short WAULT (0–5 years);
- Germany – Office – Level 3 – medium WAULT (> 5–10 years); and
- Germany – Office – Level 3 – long WAULT (> 10 years).

Quantitative information about fair value measurements using unobservable inputs (alstria portfolio) (Level 3)

EUR k, unless stated otherwise

Portfolio	Fair Value on Dec. 31, 2019	Valuation technique	Unobservable inputs	Range Min.	Range Max.	Weighted average
German offices	4,438,597	Hardcore and top slice	Estimated rental value (EUR/m²/mo.)	7.9	22.9	13.7
Number of properties:			Adjusted yield	2.8 %	12.0 %	4.5 %
114			Void period of office leases expiring within the next 5 years [months]	0.0	30.0	14.0
0 ≤ WAULT ≤ 5 Years						
German offices	2,129,567	Hardcore and top slice	Estimated rental value (EUR/m²/mo.)	7.9	22.9	13.7
Number of properties:			Adjusted yield	3.2 %	12.0 %	4.8 %
65			Void period of office leases expiring within the next 5 years [months]	0.0	30.0	14.3
5 < WAULT ≤ 10 Years						
German offices	1,773,115	Hardcore and top slice	Estimated rental value (EUR/m²/mo.)	8.2	22.4	13.4
Number of properties:			Adjusted yield	2.9 %	5.4 %	4.3 %
40			Void period of office leases expiring within the next 5 years [months]	1.0	18.0	13.0
WAULT > 10 Years						
German offices	536,915	Hardcore and top slice	Estimated rental value (EUR/m²/mo.)	10.3	20.4	14.9
Number of properties:			Adjusted yield	2.8 %	4.2 %	3.2 %
9			Void period of office leases expiring within the next 5 years [months]	1.0	21.0	8.4

Sensitivity of measurement to variance of significant unobservable input

A decrease in the estimated rental income decreases the fair value.

An increase in the vacancy period decreases the fair value.

An increase in the adjusted yield decreases the fair value.

A decrease in the estimated rental income leads to an increase in the adjusted yield; an increase in the estimated rental income leads to a decrease in the adjusted yield.

A decrease in the vacancy period increases the adjusted yield; an increase in the vacancy period decreases the adjusted yield.

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

Fair value of investment properties (EUR m)

Capitalization rate	Dec. 31, 2019	Dec. 31, 2018
−0,25 %	4,771	4,190
0,00 %	4,439	3,937
0,25 %	4,147	3,700

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio, which consists of the Group's offices and commercial real estate. These noncancelable leases have remaining maturity of between one and 22 years. Most leases include an indexation clause allowing rental charges to be raised annually according to prevailing market conditions.

Future minimum rental charges receivable as agreed on in noncancelable operating leases are as follows:

EUR k	Dec. 31, 2019	Dec. 31, 2018
Within 1 year	198,622	187,337
After 1 year but not longer than 5 years	599,105	452,179
Longer than 5 years	517,792	309,062
Total	**1,315,519**	948,578

Disclosures concerning expenses/income as recorded in the income statement pursuant to IAS 40.75 (f) include the following:

- EUR 224,505 k (2018: EUR 232,353 k) in rental income from investment properties, of which EUR 378 k is related to subleases of rights-of-use assets;
- EUR 53,524 k (2018: EUR 55,804 k) in operating expenses (including repairs and maintenance) directly allocable to investment properties from which rental income was generated during the period under review; and
- EUR 8,077 k (2018: EUR 7,482 k) in operating expenses (including repairs and maintenance) arising from investment properties that did not generate rental income during the period under review.

Investment properties, held-for-sale properties, and own used properties amounting to EUR 754,700 k (December 31, 2018: EUR 658,065 k) served as collateral for bank loans.

6.2. Equity-accounted investment

At the end of the reporting period, two companies in which alstria office REIT-AG holds a 49.0 % share were treated as joint ventures and accounted for using the equity method. The carrying amount of the joint ventures as a result of a capital distribution from a joint venture amounted to EUR 155 k at the end of the reporting period (December 31, 2018: EUR 7,650 k). In addition, alstria holds interests in an entity with a carrying amount of EUR 915 k. For further information, please refer to Note 2.2.3.

6.3. Intangible assets and property, plant and equipment

The intangible assets consist of software licenses and licenses to other rights with carrying amounts of EUR 158 k and EUR 75 k, respectively. The useful life of the intangible assets is estimated to be between one and ten years.

The alstria office REIT-AG occupies areas for its own use in four of its office buildings in Hamburg, Berlin, Düsseldorf, and Frankfurt. Therefore, the owner-occupied areas of the properties are categorized as ‘property, plant and equipment,’ according to IAS 16 and amortized according to plan.

In the 2018 financial year, the owner-occupied use ended for office space with a market value of EUR 7,878 k. As a result, the office space was transferred from property, plant and equipment to investment property. The carrying amount of these areas amounted to EUR 4,393 k at the time of the transfer. The increase in value of EUR 3,485 k was recognized in other comprehensive income and allocated to the revaluation surplus.

The following table shows the development of property, plant and equipment.

EUR k	Plant	Furniture and fixtures	Owner-occupied property	IFRS 16 right-of-use assets	Total 2019
Acquisition and production cost					
As of January 1, 2019	**1,266**	**3,155**	**17,977**	**0**	**22,398**
Additions	0	193	0	787	980
Disposals	0	0	–48	0	–48
As of December 31, 2019	**1,266**	**3,348**	**17,929**	**787**	**23,330**
Accumulated amortization, depreciation, and write-downs					
As of January 1, 2019	**1,202**	**1,832**	**392**	**0**	**3,426**
Additions	13	265	321	250	849
As of December 31, 2019	**1,215**	**2,097**	**713**	**250**	**4,275**
Net book values as of December 31, 2019	**51**	**1,251**	**17,216**	**537**	**19,055**

EUR k	Plant	Furniture and fixtures	Owner-occupied property	Total 2018
Acquisition and production cost				
As of January 1, 2018	**1,266**	**2,915**	**21,844**	**26,025**
Transfer from investment property	0	0	307	307
Transfer to investment property	0	0	–5,093	–5,093
Additions	0	240	919	1,159
As of December 31, 2018	**1,266**	**3,155**	**17,977**	**22,398**
Accumulated amortization, depreciation, and write-downs				
As of January 1, 2018	**1,190**	**1,597**	**795**	**3,582**
Additions	12	235	298	545
Transfer to investment property	0	0	–701	–701
As of December 31, 2018	**1,202**	**1,832**	**392**	**3,426**
Net book values as of December 31, 2018	**64**	**1,323**	**17,585**	**18,972**

As in the previous year, two of these properties were pledged with a mortgage to secure loans from the Group.

6.4. Financial assets

EUR k	Dec. 31, 2018	Repayments	Investment in financial assets	Valuation	Dec. 31, 2019
Noncurrent financial assets	**36,737**	–36,567	38,864	74	**39,108**
Current financial assets	**0**	0	200.000	–250	**199,750**

The financial assets of EUR 39,108 k (December 31, 2018: EUR 36,737 k) are related to long-term deposits in the amount of EUR 38,864 k and a term up to the end of the 2032 financial year. A further amount of EUR 244 k is attributable to a below 3 %-share in a stock corporation on which alstria cannot exert any significant influence.

Current financial assets are bank deposits with a term of between 90 and 365 days.

There were no value adjustments for noncurrent financial assets as of the balance sheet date, whereas the gross book value of current financial assets of EUR 200,000 k was impaired by EUR 250 k.

6.5. Derivative financial instruments

The following derivative financial instruments were in place at the end of the reporting period:

			Dec. 31, 2019		Dec. 31, 2018	
Product	**Strike p.a.**	**Maturity date**	**Notional**	**Fair value**	**Notional**	**Fair value**
	(%)		**(EUR k)**	**(EUR k)**	**(EUR k)**	**(EUR k)**
Cap	3.000	Sept. 30, 2019	n/a	n/a	50,250	0
Financial derivatives - held for trading			**n/a**	**n/a**	**n/a**	**50,250**
Cap	3.000	Apr. 30, 2021	45,090	0	45,642	0
Financial derivatives - cash flow hedges			**45,090**	**45,090**	**0**	**45,642**
Total			**45,090**	**0**	**95,892**	**0**

The notional amount of the financial derivatives effective at the end of the reporting period was EUR 45,090 k (December 31, 2018: EUR 95,892 k). This includes cash flow hedges and – at the end of the previous reporting period - derivatives not qualifying for cash flow hedging.

Derivatives of a notional amount of EUR 0 (December 31, 2018: EUR 50,250 k) are not designated as a cash flow hedge.

The value changes of the derivatives are generally reflected in various items on the balance sheet. Because the value of the derivatives on the balance sheet date, the previous balance sheet date and during the financial year was EUR 0, there was no impact from the change in value of derivative financial instruments in the 2019 financial year.

The ineffective portion that arises from cash flow hedges amounted to a fair value loss of EUR 0 (2018: loss of EUR 14 k) and is recognized in profit or loss.

In 2018 gains totaling EUR 2,466 k, which were due to the market value of the derivatives not included in hedge accounting – i.e. the embedded derivative, that ended in the same financial year - were recognized in profit or loss in the 2018 income statement.

Overall, this resulted in a total gain of EUR 2,452 k in 2018, which is presented as the 'net result from fair value adjustments on financial derivatives.'

6.6. Receivables and other assets

Due to the specific nature of the business, the Group considers receivables with a remaining term of up to one year to be current. The following table presents an overview of the receivables of the Group:

EUR k	Dec. 31, 2019	Dec. 31, 2018
Trade receivables		
Rent receivables	**3,887**	**6,865**
Other receivables		
Deductible capital gains taxes	4,578	4,578
VAT receivables	2,378	2,176
Prepayments made	652	426
Maintenance reserves	295	44
Creditors with debit balance	205	315
Security deposits and other deposits granted	47	204
Receivables and other assets	446	571
Other receivables	**8,601**	**8,314**

The deductible capital gains taxes are related to the taxation on hidden reserves in the course of the change of legal form in subsidiaries in the 2016 financial year. Affected are companies of the Prime Portfolio subgroup which, following the takeover of the former DO Deutsche Office Group, have changed from the legal form of a limited liability company into the legal form of a limited partnership.

All receivables are due within one year from the balance sheet date. The fair value of all receivables is equal to their carrying amount.

The expected credit losses are calculated in two ways. For alstria's key tenants, default probabilities observed on the market made available by Bisnode Deutschland GmbH, Darmstadt, Germany, are used. For its receivables from the remaining (non-key) tenants, alstria uses an impairment matrix. The receivables of these other tenants are valued based on historical probabilities of default. Future developments or macroeconomic indicators are monitored, and adjustments are made if necessary. On this basis, alstria estimates the following default rates:

EUR k	0-30 days overdue	31-90 days overdue	91-180 days overdue	More than 180 days overdue
Default rate	2.86%	6.40%	8.80%	100.00%

Trade receivables from tenants of alstria are valued as follows.

EUR k	Gross amount	Provision made for default of receivables over the entire term	Provision made for default of receivables over 12 months	Net amount
0-30 days overdue	1,714	–49	–	1,665
31-90 days overdue	307	–20	–	287
91-180 days overdue	168	–15	–	153
More than 180 days overdue	336	–336	–	0
Total other tenants	**2,525**	**–420**	**–**	**2,105**
Key tenants	1,788	–	–16	1,772
Total	**4,313**	**–420**	**–16**	**3,877**

The allowance for trade receivables developed as follows:

EUR k	2019	2018
As of January 1	134	**169**
Additions	850	247
Net revaluation of allowances	–548	–282
As of December 31	436	**134**

Receivables from rental agreements and property disposals, as well as insurance receivables and derivative financial instruments, have been assigned to the lenders (Note 7.3) to secure the Group's mortgage-backed loans.

6.7. Cash and cash equivalents

EUR k	Dec. 31, 2019	Dec. 31, 2018
Bank balances	**298,219**	**132,899**

Current accounts held with banks attract variable interest rates for on-call balances. As of the reporting date, no cash amounts were subject to restrictions. Due to the very low credit default probabilities of the banks for the daily available bank balances, there was no impairment of cash and cash equivalents. The credit rating was based on observable market parameters.

As of the balance sheet date, EUR 13,603 k have been accrued for interest payment liabilities, which will be payable in the course of the next twelve months (December 31, 2018: EUR 13,171 k).

In addition, cash and cash equivalents include EUR 7,280 k in rent deposits received from tenants and held in trust by the Group (December 31, 2018: EUR 6,353 k). These tenant deposits, recognized under cash and cash equivalents, are offset by an item included under Other Liabilities.

6.8. Assets held for sale

The assets held for sale comprise two properties. The transfer of benefits and burdens is expected for both properties in the first quarter of 2020 after the preparation of these consolidated financial statements. The sale of properties resulted in disposal revenues of EUR 19,462 k. One of the two properties held for sale was sold as part of a share deal, whereby in addition to the value of the properties in the amount of EUR 19,462 k, a disposal group consisting of other assets in the amount of EUR 126 k was capitalized in this position. Liabilities in associated with properties held for sale amounted to EUR 7 k. For reasons of materiality, they were reported under other current liabilities.

The properties reported are not the properties shown in the previous year, which were sold as planned in 2019.

The ‘gain on disposal of investment property’ is reduced by the valuation result from the property held for sale in the amount of -TEUR 1,991 (see Section 5.7).

EUR 4,420 k out of the income statement item ‘gain on disposal of investment property’ relates to the assets held for sale shown on the balance sheet date.

The valuation of assets held for sale is based on the contract prices and, therefore, included within Level 1 of the fair value hierarchy.

7. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

7.1. Equity

For detailed information on equity, please refer to the consolidated statement of changes in consolidated equity.

Share capital

Thousand	Dec. 31, 2019	Dec. 31, 2018
Ordinary shares of EUR 1 each	**177,593**	**177,416**

The conversion of profit participation rights (Note 13.2) in the second quarter of 2019 resulted in the issuance of 176,925 new shares by making use of the conditionally increased capital provided for such purposes. The share capital of alstria office REIT-AG increased by EUR 176,925.00 as compared to December 31, 2018 and as of December 31, 2019, it is represented by 177,593,422 no-par value bearer shares.

The following table shows the reconciliation of the number of shares outstanding:

Number of shares	2019	2018
Shares outstanding on Jan. 1	**177,416,497**	**153,961,654**
Issue of new shares against capital contribution in cash	0	15,323,121
Conversion of convertible bond	0	7,987,972
Conversion of convertible participation rights	176,925	143,750
As of Dec. 31	**177,593,422**	**177,416,497**

The majority of the Company’s shares are in free float.

Capital reserve

The capital reserve changed as follows during the financial year:

EUR k	2019	2018
As of Jan. 1	**1,538,632**	**1,363,316**
Payment of dividends	−92,257	−92,170
Issue of new shares against capital contribution in cash	0	177,749
Cost of issue of new share	0	−2,611
Conversion of convertible bond	0	90,575
Share-based remuneration	2,157	1,629
Conversion of convertible participation rights	177	144
As of Dec. 31	**1,448,709**	**1,538,632**

The share premium resulting from the conversion of 176,925 profit-participation rights resulted in an increase in capital reserves of EUR 177 k.

The new shares generated from the capital increase in the financial year 2018 were placed on the capital markets and sold at a price of EUR 12.60 per share. The issue proceeds exceeded the nominal share capital by EUR 177,749 k and were recognized in capital reserves. After having deducted placement costs of EUR 2,611 k caused by the share placements, the increase of the capital reserve amounted to a net EUR 175,138 k.

The share premium resulting from the conversion of the convertible bond also in the financial year 2018 amounted to EUR 90,575 k. It was recognized in the capital reserve.

Revaluation surplus

Following the relocation of the headquarters within Hamburg in the first quarter of the financial year 2018, the office space that had previously been used as owner-occupied property again became investment property and was remeasured at fair value. The fair value revaluation resulted in an increase in the carrying amount of the property in the amount of EUR 3,485 k. The increase in value was recognized in other comprehensive income and allocated to the revaluation surplus.

Treasury shares

As of December 31, 2019, the Company held no treasury shares.

By resolution of the Annual General Meeting held on May 16, 2017, the Company’s authorization to acquire treasury shares was renewed. The resolution authorized alstria office REIT-AG to acquire up to 10% of the capital stock until May 15, 2022. There is no intention to make use of this authorization at present.

Retained earnings

Retained earnings as of December 31, 2019, totaled EUR 1,545,768 k (December 31, 2018: profit carried forward of EUR 964,554 k). At the dividend’s due date, alstria office REIT-AG’s stand-alone positive retained earnings were not high enough for the payment of the dividend according to German GAAP [HGB]. Therefore, the amount of the dividend payouts was released from the available capital reserve in 2019. Furthermore, the first-time adoption of IFRS 16 resulted in valuation effects amounting to EUR 7 k, which were recognized directly in retained earnings.

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.

Conditional capital

The Company's share capital has been conditionally increased in order 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.

7.2. Noncontrolling interests of limited partners

In addition to alstria office REIT-AG, other limited partners are minority shareholders in the subsidiary alstria office Prime, which is included in the consolidated financial statements. From the Group's point of view, the equity of these limited partners is to be reported as debt capital in accordance with IFRS. They are shown in the consolidated balance sheet under the item 'limited partnerships of noncontrolling interests'.

In the 2017 financial year, alstria office REIT-AG acquired 2,128,048 limited partner shares. A further 3,593,463 limited partner shares were redeemed against cash compensation by alstria office Prime. In the 2018 and 2019 financial years, a further 45,950 limited partner shares were acquired.

In the reporting period, the acquisition and redemption of limited partnership shares as well as the change in value of the existing limited partnership shares of noncontrolling interests resulted in expenses of EUR 8,488 k (2018: EUR 12,261 k). The fair value of the limited partnerships of noncontrolling interests reported as of the balance sheet date amounted to EUR 70,528 k, whereby EUR 70,504 k are to be classified as long-term and EUR 24 k as short-term.

7.3. Financial liabilities

	Noncurrent	Current			Total
EUR k		**Loan**	**Accrued interest**	**Total current**	**Dec. 31, 2019**
Loans					
Corporate bonds	1,388,701	0	11,871	11,871	1,400,572
Mortgage loans	195,551	0	84	84	195,635
Schuldschein	76,828	37,000	1,635	38,635	115,463
Total	**1,661,080**	**37,000**	**13,590**	**50,590**	**1,711,670**

	Noncurrent	Current			Total
EUR k		**Loan**	**Accrued interest**	**Total current**	**Dec. 31, 2018**
Loans					
Corporate bonds	993,843	0	11,344	11,344	**1,005,187**
Mortgage loans	228,477	0	173	173	**228,650**
Schuldschein	113,770	1,000	1,654	2,654	**116,424**
Total	**1,336,090**	**1,000**	**13,171**	**14,171**	**1,350,261**

The table presents the long-term loans and the net of the current portion as stated under noncurrent liabilities. Furthermore, it shows the current amount due within one year, recorded as an item in short-term loans in current liabilities.

As of December 31, 2019, the total repayable amount of the corporate bonds, the bank loans, the Schuldscheindarlehen, and the convertible bond drawn by alstria (as of the prior year's balance sheet date) was EUR 1,674,700 k (December 31, 2018: EUR 1,345,700 k). The carrying amount of EUR 1,711,670 k (EUR 1,661,080 k, noncurrent, and EUR 50,590 k, current) takes interest liabilities and accrued transaction costs into account. Financial liabilities with a maturity of up to one year are recognized as current loans.

The following table shows the changes in financial liabilities:

EUR k	December 31, 2018	Payments of the period	Reclassification noncurrent/ current	Changes in fair value	December 31, 2019
Long-term loans and bonds, net of current portion	1,336,090	360,596	−37,000	1,394[1]	1,661,080
Short-term loans	14,171	−1,000	37,000	419[2]	50,590
Total	**1,350,261**	**359,596**	**0**	**1,813**	**1,711,670**

[1] Changes in deferred loan costs (effective interest).

[2] Changes in the accrued interest.

The cash changes in borrowings shown in the column 'Payments of the period' include, in addition to the cash inflows and outflows from loans and corporate bonds, the payments of transaction costs for taking out loans.

Corporate bond I

In the fourth quarter of the 2015 financial year, a bond loan in the total amount of EUR 500,000 k with a maturity at March 24, 2021, and a coupon of 2.25% p.a. was issued.

As result of the invitation to tender for the existing corporate bond, on November 16, 2017, alstria office REIT-AG repurchased shares with a notional amount of EUR 173,200 k. Following settlement of the invitation and cancellation of the relevant bond notes, the outstanding notional value of the bond still amounts to EUR 326,800 k. The bond was recognized with its carrying amount of EUR 325,943 k; additionally, interest liabilities in the amount of EUR 5,686 k were recognized as of the balance sheet date. The fair value (hierarchy Level 1) amounted to EUR 334,284 k as of the balance sheet date.

Corporate bond II

In the second quarter of the financial year 2016, a second bond loan in the total amount of EUR 500,000 k with a maturity at April 12, 2023, and a coupon of 2.125% p.a. was issued. As result of the invitation to tender for the existing corporate bond, on November 16, 2017, alstria office REIT-AG repurchased shares with a notional amount of EUR 175,000 k.

Following settlement of the invitation and cancellation of the relevant bond notes, the outstanding notional value of the bond still amounts to EUR 325,000 k. The bond was recognized with its carrying amount of EUR 323,044 k; additionally, interest liabilities in the amount of EUR 4,982 k were recognized per the balance sheet date. The fair value (hierarchy Level 1) amounted to EUR 342,875 k as of the balance sheet date.

Corporate bond III

In the fourth quarter of 2017, alstria office REIT-AG issued a corporate bond with a maturity at November 2027, a total nominal value of EUR 350,000 k, and a coupon of 1.5 % p.a. After deducting the deferred loan ancillary costs, the bond was recognized at the end of the year with a carrying amount of EUR 346,487 k. Interest liabilities amounting to EUR 674 k were accrued as of the balance sheet date. The fair value (hierarchy Level 1) amounted to EUR 357,490 k as of the balance sheet date.

Corporate bond IV

In the third quarter of 2019, alstria office REIT-AG issued a corporate bond with a maturity at September 2025, a total nominal value of EUR 400,000 k, and a coupon of 0.5 % p.a. After deducting the deferred loan ancillary costs, the bond was recognized at the end of the year with a carrying amount of EUR 393,226 k. Interest liabilities amounting to EUR 530 k were accrued as of the balance sheet date. The fair value (hierarchy Level 1) amounted to EUR 392,000 k as of the balance sheet date.

Mortgage loans

These are property-related bank loans, most of them with variable interest rates. The loans are secured by mortgages and other collateral customary for bank loans.

Schuldschein

As of May 6, 2016, alstria issued a Schuldschein (a debenture bond) with a nominal value of EUR 150,000 k. The Schuldschein has an average coupon of 2.07 % p.a. payable according to end-of-year convention and a staggered term of between four and ten years (see table on page 121). In the meantime loan shares in the amount of EUR 36,000 k were repaid before the end of their term, so that the Schuldschein has a notional value of EUR 114,000 k at the end of the reporting period. The fair value (hierarchy Level 2) amounted to EUR 126,048 k as of the balance sheet date.

Further details regarding the loan liabilities

The current portion of the loans refers to scheduled repayments and accrued interest on the loans.

The variable interest for the loans is payable on a quarterly basis, whereby the standard margin and borrowing costs for the market are added to the respective EURIBOR rate.

Due to the variable interest rate of the main part of the mortgage loans, there are no significant differences between the carrying amounts and the fair value of these loans, with the exception of transaction costs.

A total of EUR 37,100 k (December 31, 2018: EUR 37,100 k) in financial liabilities from mortgage loans is related to a fixed interest rate loan. At the end of the reporting period, the loan had a fair value of EUR 41,840 k (December 31, 2018: EUR 42,175 k). The fair value estimation is based on the discounted cash flows using quoted prices for loans with equivalent risk and maturity as a discount rate (Level 2 in fair value hierarchy).

As of December 31, 2019, the loans and the convertible bond were reduced by accrued transaction costs of EUR 13.620 k (December 31, 2018: EUR 8,610 k).

The average debt maturity decreased from 5.5 years as of December 31, 2018, to 4.8 years as of December 31, 2019. The Group’s average interest rate decreased from 1.8 % to 1.5 % from balance sheet date to balance sheet date.

The carrying amounts of the loans are all reported in euro. With the exception of the fixed rate loan, the corporate bonds, the Schuldschein, and the convertible bond described above, the fair values of the Group’s financial liabilities approximate their carrying values at the end of the reporting period. This does not apply to their accrued transaction costs.

As of December 31, 2019, a loan facility of EUR 100,000 k was in place.

The liabilities exposed to an interest rate risk are due as follows:

EUR k	**Dec. 31, 2019**	**Dec. 31, 2018**
Up to 1 year	0	0
More than 1 year	158,800	191,800
Total	**158,800**	**191,800**

The following loans are secured by land charges:

EUR k	**Dec. 31, 2019**	**Dec. 31, 2018**
Financial liabilities secured by land charges	201,900	229,400
thereof on investment property	*195,976*	*223,476*
thereof on own used property	*5,924*	*5,924*

7.4. Other provisions

EUR k	Due up to 1 year	Due in more than 1 year	Total Dec. 31, 2019	Due up to 1 year	Due in more than 1 year	Total Dec. 31, 2018
Other provisions						
Provision virtual share liabilities	1,715	1,226	2,941	1,288	1,275	2,563
Other	790	0	790	4,189	0	4,189
Total	**2,505**	**1,226**	**3,731**	**5,477**	**1,275**	**6,752**

The development of other provisions is shown in the following overview:

EUR k	Dec. 31, 2018	Consumption	Resolution	Additions	Dec. 31, 2019
Development of other provisions					
Provision virtual share liabilities	**2,563**	−1,489	0	1,867	2,941
Other	**4,189**	−3,348	−204	153	790
Total	**6,752**	**−4,837**	**−204**	**2,020**	**3,731**

As of the balance sheet date, EUR 2,941 k (December 31, 2018: EUR 2,563 k) was recognized as a provision for awarding the Long- and Short-Term Incentive Plan (Note 13.1).

Other provisions are related to litigation expenses.

7.5. Trade payables and other liabilities

EUR k	Due up to 1 year	Due in more than 1 year	Total Dec. 31,2019	Due up to 1 year	Due in more than 1 year	Total Dec. 31, 2018
Trade payables	**4,611**	**0**	**4,611**	**4,400**	**0**	**4,400**
Other current liabilities						
Accruals for outstanding invoices	22,328	0	22.328	16,595	0	16,595
Rent and security deposits received	7,280	6,372	13.652	6,353	5,010	11,363
Cash compensation	5,836	0	5,836	0	0	0
IFRS 16 lease liabilities	475	5,159	5.634	0	0	0
Customers with credit balances	2,362	0	2.362	3,997	0	3,997
Salary obligations	2,350	0	2.350	2,238	0	2,238
Value-added tax liabilities	1,535	0	1,535	2,095	0	2,095
Advance rent payments received	692	0	692	2,564	0	2,564
Supervisory Board compensation	525	0	525	525	0	525
Auditing costs	396	0	396	332	0	332
Vacation provisions	322	0	322	322	0	322
Income tax and social security contributions	205	0	205	179	0	179
Real estate transfer tax	0	0	0	13,902	0	13,902
Other advance payments received	0	0	0	10,120	0	10,120
Miscellaneous liabilities	1,145	0	1,145	985	0	984
Total	**45,451**	**11,531**	**56,982**	**60,207**	**5,010**	**65,217**

The disclosed carrying amounts approximate their fair values.

In its decision of September 26, 2019 the Regional Court of Hamburg set the cash compensation to be paid to entitled shareholders of the former DO Deutsche Office AG, which was leaving the company with regard to the change of the legal form at an amount of EUR 5.58 plus interest. This led to a resurgence of the liability from the cash value settlement, in terms of the outstanding settlement obligation according to the court decision, in the amount of EUR 5,836 k. An appeal against this decision has been filed; therefore, the decision is not yet effective.

The IFRS 16 lease liability relates to the contractually agreed rental terms, including the expected extension options. Future cash outflows that the lessee might face due to extension options that were not taken into account in the measurement of the lease liability amount to EUR 9,400 k.

Real estate transfer tax as of December 31, 2018 in the amount of EUR 10,483 k resulted from the merger between Deutsche Office and the Prime Office REIT-AG in the year 2013. For two properties that were transferred within the merger, the real estate transfer tax obligation was still due. A further EUR 3,420 k of the previous year's real estate transfer tax was related to the acquisition of real estate in December of financial year 2018.

Other advance payments as of December 31, 2018 in the amount of EUR 10,120 k were received for the sale of two properties, which were transferred to the buyer in 2019.

7.6. Income tax liabilities

The recognition of income tax liabilities as of December 31, 2019, is described in Note 5.9 regarding income tax expenses. Obligations from income taxes arise almost exclusively at the level of the alstria office's Prime companies acquired through the businesses combination on October 27, 2015.

The tax liabilities mainly resulted from taxes arising out of the realization of hidden reserves as a result of the inclusion of the companies into the tax-exempt REIT structure. As a result, no further deferred tax liabilities had to be formed since the 2016 financial year.

7.7. Trust assets and liabilities

At the end of the reporting period, alstria office REIT-AG held no trust assets. Trust liabilities existed worth EUR 7,280 k from rent deposits and EUR 6,372 k from security deposits. As of December 31, 2018, EUR 6,353 k in rent deposits and EUR 5,010 k in security deposits existed.

8. OTHER NOTES

8.1. Compensation of the Management Board and Supervisory Board

Management Board The following total remuneration was granted to the members of the Management Board, according to IAS 24.17:

EUR k	2019	2018
Short-term benefits	1,282	1,277
Share-based remuneration	800	800
Postemployment benefits	160	160
Total	**2,242**	**2,237**

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

As of December 31, 2019, members of the Management Board were issued 271,471 virtual shares (December 31, 2018: 291,392 virtual shares) from the cash-settled share-based management remuneration plan implemented in 2010 and the equity-settled management remuneration plan put in place since 2018 (see Notes 13.1).

Supervisory Board Pursuant to the Articles of Association, Supervisory Board members' fixed annual payments amounted to EUR 525 k (2018: EUR 525 k).

Further information on the disclosures from HGB Section 314, para. 1, no. 6a (German Commercial Code) and IAS 24.17 is provided in the remuneration report (see pages 167 to 175).

8.2. Other financial commitments and contingencies

Other financial obligations from refurbishment projects and ongoing maintenance amounted to EUR 61,469 k (2018: EUR 30,324 k). The increase results from a significantly higher level of existing development projects at the end of the reporting period than in the previous year.

As of December 31, 2019, rental agreements for the car parking spaces and administrative premises were subject to a minimum lease term. Future financial obligations of EUR 6,443 k arose from other leasing agreements. Of these, EUR 574 k in obligations has a residual maturity of up to one year; EUR 1,394 k in obligations has a remaining maturity of one to five years; and the remaining EUR 4,475 k has more than five years.

8.3. Consolidated cash flow statement

The cash flow statement shows how the Group's cash and cash equivalents have changed over the financial year as a result of cash received and paid. In accordance with IAS 7, cash flows are distinguished from operating activities, and cash flows are distinguished from investing and financing activities.

Cash flows from investing and financing activities are calculated based on payments, whereas cash flows from operating activities are indirectly derived based on the consolidated profit for the year.

The net cash generated from operating activities for the 2019 financial year amounted to EUR 121,693 k, which is slightly above the level of previous year's operating cash flow (EUR 119,014 k). The net cash generated from operating activities includes other noncash income and expenses totaling EUR 663 k. These essentially relate to allocation to provisions and other liabilities. Cash outflows for leases amounted to EUR 537 k for the financial year.

The cash flow from investing activities is affected by the inflow of cash and cash equivalents from property disposals amounting to EUR 139,777 k and the repayment of financial assets amounting to EUR 36,567 k, while investments in financial assets resulted in cash outflows in the amount of EUR 238,864 k and investments in the investment property portfolio resulted in cash outflows of EUR 164,915 k.

The cash flows from financing activities includes cash inflows from the placement of a corporate bond in the amount of EUR 393,596 k. Cash outflows resulted from the repayment of loans in the amount of EUR 34,000 k and the dividend distribution in the amount of EUR 92,257 k.

Cash and cash equivalents reported in the cash flow statement relate to all liquidity items disclosed on the balance sheet (e. g. cash in hand and bank balances).

9. RELATED PARTY RELATIONSHIPS

9.1. Preliminary remarks

The related parties are the Management Board, the members of the Supervisory Board, the managing directors of the subsidiaries and second-tier subsidiaries, and their close relatives. The related parties also include entities with a controlling influence over the Group and entities with joint control or significant influence over alstria office REIT-AG.

A majority of alstria office REIT-AG's shares are free-floating shares. No person or entity has a controlling influence over the Company. The ultimate parent company of the Group is alstria office REIT-AG.

The joint ventures over which alstria office REIT-AG has joint control are also considered related parties.

In the view of alstria office REIT-AG's management, all transactions with related parties entered into during financial year 2019 were undertaken in terms of arm's-length transactions or under conditions favoring alstria office REIT-AG.

9.2. Remuneration of key management personnel

For a detailed description of the remuneration of key management personnel, please refer to Note 8.1 and the remuneration report (see pages 167 to 175).

9.3. Related party transactions

At the end of the reporting period, the Group recorded no receivables from or liabilities to joint ventures. Furthermore, like in the previous year, alstria received EUR 10 k from the joint ventures as compensation for services connected to real estate.

No further transactions with related parties were carried out during the reporting period.

10. EARNINGS PER SHARE

Basic earnings per share are calculated as the quotient of the profit attributable to the shareholders and the weighted average number of shares outstanding during the financial year—except for the average number of treasury shares held by the Company itself.

Diluted earnings per share are calculated by dividing the profit attributable to the parent company's ordinary owners by the weighted average number of ordinary shares outstanding during the year — except for the treasury shares held by the Company itself — plus the weighted average of shares that would be issued as a result of the dilutive potential ordinary shares' conversion.

The following table reflects the income and share data used in the earnings per share computations:

Earnings per share	2019	2018
Profit attributable to the shareholders (EUR k)	581,221	527,414
Average number of shares outstanding (thousands)	177,524	174,387
Basic earnings per share (EUR)	3.27	3.02

The possibility of converting shares in connection with the convertible bond that was actually converted in the 2018 financial year resulted in the following diluted earnings per share.

Diluted earnings per share	2019	2018
Diluted profit attributable to the shareholders (EUR k)	581,221	527,665
Average diluted number of shares (thousands)	177,524	176,061
Diluted earnings per share (EUR)	3.27	3.00

The granted stock options and the convertible profit participation rights did not result in dilution effects during the period under review, as the related vesting conditions had not been satisfied as of the end of the reporting period.

alstria office REIT-AG is authorized to issue up to EUR 1,179 k in shares as conditional capital. These contingently issuable shares could dilute basic earnings per share in the future, but they were not included in the calculation of diluted earnings per share because they are nondilutive for the presented period.

11. DIVIDENDS PAID AND DIVIDENDS PROPOSED

EUR k	2019	2018
Dividends on ordinary shares[1)] not recognized as a liability as of Dec. 31	92,257	92,170
Dividend per share	0.52	0.52

[1)] Refers to all shares except treasury shares on the dividend payment date

At the Annual General Meeting held on May 22, 2019, alstria office REIT-AG resolved to distribute dividends totaling EUR 92,257 k (EUR 0.52 per outstanding share). The dividends were distributed on May 27, 2019. By comparison, the dividends paid out in 2018 totaled EUR 92,170 k (EUR 0.52 per outstanding share).

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, 2020. 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.

12. EMPLOYEES

From January 1 to December 31, 2019, the Company had an average of 156 employees (January 1 to December 31, 2018: 139 employees on average). The average was calculated based on the total number of employees at the end of each quarter. On December 31, 2019, 165 people were employed at alstria, excluding the Management Board members (December 31, 2018: 149 employees).

Employees	Average 2019	December 31, 2019	Average 2018	December 31, 2018
Real estate management and development	87	95	76	83
Finance and legal	37	38	38	39
Other occupations	32	32	25	27
Total	**156**	**165**	**139**	**149**

13. SHARE-BASED REMUNERATION

13.1. Share-based remuneration (virtual shares and stock awards) for Management Board members

The virtual shares issued to the Management Board relate to share-based remuneration. In January 2017, the Supervisory Board of the Company adopted an amendment to the remuneration system for members of the Board of Management, which has remained unchanged since 2010 and which came into effect on January 1, 2018. As the term of the granted virtual shares is four years, virtual shares will be issued under the compensation system valid from 2010 and those issued under the criteria of the new compensation system effective January 1, 2018. The latter are referred to as Stock Awards. In the following, therefore, the cornerstones of the virtual shares under the Remuneration System 2010 and the Stock Awards under the new Remuneration System 2018 are explained.

13.1.1. Virtual share based remuneration 2010 to 2017

On March 2, 2010, the Company's Supervisory Board established a new share-based remuneration system to provide success-based remuneration for members of the Management Board. This system is made up of a long-term component, the **Long-Term Incentive Plan 2010 (LTIP 2010)**, and a short-term component, the **Short-Term Incentive Plan 2010 (STIP 2010)**. These plans offer cash-settled and share-based payment transactions, respectively.

Under the LTIP 2010, alstria office REIT-AG grants virtual shares, which entitle the recipient to a conversion into cash payments after four years.

The amount of the conversion payment is based on the number of virtual shares multiplied by the average stock market price of alstria's shares on the Frankfurt Stock Exchange during the 60 trading days prior to the relevant maturity date. An amount equal to the sum of the dividend per share that the Company paid to its shareholders between the grant date and the maturity date is added as well. The payment cannot be higher than 250% of the average stock market price of alstria's shares on the Frankfurt Stock Exchange in the 60 trading days prior to the relevant grant date multiplied by a specified discretionary factor.

The discretionary factor is a multiplier that can vary between 0.8 and 1.2; it is subject to each participant's individual performance during the holding period.

The assessment of target achievement equally depends on the absolute return of alstria's share price (absolute total shareholder return) and on the relative performance of alstria's shares in relation to the EPRA/NA-REIT Index Europe Ex UK (relative total shareholder return).

Since the payment per vested virtual share depends on the average quoted price of alstria's shares for 60 trading days, the quoted average prior to the end of the reporting period essentially represents the fair value of each virtual share.

The virtual shares resulting from the STI 2010 remuneration are subject to a minimum vesting period of two years. Virtual STI 2010 shares are converted into a cash amount after the expiration of the vesting period. This cash amount is calculated based on the number of virtual shares multiplied by the share price of one alstria share at that time, which is in turn calculated based on a reference period.

13.1.2. Stock award-based remuneration starting 2018

Unlike to the short-term STIP 2010, no virtual shares or stock awards are issued under the short term STIP 2018.

The structure of the long-term share-based compensation system was retained in principle. The key difference is that LTIP 2010 was a cash-settled share-based remuneration system, while the LTIP 2018 provides equity-settled share-based compensation. Apart from that, only simplifications and adjustments were made. As part of the LTIP 2018, alstria office REIT-AG grants stock awards, which entitle the holder to receive shares in the Company after four years, instead of a cash payment, as in the LTIP 2010.

The number of shares to be issued to a Management Board member at the term's end is calculated as the number of stock awards achieved, multiplied by the average price of alstria shares on the Frankfurt Stock Exchange during the last 60 trading days prior to the respective conversion date, plus an amount equal to the total dividend paid by the Company to its shareholders per alstria share during the respective term of a stock award. But in no case can this be more than 250% of the average price of alstria shares on the Frankfurt Stock Exchange during the last 60 days before the grant date. The number of shares to be issued to a Management Board member is multiplied by a specified discretionary factor.

The discretionary factor is a multiplier that can vary between 0.7 and 1.3, taking into account each participant's individual performance component during the waiting period.

The basis for determining the performance targets, as in the LTIP 2010, is the absolute and relative total shareholder returns. However, the relative total shareholder return will be weighted more heavily, at 75% (previously 50%). The comparative index for the relative total shareholder return is the FTSE EPRA/NAREIT Developed Europe Index (previously the EPRA/NAREIT Europe Ex-UK Index) for alignment with real estate industry standards.

The fair value of the stock awards at the grant date was estimated using a 100,000-path Monte Carlo simulation based on the terms of the LTIP 2018.

The following table lists the model specifications used to determine the fair value:

Grant date	**March 7, 2018**	**March 4, 2019**
Expected term of the option (in years)	4.00	4.00
Risk-free interest rate (%)	0.11	−0.39
Share volatility (%)	18.77	18.11
Volatility of the FTSE EPRA/NAREIT Developed Europe Index (%)	16.46	16.09
Correlation between share price and benchmark index (%)	65.19	66.21
Expected dividend yield of the share (%)	4.03	3.88
Share price on grant (in EUR)	12.06	13.40
Index value when granted	2,085.51	2,166.92
Reference share price (in EUR)	12.69	12.83
Reference price of the FTSE EPRA/NAREIT Developed Europe Index	2,176.16	2,112.40
Estimated fair value of one option on the grant date (in EUR)	8.61	10.22

Comparison of the key terms of the variable remuneration systems 2010 and 2018

	Until 2017	From 2018
STI (Short-Term Incentive)	▪ FFO as target value ▪ Threshold for the performance target: 50 % ▪ Discretionary factor to reflect individual performance: 0.8–1.2 ▪ 75 % cash payout / 25 % payout in virtual shares	▪ FFO per share as target value ▪ Threshold for the performance target: 70 % ▪ Discretionary factor to reflect individual performance: 0.7–1.3 ▪ 100% cash payout
LTI (Long-Term Incentive)	▪ Virtual shares with term of 4 years, then payout in cash ▪ Performance subject to absolute TSR (50 %) and relative TSR (EPRA/NAREIT Europe Ex-UK Index) (50 %) ▪ Discretionary factor to reflect individual performance: 0.8–1.2	▪ Stock awards with term of min. 4 years, payout in Company shares ▪ Performance subject to absolute TSR (25 %) and relative TSR (FTSE EPRA/ NAREIT Developed Europe Index) (75 %) ▪ Discretionary factor to reflect individual performance: 0.7–1.3

The table below summarizes the number of virtual shares and (from 2018 onwards) stock awards granted under the existing STIP and LTIP that remained outstanding as of December 31, 2019.

				Olivier Elamine	Alexander Dexne
	Start of deferral period	Reference share price in EUR	End of deferral period	Number of virtual shares/stock options from 2018	Number of virtual shares/stock options from 2018
STI 2017	2018	12.24	2020	4,572	3,741
LTI 2016	2016	11.71	2020	37,575	30,743
LTI 2017	2017	11.52	2021	38,194	31,250
LTI 2018	2018	12.69	2022	34,673	28,361
LTI 2019	2019	12,83	2023	34.295	28.059

The development of the virtual shares through December 31, 2019 is shown in the following table:

Number of virtual shares and stock awards	**2019**		**2018**	
	LTI	**STI**	**LTI**	**STI**
January 1	**273,730**	**17,662**	**295,434**	**20,166**
Stock Awards (2017: virtual shares) granted in the reporting period	62,354	0	63,042	8,313
Converted into cash in the reporting period	–72,926	–9,349	–84,746	–10,817
December 31	**263,158**	**8,313**	**273,730**	**17,662**

The 9,349 virtual shares converted into cash under the STIP 2010 resulted in payments to the Management Board amounting to EUR 128 k within the 2019 financial year. The conversion amount was the weighted average price of the first 20 trading days in the 2019 calendar year plus the dividend paid during the vesting period. This amounted to EUR 13.70, of which EUR 12.66 was related to the share price and EUR 1.04 was related to the dividend paid.

Under the LTIP 2010, 72,926 virtual shares were converted, resulting in EUR 1,361 k payout.

In 2019, the LTIP and the STIP generated remuneration expenses amounting to EUR 2,134 k (2018: EUR 1,343 k) and provisions amounting to EUR 2,941 k (2018: EUR 2,563 k). The Group recognizes the liabilities arising from the vested virtual shares under other provisions.

13.2. 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.

The following share-based payment agreements under the employee profit participation program existed during this year:

Number of certificates

Grant date of tranche	May 19, 2017	April 27, 2018	Mai 23, 2019	Total
January 1, 2019	**177,675**	**206,075**	**0**	**383,750**
Expired due to termination of employment	−750	−1,250	0	**−2,000**
Converted	−176,925	0	0	**−176,925**
Granted	0	0	252,375	**252,375**
December 31, 2019	**0**	**204,825**	**252,375**	**457,200**

For the conversion of 176,925 of the 2017 convertible profit participation rights certificates, the relevant XETRA share price on the conversion date was EUR 13.80 per share.

Total expenses relating to convertible profit participation rights amounted to EUR 1,898 k in 2019 (see Note 5.4).

The following table lists the inputs used to determine the fair value of the options for conversion:

Grant date of tranche	May 19, 2017	April 27, 2018	May 23, 2019
Dividend yield (%)	4.45	4.20	3.77
Risk-free interest rate (%)	−0.69	−0.56	−0.69
Expected volatility (%)	18.37	16.22	15.01
Expected life of option (years)	2.00	2.00	2.00
Exercise share price (EUR)	2.00	2.00	2.00
Labor turnover rate (%)	8.00	7.20	5.50
Stock price as of valuation date (EUR)	11.62	12.39	13.8
Estimated fair value of one option for conversion on the grant date	8.02	8.52	9.50

The expected volatility was based on the average historical volatility of alstria and comparable listed companies for the certificates granted until 2017. From the 2018 financial year onward, the implied volatility of alstria shares was used.

14. FINANCIAL RISK MANAGEMENT

14.1. Managing financial risk factors

The Group's activities expose it to a variety of financial risks related to interest rates, credit, and liquidity. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. For this purpose, sources of funding are diversified and a balanced maturity profile is planned, enabling a coordinated and continuous refinancing process. The financial instruments mainly used by the Group are corporate bonds, bank loans, a Schuldschein and - most recently to a lesser extent - derivative financial instruments. The main purpose of the debt funding is to finance alstria's business activities. In addition, the Group also owns various financial assets, such as loans granted and short-term deposits, which arise directly from business activities.

The Group uses derivative financial instruments to hedge floating rate loans. The treasury function (group treasury) within the finance and controlling department manages financial risks. The group treasury identifies, evaluates, and hedges financial risks in close cooperation with the CFO. The Management Board provides written principles for overall risk management and policies that cover specific areas, such as interest rate risk and credit risk, making use of both derivative and nonderivative financial instruments as well as excess liquidity investment.

Derivative financial instruments comprise interest caps. The purpose of these derivative financial instruments is to hedge against the interest risks arising from the Group's business activities and funding.

The main risks arising from the Group's financial instruments are related to cash flow, interest rates, and liquidity. The Group is mainly exposed to credit risks due to derivative financial instruments being held as assets and due to its bank balances. The amount that best presents the maximum credit risk is the carrying amount of the financial assets. The Management Board decides on strategies and processes for managing specific risk types, as defined in the following paragraphs.

Risks that could arise from an economic slowdown are mainly seen in the potential default of payment by a major tenant. Because all of the Company's main tenants are public institutions or are highly rated, the risk of such defaults is currently limited.

The loan agreements of alstria Group allow for the loan-to-value (LTV) ratios outlined by the following table. As represented in the overview, the Group managed to keep its LTV below the LTV of the loan at the relevant date — in some cases, significantly so. The risk of a breach of covenant is effectively countered.

The following table presents the single-LTV ratios and covenants for the Group's loans as of the end of the reporting period:

Existing loan agreements as of December 31, 2019

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	67,000
Loan #2	Mar. 28, 2024	45,900	31.6	75.0	45,900
Loan #3	June 30, 2026	56,000	27.6	65.0	56,000
Loan #4	Sept. 29, 2028	60,000	33.6	–	60,000
Total secured loans		**195,900**	**26.0**	–	**228,900**
Bond #1	Mar. 24, 2021	326,800	–	–	326,800
Bond #2	Apr. 12, 2023	325,000	–	–	325,000
Bond #3	Nov. 15, 2027	350,000	–	–	350,000
Bond #4	Sept. 26, 2025	400,000	–	–	–
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		**1,711,700**	**38.2**	–	**1,345,700**
Net LTV			**27.1**[1)]		

Apart from the risks mentioned above, the Group is not exposed to any commodity or currency risks.

14.1.1. Interest rate risk

The following tables display the carrying amount of the Group's financial instruments that are exposed to interest rate risk by maturity:

EUR k	< 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
Financial year ending Dec. 31, 2019						
Variable interest						
Mortgage bank loans	0	0	0	0	158,800	**158,800**
Total	**0**	**0**	**0**	**0**	**158,800**	**158,800**

EUR k	< 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
Financial year ending Dec. 31, 2018						
Variable interest						
Mortgage bank loans	0	0	0	0	191,800	**191,800**
Total	**0**	**0**	**0**	**0**	**191,800**	**191,800**

With its noncurrent financial liabilities with variable interest rates, alstria is exposed to risks from fluctuations in market interest rates. The interest base for these financial liabilities (loans) is the three-month EURIBOR rate, which is adjusted every three months. A number of derivative financial instruments were acquired to secure the expenses. The derivatives' terms to maturity generally correspond to those of the loans. The derivative financial instruments are related to interest caps; that is, the interest is capped at a predetermined maximum. If the maximum interest rate is exceeded, then the difference between the actual interest rate and the cap rate is paid out.

The derivative financial instruments of alstria office REIT-AG as of December 31, 2019 are presented on page 98.

These interest rate caps are also used to hedge the obligation underlying the loans.

The following table shows the sensitivity of the Company's loans to consolidated profit or loss and equity due to a reasonably possible change in interest rates (due to the effect on the floating-interest loans). All of the variables remain constant; the effects from the derivative financial instruments were not factored into this calculation.

Interest expenses per annum

EUR k	2019	2018
+ 100 bps	1,588	1,918
– 50 bps	–726	–825

The fair market value of derivative financial instruments is also subject to interest rate risks. A change in the interest rate would give rise to the following changes in respective fair market values:

Impacts on equity

Financial derivatives qualifying for cash flow hedge accounting

EUR k	2019	2018
+ 100 bps	398	9,696
– 50 bps	0	–287

Impacts on income statements and on equity

Financial derivatives not qualifying for cash flow hedge accounting

Impact from 3-month EURIBOR interest rate changes:

EUR k	2019	2018
+ 100 bps	n/a	178
– 50 bps	n/a	0

14.1.2. Credit risk

Credit risks are managed at the group level, except for those relating to accounts receivable balances.

The department responsible for managing the operating business property oversees and analyzes credit risks in relation to each reletting activity before the standard payment and lease terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, and credit exposures to customers (including outstanding receivables and other compensatory commitments). Only banks and financial institutions are accepted as counterparties—and only if they are independently rated parties with a minimum rating of 'investment grade.' If the tenants are independently rated, then their ratings are applied. If there is no independent rating, the tenant's credit quality is assessed, taking into account its financial position, past experience, and other factors. Credit limits are generally not provided to tenants. Lease receivables from tenants are settled in bank transfers, which are usually due at the beginning of each payment term. Tenants must pay a deposit or provide other warranties prior to the start of a lease term.

14.1.3. Liquidity risk

The Company continually monitors the Group-wide risk of potential liquidity bottlenecks with a liquidity planning tool. The tool uses the expected cash flows from business activities and the maturity of the financial liabilities as a basis for analysis. The Group's long-term refinancing strategy ensures that these medium- and long-term liquidity requirements are met. Such forecasting considers the Group's debt-financing plans, covenant compliance, compliance with internal balance sheet targets, and, if applicable, external regulatory or legal requirements (e. g. G-REIT equity ratio).

At the end of the reporting period, the nominal financial liabilities had the following maturities in line with their contractual maturity (based on the three-month EURIBOR) as of December 31, 2019.

The following chart shows the related future undiscounted cash flows of financial liabilities:

EUR k	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Financial year ending Dec. 31, 2019							
Corporate bond	0	326,800	0	325,000	0	750,000	1,401,800
Loans	0	0	0	0	79,900	116,000	195,900
Interest	26,109	25,586	18,406	18,629	9,929	22,523	121,182
Schuldschein	37,000	0	0	37,000	0	40,000	114,000
Trade payables	4,611	0	0	0	0	0	4,611
Other liabilities	44,759	1,666	1,554	1,487	1,494	5,330	56,290
	112,479	**354,052**	**19,960**	**382,116**	**91,323**	**933,853**	**1,893,783**

EUR k	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Financial year ending Dec. 31, 2018							
Corporate bond	0	0	326,800	0	325,000	350,000	1,001,800
Loans	0	0	0	0	0	228,900	228,900
Interest	24,521	24,817	24,720	18,020	18,573	32,633	143,284
Schuldschein	0	38,000	0	0	37,000	40,000	115,000
Trade payables	4,400	0	0	0	0	0	4,400
Other liabilities	53,467	1,003	1,002	1,002	1,002	1,002	58,478
	82,388	**63,820**	**352,522**	**19,022**	**381,575**	**652,535**	**1,551,862**

Details on the loans, borrowings, and bonds can be found in Note 7.3. The loans' maturity profile is shown on page 20 in the Group management report. To secure the bank loans, receivables from rental and property purchase agreements and from insurance and derivative financial instruments were assigned to the lenders. Liens were granted on bank accounts, and charges were registered on the land. Obligations arising from floating-interest bank loans were fully secured. Land charges for real estate properties with a carrying amount of EUR 754,373 k (December 31, 2018: EUR 661,393 k) were provided as collateral.

14.2. Capital management

Capital management activities are aimed at maintaining the Company's classification as a REIT in order to support its business activities and maximize shareholder value.

The Group actively manages its capital structure and makes adjustments in response to changes in economic conditions. To maintain or adjust its capital structure, the Group can make a capital repayment to its shareholders or issue new shares. No changes were made to the aims, guidelines, and processes as of both December 31, 2018 and December 31, 2019.

The Company monitors its capital structure using the LTV indicator as well as the relevant performance indicators for its classification as a REIT. The REIT equity ratio, which is the ratio of equity to immovable assets, is the most important of these indicators. According to the Group's strategy, the REIT equity ratio is aimed to be well above the REIT equity ratio of 45 %, within the relevant terms provided by REIT law. G-REIT status is unaffected as long as the G-REIT ratio is not below 45 % at the end of the financial year for three consecutive financial years.

The following ratios are also used to manage capital:

Ratios according to G-REIT law

%	2019	2018	G-REIT covenant
Equity ratio according to G-REIT law	70.94	67.19	> 45
Immovable assets	89.01	95.54	> 75
Revenues gained from immovable assets	100.00	100.00	> 75
Income gained from disposal of immovable assets	26.06	28.04	< 50[1]

[1] Within five years, based on the average property value during this period.

14.3. Determination of fair value

The following table shows the carrying amount and fair value of all financial instruments disclosed in the consolidated financial statements:

Assets as per balance sheet (EUR k) as of Dec. 31, 2019	Carrying amount	Non-financial assets	Financial assets: At amortized costs	Financial assets: Fair value through p/l[1]	Financial assets: Total	Financial assets: Fair value
Financial assets	39,108	0	38,864	244	39,108	39,108
Derivatives	0	0	0	0	0	0
Total long-term	**39,108**	**0**	**38,864**	**244**	**39,108**	**39,108**
Trade receivables	3,877	0	3,877	0	3,877	3,877
Financial assets	199,750	0	199,750	0	199,750	199,750
Tax receivables	1,231	1,231	0	0	0	0
Receivables and other assets	8,601	7,609	993	0	993	993
Cash and cash equivalents	298,218	0	298,218	0	298,218	298,218
Total short-term	**511,677**	**8,840**	**502,838**	**0**	**502,838**	**502,838**
Total	**550,785**	**8,840**	**541,702**	**244**	**541,945**	**541,945**

Liabilities as per balance sheet (EUR k) as of Dec. 31, 2019	Carrying amount	Nonfinancial liabilities	Financial liabilities		
			At amortized costs	Total	Fair value
Ltd. equity of noncontrolling interests	70,504	0	70,504	70,504	70,504
Long-term loans	1,661,080	0	1,661,080	1,661,080	1,753,307
Other liabilities	11,532	0	11,532	11,532	11,532
Total long-term	**1,743,116**	**0**	**1,743,116**	**1,743,116**	**1,835,343**
Ltd. equity of noncontrolling interests	24	0	24	24	24
Short-term loans	50,590	0	50,590	50,590	50,590
Trade payables	4,611	0	4,611	4,611	4,611
Derivatives	0	0	0	0	0
Tax liabilities	5,793	5,793	0	0	0
Other liabilities	45,451	2,432	43,019	43,019	43,019
Total short-term	**106,469**	**8,225**	**98,244**	**98,244**	**98,244**
Total	**1,849,585**	**8,225**	**1,841,360**	**1,841,360**	**1,933,587**

Assets as per balance sheet (EUR k) as of Dec. 31, 2018	Carrying amount	Nonfinancial assets	Financial assets			
			At amortized costs	Fair value through p/l[)]	Total	Fair value
Financial assets	36,737	0	36,493	244	36,737	36,737
Derivatives	0	0	0	0	0	0
Total long-term	**36,737**	**0**	**36,493**	**244**	**36,737**	**36,737**
Trade receivables	6,865		6,865	0	6,865	6,865
Tax receivables	43	43	0	0	0	0
Receivables and other assets	8,314	7,180	1,134	0	1,134	1,134
Cash and cash equivalents	132,899	0	132,899	0	132,899	132,899
Total short-term	**148,121**	**7,223**	**140,898**	**0**	**140,898**	**140,898**
Total	**184,858**	**7,223**	**177,391**	**244**	**177,635**	**177,635**

Liabilities as per balance sheet (EUR k) as of Dec. 31, 2018	Carrying amount	Nonfinancial liabilities	Financial liabilities		
			At amortized costs	Total	Fair value
Ltd. equity of noncontrolling interests	64,013	0	64,013	64,013	64,013
Long-term loans	1,336,090	0	1,336,090	1,336,090	1,338,077
Other liabilities	5,010	0	5,010	5,010	5,010
Total long-term	**1,405,113**	**0**	**1,405,113**	**1,405,113**	**1,407,100**
Ltd. equity of noncontrolling interests	47	0	47	47	47
Short-term loans	14,171	0	14,171	14,171	14,171
Trade payables	4,400	0	4,400	4,400	4,400
Derivatives	0	0	0	0	0
Tax liabilities	5,945	5,945	0	0	0
Other liabilities	60,207	14,959	45,249	45,249	45,249
Total short-term	**84,770**	**20,904**	**63,867**	**63,867**	**63,867**
Total	**1,489,883**	**20,904**	**1,468,980**	**1,468,980**	**1,470,967**

The net gains and losses from these financial instruments are as follows:

EUR k	2019	2018
Fair value – hedging instruments	0	−14
Fair value – financial liabilities	0	2,452
At amortized costs	0	−12,508
Total	**0**	**−10,069**

The net losses during the reporting period resulted from valuation losses and, in the case of loans and receivables, from write-downs of trade receivables.

The fair value of financial instruments that are not traded in an active market (i.e. over-the-counter derivatives) is determined using valuation techniques, which maximize the use of observable market data, where it is available, and rely as little as possible on entity-specific estimates. If all significant inputs required to ascertain the fair value of an instrument are observable, then the instrument is included in level 2.

An independent expert determined the fair value of the derivative financial instruments by discounting the expected future cash flows at prevailing market interest rates. Future cash flows were estimated at the end of the reporting period based on forward interest rates from observable yield curves and on contractually agreed interest rates. These rates are discounted to reflect the credit risk of the various counterparties.

All of the Group's financial instruments, which are measured at fair value on the balance sheet, are valued by applying the level 2 valuation measurement approach. This only applies to the Group's financial derivatives, as no other financial instruments are measured in the balance sheet at fair value.

15. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

In the first quarter of the 2020 financial year until the release of these consolidated financial statements, the notarization of the sale of three properties at transaction prices of EUR 62,600 k took place. The transfer of the property to the buyer will take place in the first half of 2020.

16. UTILIZATION OF EXEMPTING PROVISIONS

The following German subsidiaries included in the consolidated financial statements of alstria office REIT-AG have made use of the exemption granted in Section 264b HGB.

Certain subsidiaries that have been included in the consolidated financial statements of alstria office REIT-AG have claimed an exemption from the obligation to prepare annual financial statements in accordance with the provisions applicable to corporations, in accordance with Section 264b HGB. An overview of the companies that made use of the exemption can be found in the table on pages 63 to 64 in Notes 2.2.2.

17. DISCLOSURES PURSUANT TO THE WERTPAPIERHANDELSGESETZ [GERMAN SECURITIES TRADING ACT] AND EUROPEAN MARKET ABUSE REGULATION [MAR]

17.1. 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

17.2. 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						

17.3. 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[2]	6.620.384[2]	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).

18. 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.

19. AUDITORS' FEES

On May 22, 2019, the General Meeting elected KPMG Wirtschaftsprüfungsgesellschaft (Ludwig-Erhard-Strasse 11-17, Hamburg) as auditor of the separate and consolidated financial statements for the 2019 financial year. The fees totaled EUR 626 k in 2019. They are structured as follows:

Auditors' fees	**2019**	**2018**
Audit services	485	429
thereof from previous year	*18*	*0*
Other confirmation services	81	0
Tax advisory services	0	0
Other services	60	68
Total	**626**	**497**

The non-audit services essentially relate to the issuance of a comfort letter, the review of the sustainability report and consultancy services in relation to an extrajudicial proceeding.

René Drotleff is the professionally qualified auditor in charge of the financial statements for alstria office REIT-AG and the Group. He held this position for the first time in financial year 2018.

20. MANAGEMENT BOARD

During the financial year, the Company's members of the Management Board were:

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 details the principles used to define the Management Board's and Supervisory Board's remuneration.

21. 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 Chairman	**Hamburg, Germany**	**Lawyer and Partner, Freshfields Bruckhaus Deringer LLP**
	Elbphilharmonie und Laeiszhalle Betriebsgesellschaft mbH	Member of the Advisory Board
	HamburgMusik gGmbH	Member of the Supervisory Board
Richard Mully Vice-Chairman	**Cobham (Surrey), United Kingdom**	**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, Germany**	**CEO CECONOMY AG / Executive Consultant**
April 1 to October 17	CECONOMY AG	Member of the Supervisory Board
January 1 to March 31	CECONOMY AG	CFO
until December 31, 2019	Vossloh AG	Member of the Supervisory Board
Stefanie Frensch	**Berlin, Germany**	**Management Board member, Familienstiftung Becker & Kries**
Benoît Hérault	**Uzès, France**	**Managing Director, Chambres de l'Artémise S.à r.l**
	Batipart Immo Long Terme, Spain	Independent Director
	Shaftsbury Fund Management, Luxemburg	Independent Director
	Batipart Immo Long Terme, Luxemburg	Senior Advisor
	Westbrock Real Estate, USA	Senior Advisor
Marianne Voigt	**Berlin, Germany**	**Managing Director, bettermarks GmbH**
	BDO AG Wirtschaftsprüfungs-gesellschaft	Member of the Supervisory Board
	DISQ Deutsches Institut für Service-Qualität GmbH & Co. KG	Member of the Advisory Board

Hamburg, February 18, 2020

alstria office REIT-AG

The Management Board

Olivier Elamine	**Alexander Dexne**
CEO	CFO

C. RESPONSIBILITY STATEMENT

To the best of our knowledge, we confirm that, in accordance with the applicable reporting principles, the Consolidated Financial Statements for 2019 give a true and fair view of the Group's assets, liabilities, financial position and profit or loss, and that the Group Management Report 2019 includes a fair review of the business's development and performance and the Group's position, together with a description of the principal opportunities and risks associated with the Group's expected development.

Hamburg, February 18, 2020
alstria office REIT-AG

The Management Board

Olivier Elamine	**Alexander Dexne**
CEO	CFO

D. INDEPENDENT AUDITOR’S REPORT

To alstria office REIT-AG, Hamburg

I. REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THEGROUP MANAGEMENT REPORT

1. OPINIONS

We have audited the consolidated financial statements of alstria office REIT-AG, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of alstria office REIT-AG for the financial year from January 1 to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

The group 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 consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report. The group 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, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

2. BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group 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 Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities 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 consolidated financial statements and on the group management report.

3. KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated 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 consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of Investment Property

For information on the valuation of investment property, please see the comments in the notes to the consolidated financial statements concerning valuation (‘accounting policies’ section) and the notes to the consolidated statement of financial position (‘investment property’ section).

THE FINANCIAL STATEMENT RISK

In the consolidated statement of financial position of alstria office REIT-AG as of December 31, 2019, the total value of investment properties amounted to EUR 4.4 bn. The investment property is measured at fair value according to IAS 40 in connection with IFRS 13. For 2019, a net gain of EUR 0.5 bn resulting from the fair value adjustment was recognized in the consolidated income statement.

The measurement of investment property at market value is carried out by independent valuation appraisers using a capitalized earnings valuation model ("hardcore and top slice"). The valuation date was December 31, 2019.

The fair values were determined by the accredited, external and independent valuation appraiser Savills Advisory Services Germany GmbH & Co. KG, Frankfurt am Main.

Besides information on the investment property, numerous assumptions are included in the measurement, which are subject to considerable estimation uncertainties and judgments. Even minor changes in the assumptions relevant to measurement may have a material effect on the resulting fair value. The key valuation assumptions used to measure the investment property as of the measurement date are market rents, vacancy periods and the capitalization rates.

There is a risk for the financial statements that, due to inaccurate or incomplete data provided by alstria office, the measurement of the investment property by the external experts is not appropriate. Estimation uncertainties and the incorrect exercise of judgment in relation to the relevant measurement parameters can also lead to inaccurate measurement results.

In addition, there is the risk for the financial statements that the disclosures on property held for investment required in the notes pursuant to IAS 40 and IFRS 13 are incomplete and inadequate.

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.

Including our KPMG valuation specialists in the audit we used a control-based audit approach to verify the completeness and accuracy of the utilized data concerning the real estate portfolios.

We assessed the internal control system used to assess the fair values determined by the external appraiser and tested the implemented controls.

Including our KPMG valuation specialists we further verified the qualifications and objectivity of the external appraisers commissioned by alstria office REIT-AG to assess the investment property and evaluated the valuation logic applied in their expert appraisals in terms of compliance with IAS 40 in conjunction with IFRS 13.

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

We assessed the appropriateness of the selected assumptions for measurement using a risk-based selection of real estate. In particular, we assessed the assumptions made to determine the real estate-specific market rents, vacancy periods and capitalization rates and reviewed these assumptions for appropriateness, taking into account the type and location of the real estate.

We also assessed the completeness and adequacy of disclosures on investment property required in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13.

OUR OBSERVATIONS

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

The disclosures on investment property in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13 are complete and appropriate.

4. OTHER INFORMATION

Management and the Supervisory Board are responsible for the other information. The other information comprises

- the corporate governance statement, which is referred to in the group management report,
- information extraneous to management reports and marked as unaudited, and
- the declaration of the executive directors for the compliance with the requirements of Section 11 to 15 G-REIT Act (REIT-Gesetz), and the composition of the proceeds concerning the pre-taxation of proceeds according to Section 19 (3) and Section 19a G-REIT Act.

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

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

Our opinions on the consolidated financial statements and on the group 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 consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

5. RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

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

6. AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group 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 Group’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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additio-nal requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for

our opinions.

- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group’s position it provides.
- perform audit procedures on the prospective information presented by management in the group 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 infor-mation 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 consolidated 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.

II. OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group 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 group 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).

III. GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Hamburg, February 18, 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Schmidt
Wirtschaftsprüfer
[German Public Auditor]

Drotleff
Wirtschaftsprüfer
[German Public Auditor]

E. REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

in this report, we explain the Supervisory Board's monitoring of and consultation with the Management Board, the key issues discussed by the full Supervisory Board and its committees, and the audit of the annual and consolidated financial statements for the reviewed year.

I. FOCUS OF THE DISCUSSION

The main topics discussed by the Supervisory Board and its committees in the 2019 financial year were business and financial situations, the Company's strategy, the corporate bond issue and major real estate transactions.

II. MONITORING AND ADVISING THE COMPANY'S MANAGEMENT

In the 2019 reporting year, we performed duties incumbent on us under the law and under the articles of association, we advised the Company's Management Board and we monitored its management. Based on the Management Board's reports, we thoroughly discussed business development as well as important decisions and events. The Supervisory Board was intensively involved in the Company's fundamental decisions. The Management and Supervisory Boards discussed in detail measures requiring approval. To the extent provided by law, by the articles of association or by the rules of procedure, the Supervisory Board voted based on thorough examination and consultation.

At Supervisory Board and committee meetings, the Management Board regularly informed the Supervisory Board in a timely and comprehensive manner about the Company's business development, financial situation, planning, important business transactions, risk situations, risk management and compliance. The Supervisory Board met regularly about individual agenda items even without the Management Board.

The Management Board also informed the Supervisory Board of the real estate portfolio's development, rental activities and important events via monthly reports between meetings. The chairmen of the Supervisory Board and the Management Board held informative and advisory meetings fortnightly.

III. BOARD MEMBERS

The Supervisory Board members did not change in the 2019 financial year. At the Annual General Meeting on May 22, 2019, the deputy chairman and the Supervisory Board member Mr. Benoît Hérault were reelected to the Supervisory Board, each for a 3-year term of office. The Supervisory Board confirmed the deputy chairman after his reelection, and the committees' composition changed slightly.

In the year under review, the Supervisory Board and its committees comprised the following members:

Supervisory Board member	Audit Committee	Nomination & Remuneration Committee	Finance & Investment Committee	CSR Committee
Dr. Johannes Conradi (chair)	–	Chair	–	Chair
Richard Mully (deputy chair)	–	Member[1)]	Chair	Member
Dr. Bernhard Düttmann	Member	–	Member[2)]	–
Stefanie Frensch	–	Member	Member	–
Benoît Herault	Member	Member[2)]	Member[1)]	–
Marianne Voigt	Chair	–	–	Member

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

The Supervisory Board reviewed the implementation status of their profile with concrete objectives regarding the composition, the competencies represented on the Supervisory Board and the diversity concept, which is presented in the Company's Corporate Governance Statement on pages 151 to 166 of the annual report. As of December 31, 2019, the Supervisory Board's composition meets these objectives, and the Supervisory Board's profile has been completely filled out.

The Supervisory Board's appointment procedure is described in the corporate governance statement. The Company supports new Supervisory Board members' inauguration by familiarizing them with the circumstances, the rules and the regulations of the Company and with the Supervisory Board's working methods. In addition, the Company supports the Supervisory Board's members in their training measures via regular internal training courses. No conflicts of interest occurred in the past financial year for members of the Supervisory or Management Boards.

IV. MEETINGS OF THE SUPERVISORY BOARD

The full Supervisory Board held four ordinary and two extraordinary meetings in the 2019 financial year. Based on detailed documents, we also made six decisions via circular resolution. In the 2020 financial year, one further meeting of the full Supervisory Board and one circular resolution took place until this report's completion.

At the regular Supervisory Board meetings, the Company's situation, development, course of business and market situation were discussed with the Management Board, and the Company's financial results (the interim quarterly and half-year financial reports and the annual and consolidated financial statements) were discussed. The committees' chairmen reported on the committees' work.

At an extraordinary meeting in January 2019, the Supervisory Board discussed the market outlook for the next two financial years and the Company's general strategic orientation with the Management Board and with an external consultant; the Supervisory Board approved major letting projects. In February 2019, the Supervisory Board decided (via written circulation) on the annual declaration of compliance with the recommendations of the German Corporate Governance Code which is submitted jointly with the Management Board.

At its balance sheet meeting in February 2019, the Supervisory Board dealt with the annual and consolidated financial statements as of December 31, 2018 and with the management reports, and it discussed these with the auditor. The Supervisory Board approved the annual financial statements of alstria office REIT-AG and the consolidated financial statements as of December 31, 2018 and agreed with the Management Board's proposal to appropriate the unappropriated surplus for the fiscal year 2018. The Supervisory Board also passed a resolution on its report to the Annual General Meeting for the 2018 financial year, dealt with the agenda items and proposed resolutions for the Annual General Meeting. The Supervisory Board discussed the variable remuneration for the Management Board's members. It decided on the results of the long-term variable remuneration element for the financial year 2015, on the short-term variable remuneration for the financial year 2018, (in each case considering individual performance), and on the parameters of the long-term variable remuneration of the Management Board's members for the financial year 2019. The resolutions were each adopted after a vertical remuneration comparison and were based on a recommendation from its nomination and remuneration committee. Finally, the Supervisory Board discussed the composition and succession of the Management Board.

At the ordinary meeting in May 2019, the Supervisory Board discussed with the Management Board the Company's shareholder structure and real estate transactions. It also approved the sale of a real estate portfolio and the lettings and related capital investments.

In September, the Supervisory Board approved (via circular resolution in each case) (i) issuing a corporate bond with a 6-years term, a coupon of 0.5 % and a total nominal value of EUR 400 million (in particular to refinance the Company's financial liabilities due in financial years 2020 and 2021) and (ii) it approved the conclusion of a lease agreement and the associated capital expenditure. At the ordinary meeting in September, the Management and Supervisory Boards discussed the Company's strategy. They discussed the positioning of the Company's largest properties and of the related development projects, advised on areas of activity and development opportunities regarding IT and on digitization opportunities. The Supervisory Board dealt with financing issues and the positive results from an external consultant's review of its composition and effectiveness of work.

At its extraordinary meeting in October 2019, the Supervisory Board intensified its discussions with the Management Board regarding the Company's strategic orientation and continued these discussions at its regular meeting in December 2019. The meeting in December also concerned the corporate and budget planning for the 2020 financial year, which the Supervisory Board discussed and approved with the Management Board. The Supervisory Board also discussed the current market environment, the planned real estate transactions and the real estate development projects planned for 2020 with the Management Board and issued the annual declaration of compliance with the recommendations of the German Corporate Governance Code. In December 2019, the Supervisory Board also made editorial amendments to the Company's articles of association (to reflect a capital increase from contingent capital) via a written circular procedure: A total of 176,925 new shares were issued to the Company's employees under the Company's employee participation plan.

In February 2020, the Supervisory Board passed a resolution via written circulation procedure on the corporate governance statement (with the Management Board and Supervisory Board profiles) and on procedural rules for the Corporate Social Responsibility Committee. At its balance sheet meeting in February 2020, the Supervisory Board dealt with the annual and consolidated financial statements as of December 31, 2019 and with the Management Board's proposal for appropriating profits. It passed a resolution on its report to the Annual General Meeting for the 2019 financial year, it discussed the agenda and the resolution proposals for the Annual General Meeting of the Company for the 2019 financial year with the Management Board, and it dealt with the variable remuneration for the Management Board's members.

Presence of the supervisory board members at the meetings

The presence of the Supervisory Board members at the meetings of the Supervisory Board in plenary session averaged 97 % in the 2019 financial year.

	Attendance at meetings*		Participation in %
Full Supervisory Board	regular meetings	extraordinary meetings	total
Dr. Johannes Conradi (Chairman)	4/4	2/2	100
Richard Mully (Deputy Chairman)	4/4	2/2	100
Dr. Bernhard Düttmann	4/4	2/2	100
Stefanie Frensch	3/4	2/2	83
Benoît Herault	4/4	2/2	100
Marianne Voigt	4/4	2/2	100
			Average: 97
Audit Committee			
Marianne Voigt (Chairwoman)	6/6		100
Dr. Bernhard Düttmann	6/6		100
Benoît Herault	6/6		100
Nomination and Remuneration Committee			
Dr. Johannes Conradi (Chairman)	3/3		100
Stefanie Frensch	3/3		100
Benoît Hérault (since May 2019	2/2		100
Richard Mully (until May 2019)	1/1		100
Finance and Investment Committee			
Richard Mully (Chairman)	2/2		100
Dr. Bernhard Düttmann (since May 2019	1/1		100
Stefanie Frensch	2/2		100
Benoît Hérault (until May 2019)	1/1		100
CSR Committee			
Dr. Johannes Conradi (Chairman)	1/1		100
Richard Mully	1/1		100
Marianne Voigt	1/1		100

* Participation in a meeting can also be via telephone or video conference.

V. COMMITTEES OF THE SUPERVISORY BOARD

The six-member Supervisory Board established four standing committees to support its work, each with at least three members. The committees prepare some of the Supervisory Board’s resolution via resolution recommendations; in some cases, decision-making powers were delegated to the committees to the extent permitted by law. In the 2019 financial year, the Supervisory Board’s committees primarily dealt with the following topics:

1. AUDIT COMMITTEE

The Audit Committee held six meetings in the 2019 financial year, each attended by the chief financial officer. At the beginning of the year, the Audit Committee dealt thoroughly with the property valuation as of December 31, 2018 and with the key audit matters selected by the auditors for the audit of the financial statements for the 2018 financial year. In February 2019, the Audit Committee discussed the annual financial statements and consolidated financial statements as of

December 31, 2018 and the management reports as part of the audit of the financial statements. It discussed the documents with the auditors, conducted a preliminary review of the annual and consolidated financial statements and of the Management Board's proposal for the appropriation of profits and submitted corresponding resolution proposals to the full Supervisory Board. The Audit Committee dealt with the auditor's report in accordance with Section 1 (4) of the REIT Act and with the non-auditing services provided by the auditors in the 2018 financial year. In the summer, the Audit Committee dealt with the valuation of properties as of June 30, 2019 and with the half-year financial report as of June 30, 2019. The Audit Committee also discussed these with the auditor and the Management Board prior to publication. The Company’s risk situation was discussed regularly. Other topics included the audit of the auditor’s independence and the auditor’s additional services in the 2018 financial year, the appointment of KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, as auditor and discussions of accounting, the accounting process, the risk management system, the material risks identified, the effectiveness of the internal control and audit system and the compliance system. The Audit Committee also discussed the internal audit’s results for the 2019 financial year and the process for reviewing the audit’s quality, and it approved certain non-auditing services provided by the auditors for the 2020 financial year.

2. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee met three times in the 2019 financial year. The Nomination and Remuneration Committee dealt with the remuneration of the Management Board and, in particular, discussed the amount of variable remuneration for the Management Board’s members, accounting for their individual performance in each case. It also submitted corresponding resolution proposals to the full Supervisory Board. The Nomination and Remuneration Committee also dealt with the implementation status of the share ownership obligation for members of the Management and Supervisory Boards. The Nomination and Remuneration Committee dealt with the Management Board’s composition and with the corresponding succession planning. Considering the review of the composition and effectiveness of the work of the Supervisory Board, the Nomination and Remuneration Committee also dealt with composition and succession planning for the Supervisory Board in the context of the terms of office of two members of the Supervisory Board who are up for reelection in the 2020 financial year. The Nomination and Remuneration Committee thoroughly discussed the requirements for competencies, diversity, independence and other composition aspects for the Management and Supervisory Boards. These requirements stem from applicable regulations, the recommendations of the German Corporate Governance Code and the expectations of investors, and the committee prepared a resolution proposal for the Supervisory Board regarding the profiles of the Company's Management and Supervisory Boards.

3. FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee held two meetings in the 2019 financial year and made one decision via written circular. During meetings with the Management Board, the committee discussed the financing strategy of alstria office REIT-AG and debated real estate transactions. The Finance and Investment Committee prepared a resolution recommendation for the Supervisory Board regarding a corporate bond and adopted a consent resolution pursuant to Section 114 of the German Stock Corporation Act (*AktG*) to obtain a second opinion from the law firm Freshfields Bruckhaus Deringer LLP, whose partner is the Supervisory Board's chairman. The fee volume was less than EUR 10 k. The committee also approved property sales carried out in the 2019 financial year and gave resolution recommendations concerning letting projects and related investments to the Supervisory Board.

4. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee held one meeting in fiscal year 2019 and discussed corporate social responsibility issues with the Management Board. With the Management Board, the committee discussed the alstria office REIT-AG reporting on sustainability and the possibilities to obtain the shareholders' approval for sustainable investments.

VI. AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, audited the annual financial statements and the management report of alstria office REIT-AG prepared by the Management Board as well as the consolidated financial statements - including the group management report for the fiscal year from January 1 to December 31, 2019 - and issued an unqualified audit opinion.

The annual financial statements and the management report of alstria office REIT-AG, the consolidated financial statements including the group management report as well as the proposal of the Management Board for the appropriation of the net income as well as the auditor's reports were made available to all Supervisory Board members immediately after their preparation. The Supervisory Board comprehensively reviewed documents prepared by the Management Board in the Audit Committee and in the plenary session. At the Audit Committee meeting and in the presence of all Supervisory Board members, the auditor reported on his audit's scope, focal points and main results (including the audit of the internal control and risk management system). The auditor addressed the particularly important audit issues (key audit matters) and the audit procedures and was available to answer questions. The Audit Committee prepared the audit by the Supervisory Board and dealt in particular with the key audit matters described in the auditor's report (Key Audit Matters), including the audit procedures performed. The full Supervisory Board examined and discussed the annual financial statements and consolidated financial statements prepared by the Management Board, along with the management reports, and the results of the audit. No objections were to be raised following the final result of the Supervisory Board's examination. The Supervisory Board approved the annual financial statements and the consolidated financial statements. The annual financial statements are thus deemed to be adopted. The Supervisory Board concurred with the Management Board's proposal for appropriating the net profit.

The Supervisory Board thanks the Management Board and all employees for their high level of personal commitment and success in the 2019 financial year.

Hamburg, February 2020

For the Supervisory Board

Dr. Johannes Conradi
Chairman of the Supervisory Board

F. CORPORATE GOVERNANCE STATEMENT

This declaration, pursuant to Section 289f and 315d of the German Commercial Code (*Handelsgesetzbuch*, HGB), describes the working methods of the Management Board and Supervisory Board as well as the composition and working methods of the Supervisory Board committees, the diversity concepts for the Management Board and Supervisory Board composition, the provisions to promote the women's participation in management positions in accordance with Section 76 para. 4 and with Section 111 para. 5 of the German Stock Corporation Act (*Aktiengesetz*, AktG), the declaration of compliance in accordance with Section 161 AktG and relevant information on corporate governance practices. The declaration also includes the Corporate Governance Report of the Management Board and Supervisory Board and is part of the management report of alstria office REIT-AG (**alstria**) and the Group.

I. MANAGEMENT BOARD AND SUPERVISORY BOARD

The German stock corporation is legally required to have a dual management system, which provides a strict personnel and functional separation between the Management Board as the management body and the Supervisory Board as the monitoring and advising body. Within this dual management system, the Management Board and the Supervisory Board cooperate closely and faithfully in the Company's interest.

1. MANAGEMENT BOARD

As of December 31, 2019, the Management Board of alstria office REIT-AG consists of two members:

Member		First appointment	Appointed until
Olivier Elamine	Chief Executive Officer	10/2006	31.12.2022
Alexander Dexne	Chief Financial Officer	06/2007	31.12.2022

The Management Board manages the Company on its own responsibility in the Company's interests with the aim of creating sustainable value. In particular, the Management Board determines the corporate goals and - in coordination with the Supervisory Board - the Company's fundamental strategic orientation. Furthermore, the Management Board ensures the observation of legal provisions and internal guidelines by the Group companies (Compliance). In addition, the Management Board ensures that an appropriate internal control and risk management system is in place.

The management Board members are jointly responsible for the Company's overall management. Fundamental matters or financially significant material matters stipulated by law, by the Articles of Association or by the rules of procedure for the Management Board, are decided by the Management Board as a whole. The Management Board's resolutions are passed by a simple majority, whereby a unanimous vote shall generally be sought. Certain resolutions on the Company's significant business transactions are also subject to approval by the Supervisory Board. The Management Board reports regularly to the Supervisory Board. At least once a year, the Management Board reports on the intended business policy and on other fundamental issues of corporate planning for the Company and the Group. The Management Board reports regularly (at least quarterly) on the state of business, particularly on sales revenues and income, material indicators and the net assets development, financial position and operation results. The work of the Management Board, the allocation of responsibilities between the individual the Management Board's members and the reporting and information obligations to the Supervisory Board are detailed in the rules of procedure for the Management Board.

The Management Board's members are obligated to the Company's interest. They must immediately disclose any conflicts of interest to the Supervisory Board. Major business transactions between the Company and the Management Board's members, or any persons or companies closely associated to them, require the Supervisory Board's approval. All such business transactions must be concluded at customary commercial conditions. The Management Board's members require the Supervisory Board's approval to conduct secondary activities, particularly memberships in supervisory boards of companies not affiliated with the Group. The members of alstria's Management Board had no conflicts of interest in the reporting year. There were no contracts regarding such business transactions between the Company and Management Board members or persons or companies closely associated with them during the reporting period. The CEO serves on supervisory boards of companies outside of the Group with the approval of the Company's Supervisory Board. A list of the memberships of the Management Board members in supervisory boards of listed companies or in supervisory boards of companies with comparable requirements pursuant to Section 285 No. 10 HGB can be found on page 131 of the Company's annual report.

2. PROFILE FOR THE MANAGEMENT BOARD

alstria office REIT-AG's Supervisory Board strives for a Management Board composition that provides all the knowledge, skills and experience necessary to best manage the Company. Therefore, with due consideration of alstria's specific situation, the Supervisory Board established this profile of skills and expertise and diversity concept with targets for the composition of the Management Board (**Profile for the Management Board**) pursuant to Section 289 f HGB, Section 76 (3) AktG and to the German Corporate Governance Code.

The Company's articles of association provide that the Management Board shall consist of one or more members. The Supervisory Board decides on the exact number of Management Board members, the Management Board's individual staffing and the Management Board's chairman. The identification of adequate candidates for the Management Board is based on a due analysis of the current and future challenges of the Company in the light of the targets as described in this Profile for the Management Board. First-time Management Board members are appointment for no more than 3 years; any reappointment of existing Management Board members prior to 1 year before the end of their appointment period at the same time as termination of their current appointment will only happen if special circumstances apply.

2.1. Requirements for all management board members

All Management Board members shall have the personal qualification for being a member in the Company's Management Board and shall each meet the legal as well as the following requirements:

- a managerial mindset,
- integrity,
- a capacity for interaction and teamwork,
- leadership skills and persuasive power,
- communication skills,
- an ability to balance risk appetite and risk avoidance,
- relevant education and sufficient professional experience and
- an age of up to 65 years, as a general rule.

2.2. Requirements for the entire Management Board

Viewed as a whole, the members of the Management Board shall have all knowledge, skills and experience needed. In particular, always at least one Management Board member shall have due / be duly:

- expertise regarding real estate management (ideally in the management of office properties, acquired in a comparable company);
- knowledge of the German real estate market;
- skills in the sectors real estate transactions, asset management/letting, project development, real estate valuation and all other relevant business divisions;
- experience in defining, setting and executing corporate strategy and an ability to implement profound change and ensure good communication;
- familiar with the requirements concerning corporate governance and investor communication, gained within a listed company (ideally with a comparable market capitalization);
- experience in leadership and corporate management (ideally acquired in a comparable company) and
- experience in corporate finance and capital markets (ideally acquired in a comparable company).

The composition of the Management Board shall also reflect internationality in terms of diverse cultural backgrounds and international experience of the Management Board members.

2.3. Diversity

- The members of the Management Board shall complement one another in terms of their backgrounds, professional experience and expertise in order to let the leadership benefit from diverse sources of experience, skills and points of view on corporate challenges.
- In the recruitment process, the candidates are treated neutrally in terms of sex and age and will be assessed according to their qualifications.

2.4. Status of implementation

In February 2020, the Supervisory Board concluded that the Profile for the Management Board is currently fully implemented.

3. SUPERVISORY BOARD

The alstria office REIT-AG's Supervisory Board is composed exclusively of shareholder representatives. As of December 31, 2019, the Supervisory Board comprised the following six members:

Supervisory Board member			Committee memberships			
	Member since	Appointed until[1]	Audit committee	Nomination & remuneration committee	Finance & investment committee	CSR committee
Dr. Johannes Conradi (Chair)	01/2007	2020	–	Chair	–	Chair
Richard Mully (Vice Chair)	01/2007	2022	–	–	Chair	Member
Dr. Bernhard Düttmann	01/2017	2021	Member	–	Member	–
Stefanie Frensch	01/2016	2021	–	Member	Member	–
Benoît Hérault	04/2012	2022	Member	Member	–	–
Marianne Voigt	10/2011	2020	Chair	–	–	Member

[1] Until the close of the Annual General Meeting.

The Supervisory Board advises the Management Board on the management of the Company and monitors how it conducts business. The Management Board involves the Supervisory Board in decisions of fundamental importance to the Company. To this end, the rules of procedure for the Supervisory Board stipulate that its approval is required, for example, for the acquisition or disposal of real estate property, the conclusion of financing agreements with a consideration or volume of more than EUR 30 million, the conclusion or early termination of lease agreements with a total annual consideration of more than EUR 2 million, and investment in assets the Company assets (modernization measures) not provided for in the budget approved by the Supervisory Board that exceed an annual total of EUR 2 million. Supervisory Board resolutions are adopted through a majority of votes by the number of Supervisory Board members as specified in the Articles of Association, unless otherwise required by law. Resolutions are generally passed at ordinary or extraordinary meetings. Supervisory Board members may attend Supervisory Board meetings in person or via telephone, video conference or similar audiovisual means. However, personal attendance is the rule. Supervisory Board resolutions may also be adopted outside of meetings by means of written, telephonic or electronic communication if the Chairman permits this for the individual case.

The Supervisory Board regularly reviews, whether internally or with the assistance of external consultants, how effectively the Supervisory Board as a whole and its committees perform their duties.

During the 2019 financial year, positive results were observed through an effectiveness assessment conducted with the support of a consulting firm and by means of online questionnaires and individual discussions.

The Supervisory Board elects a Chairman and a Deputy Chairman from among its members. The Chairman of the Supervisory Board coordinates the Supervisory Board's work, chairs its meetings and attends to its affairs externally. The Chairman maintains regular contact with the Management Board and discusses strategy, planning, business development, the risk situation, risk management and corporate compliance with its members. The Management Board immediately informs the Chairman of important events that are of material significance for assessing the situation, as well as development and management. If necessary, the Chairman then informs the Supervisory Board and, when appropriate, convenes a Supervisory Board meeting. The Chairman and Deputy Chairman of the Supervisory Board also occasionally hold discussions with investors on Supervisory Board-specific topics.

All Supervisory Board members are committed to the Company's interests and do not pursue personal interests in their decisions. Conflicts of interest must be disclosed to the Supervisory Board. In the case of resolutions for which a conflict of interest exists, the Supervisory Board member concerned abstains from voting. The approval of the Supervisory Board is required for Company contracts concluded with third parties in which a member of the Supervisory Board has a significant interest, in which he or she is a member of the Supervisory or Management Board, and which have an economic value of more than EUR 0.5 million or a total value of EUR 1 million within 12 months.

There were no conflicts of interest on the part of alstria's Supervisory Board members during the reporting period. There were also no contracts for corresponding transactions between the Company and third parties in which a member of the Supervisory Board had a significant interest or was a member of the Supervisory or Management Board.

Supervisory Board members ensures that they have sufficient time to perform their duties. alstria's website contains the member's curricula vitae and an overview of their main activities in addition to their Supervisory Board mandate. A list of the memberships of the Supervisory Board members on supervisory boards or similar supervisory bodies of non-Group companies in accordance with Section 285 no. 10 of the HGB can also be found in the annual report on page 132.

4. SUPERVISORY BOARD COMMITTEES

To manage its tasks efficiently, the Supervisory Board has formed four standing committees from among its members: an audit committee, a finance and investment committee, a nomination and remuneration committee and a purely advisory and preparatory corporate social responsibility committee. Each committee has its own rules of procedure, which further regulate the committee's affairs, tasks and decision-making powers, where appropriate.

4.1. Audit Committee

The Audit Committee deals with the Company's accounting and accounting process, risk management, internal control and audit system and compliance. In addition, the Audit Committee deals with the selection and independence of the auditors, the awarding of the corresponding audit mandate, the determination of key audit areas, the auditors' compensation, audit quality and additional services provided by the auditor.

4.2. Finance and Investment Committee

The Finance and Investment Committee discusses the Company's financing strategy and grants Supervisory Board approval for the acquisition or disposal of real estate properties or other assets and the conclusion of financing agreements, provided that the consideration for the transaction or the underlying financing volume is between EUR 30 million and EUR 100 million. Transactions and financing agreements that exceed this amount must be submitted to the full Supervisory Board for approval. The Finance and Investment Committee also grants Supervisory Board approval for the conclusion or early termination of lease agreements with third parties with a total annual consideration of more than EUR 2 million, as well as for contracts with Supervisory Board members, in accordance with Section 114 of the AktG.

4.3. Nomination and Remuneration Committee

The Nomination and Remuneration Committee prepares resolutions for the full Supervisory Board on the appointment and dismissal of Management Board's members, the Management Board's compensation system and the total compensation of individual Management Board members. Furthermore, it deals with the determination or amendment of the rules of procedure for the Management Board, and the approval of certain other activities and material contracts of a management Board member. The Nomination and Remuneration Committee decides on the conclusion, amendment, extension and termination of the Management Board members' contracts and, with the exception of remuneration, on the content of such contracts. Finally, the committee prepares the Supervisory Board's resolution on election proposals to the Annual General Meetings for suitable Supervisory Board members.

4.4. Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee deals with corporate social responsibility issues, such as CO2 targets, environmental and energy management policies as well as the impacts of a potential climate change and of legislation related to corporate social responsibility on the Company and its business, the Company's sustainability reports as well as CSR ratings.

The Supervisory Board reports on its activities and its committees' work during the 2019 financial year in its report to the Annual General Meeting on pages 143 to 150149 of the annual report.

5. PROFILE FOR THE SUPERVISORY BOARD

alstria office REIT-AG's Supervisory Board shall ensure proper consultation with and control of the Management Board. Therefore, Supervisory Board members shall have the knowledge, skills and experience necessary to properly fulfill their duties and complement one another. For this reason, the Supervisory Board has established this profile of skills and expertise and diversity concept with targets for the composition of the Supervisory Board ("**Profile for the Supervisory Board**") according to Sec. 289 f German Commercial Code and the German Corporate Governance Code. Thereby, the Supervisory Board has especially considered alstria's specific situation and shareholder structure.

5.1. Requirements relating to all members of the Supervisory Board

5.1.1. General profile of qualification

- Managerial or operational experience
- Availability and willingness to dedicate sufficient time
- Discretion and integrity
- Capacity for interaction and teamwork
- Leadership skills and persuasive power
- Willingness to engage in regular and independent advanced training
- Age of up to 70 years, as a rule;
- Maximum duration of the board membership of 20 years, as a rule;
- No board membership, no advisory function excluding independence with and no personal relationship to a significant competitor of the Company.

5.1.2. Overboarding

Besides membership on alstria office REIT-AG's Supervisory Board, a Supervisory Board member

- who is not a member of the management board of a listed company, shall, as a rule, not permanently have more than four further supervisory board mandates, with a chairmanship counting for two.
- who is a member of the management board of a listed company shall, as a rule, not permanently have more than one further supervisory board mandate, and shall not accept the chairmanship of a supervisory board.

Therefore, supervisory board mandates with externally listed companies or comparable functions in non-listed companies with registered seats in Germany and abroad are taken into account.

5.2. Requirements relating to the composition of plenum and committees

5.2.1. Skills and experience

- Viewed as a whole, the members must be familiar with the real estate sector. At least two members shall have due expertise in the office real estate market.
- The Chairman of the Audit Committee shall have gained special expertise and experience either in accounting, the application of accounting principles and internal control systems or in the audit of annual statements (e.g., as the chief financial officer of a comparable company or as the principal of an audit firm). The Chairman of the Audit Committee shall not chair the Supervisory Board.
- At least two members shall have strong international backgrounds. At least two members shall have strong German backgrounds.
- At least one member shall have experience as management board member (ideally as chief executive officer of a listed company) and be familiar with stakeholder management.

5.2.2. Diversity

The members of the Supervisory Board shall complement one another in terms of background, professional experience and skills, in order to provide the Supervisory Board with the most diverse sources of experience and skills possible.

5.2.3. Independence and conflicts of interest

A Supervisory Board member is independent from the Company and its management as long as it has no personal or business relationships with the Company or its Management Board, which could cause a substantial and not merely temporary conflict of interest.

A Supervisory Board member is independent from a controlling shareholder if neither the Supervisory Board member nor a close family member is controlling shareholder, nor a member of the executive governing body of the controlling shareholder nor has a business or personal relationship with the controlling shareholder that may cause a substantial and not merely temporary conflict of interest.

The Supervisory Board assesses the independence of its individual members according to its own dutiful discretion by considering the applicable criteria. Should the Supervisory Board come to the conclusion that a Supervisory Board member is independent even though there are opposing criteria, the Supervisory Board will give reasons for this assessment in the corporate governance statement. A membership of more than 12 years in the Supervisory Board does not exclude the independence as long as there are no further criteria for a missing independence.

- At least four members of the Supervisory Board shall be independent from the Company and its Management Board.
- Should the Company have a controlling shareholder, at least three members of the Supervisory Board shall be independent from the controlling shareholder.

- The Chairman of the Supervisory Board, the Chairmen of the Audit and Nomination and Remuneration Committees shall be independent from the Company and its Management Board. The chairmen of the Supervisory Board and of the Audit Committee shall furthermore be independent from a controlling shareholder.
- No more than two Supervisory Board members shall be former members of the Management Board.

5.3. Procedure for the appointment of Supervisory Board members

alstria appoints Supervisory Board members using a structured process. The Supervisory Board submits nominations to the Annual General Meeting for each vacant Supervisory Board position. The Supervisory Board’s Nomination and Remuneration Committee is then preparing these recommendations for election.

The Supervisory Board chooses the candidates whom it recommends to the Annual General Meeting for election as follows: Annually, the Supervisory Board assesses the effectiveness of its work – every three years this is done by an external advisor – and checks the composition of the Supervisory Board and whether the targets laid down in the Profile for the Supervisory Board are met. The Supervisory Board also checks whether the targets need to be adjusted in the light of alstria’s current situation and circumstances which might have evolved. In the light of these results the Supervisory Board assesses in the first place, whether it would be appropriate to recommend to the Annual General Meeting to reappoint the Supervisory Board member whose term of office will end with the next Annual General Meeting. Otherwise, the Supervisory Board will search for external candidates for the vacant position with the help of an external advisor and thereby strives at fulfilling the Profile for the Supervisory Board.

In its election proposals to the Annual General Meeting, the Supervisory Board discloses the personal and business relationships of every candidate with the Company, the Management and Supervisory Boards and any shareholders with a material interest in the Company. The election proposals go along with a curriculum vitae, providing information on the candidate’s relevant knowledge, skills and professional experience and an overview of the candidate’s material activities in addition to the Supervisory Board mandate. The curricula vitae of all Supervisory Board members are updated annually and published on the Company’s website.

The Supervisory Board agreed recommending to the Annual General Meeting to elect Supervisory Board members for a term of three years. Two members of the Supervisory Board have parallel terms of office. As a result, every year, the Annual General Meeting of shareholders elects two members of the Supervisory Board and the membership in the Supervisory Board is being refreshed regularly. The Annual General Meeting of shareholders is electing each member of the Supervisory Board individually. Where an application is made for the appointment of a Supervisory Board member by the court, the term of that member will be limited until the next Annual General Meeting.

5.4. Status of implementation

In line with the appointment procedure described above, the Supervisory Board members Benoît Hérault and Richard Mully were proposed for re-election at the Annual General Meeting in spring 2019 and elected to the Supervisory Board in May 2019 for a further term of three years. All the objectives set out in the Profile for the Supervisory Board are currently implemented, and the Profile is being fully completed by the full Supervisory Board in terms of the set general requirements, over boarding rules, skills and expertise, diversity, independence and conflicts of interest.

The Supervisory Board considers the members Dr. Johannes Conradi and Richard Mully to be independent despite their thirteen years of membership on the Supervisory Board of the Company. They are particularly very familiar with the Company's affairs. This enables them to use their expertise for the benefit of the Company. The Supervisory Board also does not see any other criteria that stand in the way of independence. Neither of the two members has a significant business relationship with the Company or any of its subsidiaries. Likewise, there are no family or other personal relationships. The occasional advice given to the Company by the law firm Freshfields Bruckhaus Deringer LLP, of which Dr. Johannes Conradi is a partner, does not conflict with the independence of Dr. Johannes Conradi, as the advice given in each case concerns nonessential matters of the Company. Accordingly, the remuneration paid to Freshfields Bruckhaus Deringer LLP in each of the last three financial years was less than EUR 10 k. Furthermore, these mandates are exclusively handled by other lawyers and not by Dr. Johannes Conradi. The Supervisory Board therefore continues to regard both longstanding members as independent of the Company and the Management Board.

The following table illustrates the achievement of the independence and over boarding targets in the Supervisory Board as at December 31, 2019:

Member	Term of office[3] (in years)	Former member of the management board[4]	Independent[5]	Current management board member of a listed company	Number of mandates in external supervisory boards [6]	Over boarded
Dr. Johannes Conradi (Chair) [1]	13	no	yes	no	0	no
Richard Mully (Vice Chair)	13	no	yes	no	2	no
Dr. Bernhard Düttmann	3	no	yes	yes	1	no
Stefanie Frensch	4	no	yes	no	0	no
Benoît Hérault	8	no	yes	no	0	no
Marianne Voigt [2]	8	no	yes	no	0	no

[1] Chair of the Nomination and Remuneration Committee.

[2] Chair of the Audit Committee.

[3] As at December 31, 2019.

[4] Of alstria office REIT-AG.

[5] Of the Company, the Management Board and a controlling shareholder (in the opinion of the Supervisory Board).

[6] In a non-group, listed company or comparable functions in a non-listed company with headquarters in Germany and abroad, whereby a Supervisory Board Chairmanship counts twice.

The following table illustrates the knowledge and experience of the single members of the Supervisory Board:

Member	Real estate sector	Office real estate	International Background	German Background	Experience as Management Board	Financial expert
Dr. Johannes Conradi (Chair)	X	X	X	X		X
Richard Mully (Vice Chair)	X	X	X		X	
Dr. Bernhard Düttmann			X	X	X[1)]	X
Stefanie Frensch	X			X	X	
Benoît Hérault	X	X	X		X[1)]	X
Marianne Voigt				X	X	X

[1)] As CEO of a non-group, listed company.

II. WOMEN IN LEADING POSITIONS

Employees and their development within the Company are of central importance for society in order to achieve sustainable success. When filling management position in the Company, the Management Board pays attention to diversity and, in particular, strives to give appropriate consideration to women. The Management Board determined a target figure of at least 30 % for the proportion of women in the first management level below the Management Board (Head of Departments) in accordance with Section 76 para. 4 AktG. This target figure has been achieved with 41.7 % as of December 31, 2019 and applies until December 31, 2021. Due to the lack of an additional management level with decision-making competence and budget responsibility, there was no need to determine a target figure for women's participation in the second management level.

The Supervisory Board had set a target figure of 0 % for the proportion of women on the Management Board in accordance with Section 111 para. 5 AktG. This figure has been achieved as of December 31, 2019 and applies until December 31, 2021.

For the participation of women in the Supervisory Board, the Supervisory Board determined in accordance with Section 111 para. 5 AktG a target figure of at least 30 %. This target figure has been achieved with 33.33 % as of December 31, 2019 and applies until December 31, 2021.

III. GERMAN CORPORATE GOVERNANCE CODE

The recommendations and suggestions of the Government Commission, as appointed by the German Federal Ministry of Justice, contain internationally and nationally accepted standards of good and responsible corporate governance. Our declarations of compliance with the recommendations of the German Corporate Governance Code pursuant to Section 161 AktG are published on the Company's website (www.alstria.com). alstria complied and complies with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017 ('**Code**') with the few exceptions stated in the declaration of compliance.

These exceptions and the reasons for the Company's nonconformity are set out in the declaration of compliance as last issued by the Management Board and the Supervisory Board on December 5, 2019:

Declaration of compliance, dated December 5, 2019

"Since the prior declaration of compliance, dated February 12, 2019, the Company has — apart from the exceptions stated below — complied with the recommendations of the 'Government Commission German Corporate Governance Code' in the version as amended on February 7, 2017. The Company intends to continue to comply with the recommendations of the Code as amended on February 7, 2017, to the same extent:

Deductible for D&O insurance for the Supervisory Board, Section 3.8 of the Code

The D&O insurance for the alstria office REIT-AG Supervisory Board does not comprise a deductible. The Supervisory Board believes its members will carry out their duties responsibly irrespective of any such deductible.

Change of performance targets for elements of variable remuneration, Section 4.2.3 of the Code

The short-term incentive remuneration element of the Management Board is mainly based on the achievement of a funds from operations per share (FFO per share) target. In the event that the achieved FFO per share in a financial year is positively and materially impacted by new acquisitions, the Supervisory Board adjusts the FFO per share target accordingly. In doing so, the Supervisory Board ensures the Management Board is not incentivized to enter into acquisitions by means of achieving personal short-term benefits. The impact of any acquisition on management remuneration is solely linked to multi-year remuneration elements, therefore aligning the interest of the Management Board with those of the Company and its shareholders. Vice versa, the Supervisory Board adapts the FFO per share target to disposals. Furthermore, the FFO per share target will be adjusted to changes in the Company's share capital carried out in the relevant financial year.

Determination of a level of benefits for the private pension plan, Section 4.2.3 of the Code

As the Company has opted for a defined contribution model for the private pension plan of the Management Board members for reasons of transparency and risk management, the Supervisory Board has not fixed a level of benefits for the private pension plan of the Management Board members. The Supervisory Board believes it is in the best interest of the Company to have a defined contribution model rather than a defined benefit model, as the defined contribution does not create any unforeseen future liability for the Company.

Discussion of the financial reports by the Supervisory Board or its Audit Committee and the Management Board prior to their publication, Section 7.1.2 of the Code

The quarterly interim statements are made available to the Supervisory Board prior to their publication and are discussed with the Supervisory Board in detail soon after publication. In the event of considerable differences to the budget or business plan as approved by the Supervisory Board, the Supervisory Board is given the opportunity to discuss the figures with the Management Board before they are published. Half-year financial reports are discussed with the Audit Committee of the Supervisory Board prior to publication. The Management Board and Supervisory Board consider this approach appropriate and adequate."

IV. CORPORATE MANAGEMENT PRACTICES

To achieve a value-oriented and trust-building corporate management, alstria applies management practices that go beyond the legal requirements.

1. CORPORATE GOVERNANCE

In managing the Company, the Management Board and the Supervisory Board of alstria office REIT-AG are aware of their responsibility towards the shareholders, employees, tenants and business partners of alstria. Good corporate governance strengthens the trust of our stakeholders and is therefore the basis for our decision-making and control processes. It stands for a responsible, value and long-term success-driven governance and control of the Company, a targeted and efficient cooperation between the Management Board and the Supervisory Board, respect for the interests of our shareholders and employees, transparency and responsibility in all entrepreneurial decisions as well as an appropriate risk management.

alstria office REIT-AG has implemented large parts of the recommendations and suggestions of the Code and thus goes beyond the legal requirements. A corporate governance officer in the Company reports to the Management Board and the Supervisory Board at least once a year and whenever necessary any changes to the German Corporate Governance Code. alstria thus ensures that these principles are observed throughout the Company.

2. INTEGRITY AND COMPLIANCE

Behavior with integrity is one of alstria's most important principles. The trust of shareholders, tenants, employees and business partners depends crucially on the conduct of each individual. The Company's Management Board has therefore implemented a compliance management system to ensure compliance with legal requirements and internal guidelines and also sets standards for fair treatment of business partners, competitors and employees.

A code of conduct for employees sets our principles of conduct, provides guidance in conflict situations (e.g. conflict of interest) and thus serves as a model and orientation for correct behavior for all employees of the company. The code of conduct is published on the alstria website. The Compliance Officer is responsible for communicating these values to the employees by means of in-house training for all employees and by answering questions on the implementation of the code of conduct as well as internal guidelines. Compliance of the code of conduct is monitored by colleagues, superiors and the Compliance Officer, as well as by regular reviews by an auditor. alstria has also set up a telephone hotline at a law firm where employees can anonymously report violations of the code of conduct or the Company's internal guidelines. In addition, the Management Board regularly discusses the Company's compliance with the Audit Committee of the Supervisory Board. Violations of the code of conduct will not be tolerated and will be fully investigated and sanctioned. This may include disciplinary measures up to and including termination of employment, the assertion of claim for damages and criminal charges.

Integrity is also an essential condition for building trusting partnership and cooperation with our business partners. For this reason, alstria has introduced a code of conduct for its service providers, craftsmen, suppliers and business partners, which describes fundamental legal and ethical requirements. This code of conduct for service providers is published on the website of alstria and defines the Company's expectations of integrity and compliant behavior of its business partners.

3. COMMUNICATION AND TRANSPARENCY

Transparent corporate governance and good communication with the shareholders and the public help to strengthen the confidence of investors and the public in alstria's work.

3.1. Relationship to the shareholders

alstria respects the rights of its shareholders and guarantees to the best of its ability to exercise these rights within the legal and statutory framework. These rights include, in particular, the free acquisition and free sale of shares, the participation in the Annual General Meeting, adequate satisfaction of the need for information and adequately distributed voting rights per share (one share - one vote). Shareholders have the option of exercising their voting rights at the Annual General Meeting in person or through a proxy of their choice of a company-appointed proxy bound by instructions. The invitation to the Annual General Meeting explains how instructions for exercising voting rights can be issued. The documents convening the Annual General Meeting can also be sent electronically at the request of the shareholder. The convening notice and the documents to be made available for inspection in accordance with the statutory provisions will be published on alstria's website together with the agenda and the additional documents pursuant to Section 124a AktG. The Annual General Meeting of alstria office REIT-AG is usually chaired by the Chairman of the Supervisory Board, who aims to hold the Annual General Meeting within a time window of no more than four to six hours. Following the Annual General Meeting, the voting results will also be announced on alstria's website.

3.2. Communication with the public

When sharing information with persons outside the Company, the Management Board follows the principles of transparency, promptitude, comprehensibility and equal treatment of shareholders. alstria informs its shareholders and the interested public about the Company’s situation and about significant business events, in particular through financial reports, analyst and press conferences, press and ad-hoc announcements and the Annual General Meeting. The alstria website provides comprehensive information about the Company, its shares and other financial instruments, the share price development as well as notifications of directors’ dealing in accordance with Article 19 of the Market Abuse Regulation (Regulation (EC) No. 596/2014 of the European Parliament and the Council) (Directors’ Dealings). Furthermore, alstria publishes a financial calendar in its financial reports and on its website, listing all dates of importance to shareholders. The notices and information are additionally published in English.

3.3. Financial reporting

alstria regularly informs shareholders and third parties during each financial year by means of the consolidated and half-year financial statements, as well as quarterly interim statements. The accounting of the alstria Group is based on the International Financial Reporting Standards (IFRS) as applied in the European Union. For corporate low purposes (calculation of dividends, creditor protection), financial statements for alstria office REIT-AG are prepared in accordance with the national commercial law (HGB).

The Annual General Meeting appoints the independent auditor for alstria office REIT-AG and the Group as well as for the audit review of the interim financial reports. Following the election by the Annual General Meeting, the Audit Committee of the Supervisory Board awards the mandate for the audit of the financial statements and agrees the fee with the auditor. It is agreed with the auditors that the auditors will inform the Audit Committee without delay of all finding and events of significance for their duties which come to their attention during the performance of the audit. In the event that the auditor, during the performance of the audit, discovers facts which indicate that the declaration of compliance with the German Corporate Governance Code issued by the Management Board and Supervisory Board in accordance with Section 161 AktG is incorrect, an obligation to provide information and disclosure in the audit report is agreed.

The auditor participates in the meetings of the Audit Committee and the full Supervisory Board to discuss the financial statements of alstria office REIT-AG and the consolidated financial statements of the Group. The auditor also participates in the meeting of the Audit Committee to discuss the half-year financial report. In the meetings, the auditor presents the main results of the respective audit. KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, was appointed to audit the annual and half-year financial statements of alstria office REIT-AG and of the Group for the 2019 financial year and for further interim financial reports until the next ordinary general meeting in 2020. Since the financial year 2018, René Drotleff has been the auditor directly responsible for auditing the financial statements of alstria office REIT-AG and the Group.

4. SUSTAINABILITY

alstria's sustainability approach is based on a three-pillar model and considers the effects of business activities in the areas of economy, ecology and social issues. As a commercial organization, alstria's main objective is to increase the value of the Company on a sustainable basis. It strives to generate the best possible return on its capital in the long-term. alstria's sustainability approach is not exclusively focuses on the environment, as the economic and social impacts of its activities is also taken into account. The Company weighs the risk-benefit ratio of all three areas before making any decisions and adapts its actions to what it feels is the most viable course of action in each case. The result of this approach is that alstria might not always make decisions that maximize its short-term profit, but strives to follow the path that will produce the best long-term prospects for the Company.

alstria's sustainability approach and performance in the three sustainability areas, as well as future goals are described in detail in the Company's annual sustainability report. The report is available on alstria's website.

February 2020

The Management Board **The Supervisory Board**

G. 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.

I. 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.

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. 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. 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				Alexander Dexne			
	CEO				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.

1.2. 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.

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.

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

2.2. Variable remuneration elements

2.2.1. 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]:

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

[1] Simplified representation.

2.2.2. 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** **25% of stock awards**	**x**	**Relative TSR** **Absolute TSR**	**=**	**amount of stock awards**	**x**	**multiplier**	**=**	**amount of stock awards**

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

[1] Simplified representation.

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.

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.

II. 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.

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. 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.

H. REIT DISCLOSURES

I. REIT DECLARATION

Statement of the management board

In relation to the financial statements according to Section 264 of the German Commercial Code (*Handelsgesetzbuch,* HGB) and the IFRS consolidated financial statements according to Section 315e HGB as per December 31, 2019, the Management Board issues the following declaration regarding compliance with the requirements of Sections 11 to 15 of the REIT Act (German Real Estate Investment Trust Act) and regarding how the composition of income subject to and not subject to income tax is calculated for the purposes of Section 19 paragraph 3 REIT Act, in conjunction with Section 19a REIT Act:

1. As per balance sheet date, to our knowledge, 71.21 % of alstria's shares were free float according to Section 11 paragraph 1 REIT Act. This was communicated in writing to the German Federal Financial Supervisory Authority (BaFin) on January 7, 2020.
2. In accordance with Section 11 Paragraph 4 REIT Act, as per balance sheet date, no shareholder directly owned 10 % or more of our shares or shares of such an amount that he or she held 10 % or more of the voting rights.
3. In relation to the sum of the assets pursuant to the consolidated statements less the distribution obligation and the reserves pursuant to Section 12 paragraph 2 REIT Act
   a) As per the balance sheet date, the immovable assets amounted to EUR 4,476,472 k, which equals 89.01 % of the assets; therefore, at least 75 % of the assets are immovable assets.
   b) The assets belonging to the property of REIT service companies as per balance sheet date which were included in the consolidated statements amount to a maximum of 20 %, namely EUR 1,367 k and therefore 0.03 %.
4. In relation to the sum of the entire sales revenue plus the other earnings from immovable assets pursuant to the IFRS consolidated financial statements (Section 12 paragraph 3 and 4 REIT Act)
   a) For the financial year 2019, the entire sales revenues plus other earnings from immovable assets amounted to EUR 696.5 million. This equals 100 % of total revenues plus other earnings from immovable assets;
   b) The sum of the sales revenue plus the other earnings from immovable assets of the REIT service companies amounted to EUR 110 k in the financial year 2019. This equals 0.02 % of the Group's total revenue plus other earnings from immovable assets.

5. In financial year 2019, a dividend payment of EUR 92,257 k for the prior financial year was distributed to the shareholders. Financial year 2018 resulted in a net gain amounting to EUR 85,524 k, according to commercial law, pursuant to Section 275 HGB.
6. alstria office REIT-AG's dividend is not derived from already taxed parts of the annual profit.
7. Since 2015, the Group has realised 26.06 % of the average portfolio of its immovable assets and therefore did not trade with real estate, according to Section 14 REIT Act.
8. On the balance sheet date, the Group's equity was EUR 3,175.6 million, as shown in the IFRS Consolidated Financial Statements. This equals 70.94 % of the value of the immovable assets shown in the consolidated financial statements, in accordance with Section 12 paragraph 1 REIT Act (Section 15 REIT Act).

Hamburg, February 18, 2020
alstria office REIT-AG

Olivier Elamine	**Alexander Dexne**
CEO	CFO

II. REIT MEMORANDUM

Auditor’s memorandum according Section 1 (4) REIT Act

To alstria office REIT-AG, Hamburg

As auditor of the annual financial statements and the consolidated financial statements of alstria office REIT-AG, Hamburg, for the financial year from January 1 to December 31, 2019, we have audited the information given in the attached declaration of the management board members for the compliance with the requirements of Section 11 to 15 of the REIT Act and the composition of the proceeds concerning the pretaxation of proceeds according to Section 19 (3) and Section 19a REIT Act as of December 31, 2019 (hereinafter referred to as “REIT declaration”). The information given in the REIT declaration is in the responsibility of the management board of the Company. Our responsibility is to express an opinion on the information given based on our audit.

We conducted our audit considering the audit guidance promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW): Particularities concerning the audit of a REIT stock corporation according to Section 1 (4) REIT Act, a pre-REIT stock corporation according to Section 2 Clause 3 REIT Act and the audit according to Section 21 (3) Clause 3 REIT Act (IDW PH 9.950.2). Therefore, we have planned and performed our audit to make a judgment with reasonable assurance if the free float ratio and the maximum stock ownership per shareholder according to Section 11 (1) and (4) REIT Act agrees with the announcements due to Section 11 (5) REIT Act as of December 31, 2019 and if the provided information concerning the requirements of Sections 12 to 15 REIT Act and the composition of the proceeds concerning the pretaxation of proceeds according to Section 19a REIT Act is appropriate. It was not part of our engagement to fully assess the companys tax assessments or position. Within our audit procedures we compared the information concerning the free float ratio and the maximum stock ownership per shareholder according to Section 11 (1) and (4) REIT Act provided within the REIT declaration with the announcements due to Section 11 (5) REIT Act as of December 31, 2019 and agreed the provided information concerning the requirements of Sections 12 to 15 REIT Act with the information disclosed in the annual financial statements and the consolidated financial statements of the Company. Furthermore, we tested the adjustments made to the valuation of immovable assets held as investment for their compliance with Section 12 (1) REIT Act. We believe that our audit provides a reasonable basis for our opinion.

In our opinion based on the findings of our audit, the information given in the REIT declaration concerning the free float ratio and the maximum stock ownership per shareholder due to Section 11 (1) and (4) REIT Act agrees with the announcements made according to Section 11 (5) REIT Act as of December 31, 2019 and the information provided concerning the compliance with Sections 12 to 15 REIT Act and the composition of the proceeds concerning the pretaxation of proceeds according to Section 19a REIT Act are appropriate. This memorandum is solely provided for submission to the tax authorities of the city of Hamburg within the tax declaration according to Section 21 (2) REIT Act and is not to be used for other purposes.

The order in whose fulfillment we provided abovenamed services for alstria office REIT-AG was based on the General Engagement Terms for Certified Public Accountants and Auditing Companies dated 1 January 2017 (Annex 3.). By acknowledging and using the information contained in this memo, each recipient confirms that he/she has taken note of the regulations made therein (including the liability regulation under no. 9 of the General Engagement Terms) and acknowledges their validity in relation to us.

Hamburg, February 18, 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Schmidt
Wirtschaftsprüfer
[German Public Auditor]

Drotleff
Wirtschaftsprüfer
[German Public Auditor]

I. FINANCIAL CALENDAR/IMPRINT

I. FINANCIAL CALENDAR

Events 2020	
April 23	**Annual General Meeting**
May 5	**Publication of Q1** Interim report
August 11	**Publication of Q2** Half-year interim report
November 5	**Publication of Q3** Interim report Publication of sustainability report

II. CONTACT/IMPRINT

alstria office REIT-AG is a member of DIRK (Deutscher Investor Relations Verband, the German Investor Relations Association).

Other reports issued by alstria office REIT-AG are posted on the Company's website.

Forward-looking statements

This annual report contains forward-looking statements. These statements represent assessments which we have made on the basis of the information available to us at the time. Should the assumptions on which the statements are based not occur, or if risks should arise the actual results could differ materially from the results currently expected.

Note

This report is published in German (original version) and English (non-binding translation).

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