



**FINANCIAL STATEMENTS PURSUANT  
TO GERMAN GAAP AND MANAGEMENT REPORT**  
for the Financial Year 2014

**Translation:** German version prevails

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# alstria office REIT-AG, Hamburg

## MANAGEMENT DISCUSSION AND ANALYSIS 2014

### ECONOMICS AND STRATEGY

#### ECONOMIC CONDITIONS

The German economy again proved to be solid in 2014. Germany's GDP increased by 1.5%, which is 0.8 percentage points more than its growth in 2013 (0.7%) and above the average growth of the last 10 years (+1.2%).\* This development was also reflected in the German labour market, resulting the unemployment rate decreasing by 0.5 percentage points to 6.4% in comparison to 2013. The employment level reached a peak of 42.7 m or 0.9% more than last year.\*\*

The German real estate market developed in a positive manner in 2014. The total investment volume on the commercial real estate market rose to approx. EUR 39.8 bn and was therefore 30% higher than in the previous year and the highest since 2007. Domestic and international investors preferred the stable German real estate market to others, which appears to be very attractive with regard to its risk/return profile.\*\*\*

#### Overview of the German office property market

##### *Development of office rents*

In 2014, prime rents for office space developed positively at the most important commercial real estate sites, namely Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich und Stuttgart – the so called 'Big-7'. On average, prime rents increased by around 0.6%. An increase was achieved in Munich at 4.8% (EUR 33.00 per sqm) and Stuttgart at 2.7% (EUR 19.00 per sqm). In Hamburg the prime office rents increased by 2.1% (EUR 24.50 per sqm). In Berlin (EUR 22.00 per sqm), Frankfurt (EUR 35.00 per sqm) and

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\* Federal Statistics Office (Statistisches Bundesamt).

\*\* Federal Employment Agency (Bundesagentur für Arbeit).

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

Cologne (EUR 22.00 per sqm) prime rents remained at previous year level. Rents only decreased in Düsseldorf, respectively by 5.5% (EUR 26.00 per sqm).

### ***Take-up in major German cities***

The vacancy rate of office properties in German cities decreased from 8.3% in 2013 to 7.6% in 2014, which represents a total vacancy of 6.81 million sqm (decrease by 0.51 million sqm). Comparing the Big-7, the highest vacancy rate was noted in Düsseldorf (10.9%), followed by Frankfurt (10.4%), Berlin (7.7%), Hamburg (6.8%), Munich (6.6%), Cologne (6.5%) and Stuttgart (5.2%).

### ***New lease-up***

In 2014, new lease contracts were signed in the seven major German cities for more than 3.02 million sqm of office space. This reflects a slight increase by 0.09 million sqm or 3.0% as compared to the previous year. The highest increases were registered in Berlin (35.6%), Hamburg (19.3%), Stuttgart (8.1%) and Munich (2.6%). Some decreases were noted in Düsseldorf (22.1%), Frankfurt (14.2%) and Cologne (13.2%).

### ***New office supply***

In 2014, the delivery of new office and commercial spaces increased by approx. 988,000 sqm. Compared to last year this is an increase of 11.0%, which is mainly due to the completions of developments in Düsseldorf (56.0%), Frankfurt (31.2%) and Berlin (16.3%). For 2015, a slight increase of the completion volume (approx. 1,000,000 sqm) is forecasted.

### ***Investment markets***

The positive trend on the investment markets continued in the fiscal year 2014. Total investment volume approx. amounted to 30% (EUR 39.8 bn for commercial assets) higher than previous year results. The transaction volume in 2014 thus represents the highest volume since 2007. The Big-7 cities recorded a transaction volume of around EUR 23.0 bn. The highest transaction volumes were recorded in Frankfurt (EUR 5.5 bn), Munich (EUR 5.0 bn) and Berlin (EUR 4.4 bn).

The investment market has continued to focus on core assets, which are characterized by their good condition, good location and a long-term, attractive letting status. The average prime yield for commercial office real estate was 4.45%. With regard to the deal structure, approx. 70% of the commercial investment turnover in fiscal year 2014 related to single deals, whereas the share of portfolio transactions amounted to 30%.

## STRATEGY AND STRUCTURE

alstria office REIT-AG (hereafter referred to as 'company') is a real estate company listed on the Frankfurter stock exchange. The alstria group consists of the parent company alstria office REIT-AG and 19 subsidiaries (nine general partners, nine limited partnerships holding assets and one REIT service company; hereafter referred to as 'alstria' or 'group'). Operational decisions are made at parent company level. Although the major part of the assets is allocated to the alstria office REIT-AG, 15 properties were respectively held by eight subsidiaries as at December 31, 2014.

alstria follows a long term investment strategy for its portfolio. alstria's strategy is essentially based on the following assumptions:

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

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

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

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

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

> alstria has a long-term leased-portfolio (around 6.5 years weighted average unexpired lease term (WAULT)). 69% of the rental income derives from a small number of high-quality tenants. Around 38% of rental income is generated from public authorities or institutions, which are not immediately affected by economic developments.

> alstria pursues a non-trading strategy and focuses on long-term value creation through conducting work on and with the building, i.e. classic Asset- and Property-Management. At alstria these activities are handled internally, which positively differentiates the company from its competitors.

> A key element of alstria's strategy is supporting tenants in optimising their real estate operating costs. From the tenants' point of view low real estate operating expenses are crucial in the decision process for or against a rental agreement. alstria believes that an active Asset- and Property-Management in terms of optimising costs offers new potential for future successful letting activities.

## FINANCIAL ANALYSIS

### EARNINGS POSITION

The following table shows the key operating figures of the audited income statements for the financial years 2014 and 2013:

#### Profit and Loss Statement

	2014	%	2013	%	Change
in EUR k	of oper.perf.		of oper.perf.		
Total operating performance	82,425	100.0	89,486	100.0	-7,061
Other operating income	27,596	33.5	20,775	23.2	6,821
Cost of purchased services	-15,764	-19.1	-15,565	-17.4	-199
Personnel expenses	-7,793	-9.5	-7,126	-7.9	-667
Depreciation	-41,305	-50.1	-32,633	-36.4	-8,672
Other operating expenses	-17,651	-21.4	-35,388	-39.6	17,737
Net financial result	-24,128	-29.3	-31,293	-35.0	7,651
<b>Net result for the year</b>	<b>3,380</b>	<b>4.1</b>	<b>-11,744</b>	<b>-13.1</b>	<b>15,124</b>

## **OPERATING PERFORMANCE 2014**

The net result for the financial year of 2014 is EUR 3,380 k (2013 net result of EUR 11,744 k). As the Company is exempt from income tax, no expenses arose due to taxes in 2014. Therefore, the consolidated net loss is equal to the loss before tax.

The increase of the net result by EUR 15,124 k was significantly influenced by the reduction in other operating expenses (EUR 17,737 k), the decrease of interest expenses and similar expenses by EUR 7,294 k, in addition to the increase of other operating income by EUR 6,821 k.

This effect was partly compensated by an increased requirement for depreciation (EUR +8,672 k), a decrease in total operating performance by EUR 7,061 k as well as increased personnel expenses by EUR 667 k.

### **Total operating performance**

alstria's total operating performance decreased in the financial year 2014, primarily due to a decline of let area, mainly as a result of the disposal of land and buildings during the period. In the reporting period revenues amounted to EUR 82,839 k. Along with the changes in inventories of EUR -414 k, alstria's total operating performance amounted to EUR 82,425 k (previous year EUR 89,486 k).

### **Other operating income**

Other operating income (EUR 27,596 k) includes, among other items, proceeds from the release of provisions (EUR 10,509 k), proceeds from appreciations on land and buildings (EUR 9,132 k), proceeds from compensation for early leasing termination (EUR 3,710 k), reimbursement for service charges (EUR 1,236 k), as well as proceeds from property disposals (EUR 1,133k).

To an amount of EUR 9,617 k the increase in other operating income (EUR +6,821 k) resulted from an income from reversal of accruals, mainly due to the reversal of provisions for contingent losses concerning financial derivatives (EUR +9,573 k). Furthermore, the proceeds from appreciations on land and buildings increased by EUR 3,650 k, as compared to the previous period. The gain resulted from increased market values on investment property. Finally the proceeds from compensation for deferred maintenance on buildings and renovations increased by EUR 2,631 k.

The increase was partly compensated by the reduction of property disposal proceeds (EUR -9,669 k). In connection with the disposal of two real estate properties and trade fixtures, alstria realised proceeds in an amount of EUR 1,133 k during the reporting period.



In comparison, alstria disposed of nine real estate properties in the previous period, gaining proceeds of EUR 10,802 k.

### **Cost of purchased services**

The cost of purchased services is comprised of rental surcharge expenses passed on to tenants, including costs concerning vacant area. They were capitalized at an amount of EUR 9,864 k as work in progress. Next to a slight reduction in lettable area, the cost of purchased services decreased by EUR 199 k to EUR 15,764 k mainly due to expenses for refurbishment projects.

### **Personnel expenses**

Personnel expenses amounted to EUR 7,793 k in the reporting period. The increase of EUR 667 k as compared to the previous year primarily results from an increase in expenses for performance related payments (EUR 647 k). They relate to expenses from payroll tax deductions due to participation certificates. Proceeds arising from this transaction are recognised in other operating income at the exact same amount, hence having a neutralising effect. As a conversion of bonds took place in 2013, this effect did not arise in the prior year. Adjusted personnel expenses therefore increased by EUR 20 k.

### **Depreciation and amortisation**

Compared to the previous year depreciation and amortisation increased by EUR 8,672 k to EUR 41,305 k as at December 31, 2014. The effect is mainly due to a rise in extraordinary depreciation on fixed assets. The extraordinary depreciation increased by EUR 6,667 k as compared to the previous period.

### **Other operating expenses**

Other operating expenses amounted to EUR 17,651 k. They include, amongst others, real estate operating expenses (EUR 9,556 k), legal and consulting fees (EUR 2,079 k), Depreciations of derivative financial instruments (EUR 984 k), losses on property disposals (EUR 588 k) as well as IT-Costs (EUR 518 k).

Other operating expenses decreased by EUR 17,737 k as compared to the fiscal year 2013. The previous period was significantly influenced by the expenses for the recognition of provisions for contingent losses (EUR 15,740 k). Moreover, the previous year's amount includes expenses for a reduction in the notional amount of an interest swap (EUR 4,234 k).

The increase was partially offset by the increase of losses, resulting from depreciation of derivative financial instruments, due to a reduction of fair values on the balance sheet date (EUR -984 k). Furthermore, legal and consulting fees increased (EUR +775 k) mainly due

to expenses for non-recurring strategic projects as related to the further development of the Group (EUR +303 k), as well as additions to litigation provisions (EUR +202 k). At the same time real estate operating expenses increased (EUR +631 k) especially due to an increase in brokerage commissions concerning new leases of real estate properties in the reporting period.

## Financial result

in TEUR	2014	2013	Change (in %)
Interest expense syndicated loan	-9,335	-9,666	-3.4
Interest expense other loans	-2,212	-1,930	14.6
Interest result derivatives	-11,271	-19,329	-41.7
Interest expenses convertible bond	-2,184	-1,189	83.7
Other interest expenses	-476	-658	-27.7
<b>Financial expenses</b>	<b>-25,478</b>	<b>-32,772</b>	<b>-22.3</b>
Income from participating interests	314	826	-62.0
Other interests and similar income	1,071	1,276	-16.1
Write down on longterm financial assets	-35	-623	-94,4
<b>Net financial result</b>	<b>-24.128</b>	<b>-31.293</b>	<b>-22.9</b>

Compared to the previous period financial expenses decreased by EUR 7,294 k to EUR 25,478 k. This development is mainly due to a reduction of the average loan interest rate. Moreover, the average loan utilization was lower than in the previous financial year.

Income from participating interests amounted to EUR 314 k and resulted from a profit distribution of a joint venture company.

Depreciation of financial assets (EUR 35 k) was concerned with extraordinary depreciations on the net book value of a joint venture company. The net book value was depreciated to the amount of its fair value of EUR 412 k due to an estimated permanent impairment.

## FINANCIAL AND ASSET POSITION

On the balance sheet date alstria owned 60 real estate properties (in 2013: 61). The following table illustrates alstria's change in investment property in 2014:

### Change in Land and Buildings (in EUR m)

<b>Land and Buildings as at December 31, 2013</b>	<b>1,102.36</b>
Investments	<b>42.87</b>
Adjustments	<b>1.92</b>
Disposals	<b>-39.88</b>
Appreciation	<b>9.13</b>
Extraordinary depreciation	<b>-11.70</b>
Ordinary Depreciation	<b>-29.10</b>
<b>Land and Buildings as at December 31, 2014</b>	<b>1,075.60</b>

The line item land, property rights and buildings decreased by EUR 26.8 m. During the reporting period two properties were purchased a total acquisition cost of EUR 40.18 m, an amount of EUR 2.69 m was invested in the existing portfolio. Adjustments of EUR 1.92 m resulted from constructions in progress that were completed during the period. Two properties with a total carrying amount of EUR 3,679 k were disposed of. At sales prices of EUR 4,715 k in total, the transfer resulted in an accounting profit of EUR 1,036 k. The contribution of two further real estate properties to a subsidiary to their fair value of EUR 35,700 k at carrying amounts of EUR 36,197 k in total, resulted in accounting profits of EUR 79 k and accounting losses of EUR 577 k.

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

<b>Asset</b>	<b>City</b>	<b>Sales price (EUR k)<sup>1)</sup></b>	<b>Signing SPA</b>	<b>Transfer of benefits and burdens</b>
<b>Disposals</b>				
Ernstthaldenstr. 16	Stuttgart	3,300	03/07/2014	05/31/2014
Spitzweidenweg 107	Jena	1,415	09/02/2014	10/31/2014
<b>Contributions</b>				
Hauptstätter Str. 65-67	Stuttgart	19,500	12/27/2013	01/01/2014
Immermannstraße 40	Hamburg	16,200	12/27/2013	01/01/2014
<b>Total</b>		<b>40,415</b>		
<b>Acquisitions</b>				
Elisabethstr. 5-11	Düsseldorf	30,475	09/26/2014	11/01/2014
Hansaallee 247	Düsseldorf	9,700	09/26/2014	11/01/2014
<b>Total</b>		<b>40,175</b>		

<sup>1)</sup> Excluding transaction costs.

Appreciations on land and buildings at an amount of EUR 9,132 k resulted from increased market values on investment property. Extraordinary depreciation of property, plant and equipment of an amount of EUR 11,704 k based on decreased market values.

Compared to December 31, 2013 financial assets increased by EUR 35,977 k to EUR 219,382 k as at December 31, 2014. The increase resulted mainly from a contribution of two real estate properties at their fair value of EUR 35,700 k to a subsidiary, as well as a contribution of an amount of EUR 2,205 k to an entity in which alstria holds a participating interest. The effect was reduced by a withdrawal of equity of an amount of EUR 1,156 k as well as an unscheduled impairment of EUR 35 k on another entity alstria holds a participating interest in. Additionally, the loans to affiliates decreased by EUR 728 k.

Inventories decreased by EUR 414 k to EUR 22,554 k as compared to the previous balance sheet date. The reduction is mainly a result of a decrease in area let.

Receivables from affiliated companies decreased by EUR 6,320 k to an amount of EUR 20,617 k, as compared to the previous balance sheet date. Due to taking out loans and the disposal of real estate properties the subsidiaries received liquid funds. In the context of the cash flow agreement, the liquid funds were transferred to the alstria's accounts and reduced the receivables from the respective subsidiaries.

The Company's cash position decreased from EUR 81,417 k to EUR 33,982 k. The decline is a result of fund inflows from equity and loans, reduced by the use of funds for investments, the dividend payment and the cash inflow from rental income.

Total equity amounted to EUR 673,496 k, reflecting an equity ratio of 44.1 %. This represents a decrease as compared to 45.8 % in the prior year. The decrease of the equity rate is mainly based on the decrease of equity (EUR -35,917 k) resulting from distributions (EUR -39,467 k) mitigated by the net profit of the year (EUR +3,380 k).

Additionally, liabilities increased by EUR 9,851 k as compared to the prior year, due to increased payables to affiliated companies, which were compensated by the reduction of provisions as well as bank loans and overdrafts.

To an amount of EUR 9,573 k the reduction in provisions resulted from the release of provisions for contingent losses related to the negative market value of derivative financial instruments that are not in a hedge position with the floating interest rate expenses for a loan.

The reduction of bank loans and overdrafts as compared to the previous year is mainly due to amortizations on the syndicated loan (EUR 37,893 k), mitigated by the raise of a loan in an amount of EUR 22,939 k.

As at December 31, 2013 EUR 538,963 k of the syndicated loan were utilized. The short term portion of EUR 37,893 k was amortized during the reporting period. As at December 31, 2014 the loan values amounted to a total of EUR 501,070 k.

In the reporting period, alstria took over the loan of a subsidiary with a value of EUR 23,200 k and redeemed an amount of EUR 261 k. On the balance sheet date the residual value of the loan stood at EUR 22,939 k.

The convertible bond loan issued in the year 2013 amounts unchanged to EUR 79,400 k.

As at December 31, 2014 prepayments received increased by EUR 949 k to EUR 22,876 k as compared to the previous period . Liabilities include prepayments for ongoing expenses received from the tenants.

Payables to affiliated companies increased by EUR 32,378 k to EUR 70,250 k as compared to December 31, 2013. In the reporting period, two subsidiaries of alstria took out loans of a total amount paid out of EUR 30,505 k. Due to the group's cash pool agreement, the disbursement of the loans increased alstria's liquid funds as well as, by the same amount, payables to affiliated companies. The sale proceeds of a property that an affiliate disposed of during the reporting period increased payables to affiliated companies by an additional EUR 6,150 k in the same way.

The effect of the loan disbursements and the sale proceeds is partially compensated by a cash outflow concerning the subsidiaries, due to expenses for the management of their properties.

Other liabilities increased by EUR 881 k to EUR 3,128 k as compared to December 31, 2013. To an amount of EUR 859 k the increase resulted from the increase in warranty deductions due to refurbishment projects.

## **FINANCIAL MANAGEMENT**

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

## **CORPORATE MANAGEMENT**

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

For financial year 2014 the Company forecasted revenues of around EUR 102 m, which have been achieved as planned. In 2014 FFO totalled EUR 47.6 m. Hence the forecast has been exceeded by EUR 0.6 m. Higher property operating expenses were slightly overcompensated by higher other operating income.

The company also monitors the progress of its LTV, the G-REIT equity ratio and its liquidity. alstria's LTV of the loan financing improved from 50.9% as at December 31, 2013 to 49.3% as at the end of financial year 2014. The G-REIT equity ratio accounted for 50.2% as compared to 50.9% in the previous year and the statutory rate of 45%.

# **RISK AND OPPORTUNITY REPORT**

## **RISK REPORT**

### **Risk Management**

alstria has implemented a Group-wide structured risk management and an early warning system in accordance with Section 91 (2) of the German Stock Corporation Act (AktG). All risks are recorded, evaluated and monitored on an at least quarterly basis. The aim of alstria risk management strategy is to minimise or, where possible, completely avoid the

risks associated with entrepreneurial activity in order to safeguard the company against potential losses, and against risks to the company going concern. The system of the early detection of risks is in active use. The company's risk identification process allows the early identification of sources of any potential new risks on an ongoing basis. Risk mitigation measures are defined in order to undertake any necessary steps to circumvent the identified risks, i.e., to insure, diversify, manage or avoid risks.

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

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

### ***Structure of risk management system***

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

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

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

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

**alstria's areas of risk and risk categories**

<b>Risk categorie</b>	<b>Risk owner</b>
Strategic risks	Finance & Controlling
Operational risks	Real Estate Operations
Compliance risks	Legal
Financial risks	Finance & Controlling

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

In addition, the divisions report their respective risks and opportunities to the Management Board in weekly meetings. The Management Board must be notified of any risks immediately via ad-hoc announcements, which represent a potential economic loss of more than EUR 1.0 m.

By monitoring the risk management system, alstria is able to continually improve and adapt its structures and processes.

***Risk valuation***

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

**Classification according to likelihood**

<b>Probability/likelihood of occurrence</b>	<b>Description</b>
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	Grad der Auswirkung
Greater than 0.0 to 0.3	minor
Greater than 0.3 to 0.75	low
Greater than 0.75 to 3.0	moderate
Greater than 3.0 to 7.5	high
Greater than 7.5	critical

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

#### Risk classification

Probability					
highly likely	L	M	H	H	H
likely	L	M	M	H	H
possible	L	L	M	M	H
unlikely	L	L	L	M	M
very unlikely	L	L	L	L	M
<b>Degree of impact</b>	minor	low	moderate	high	critical

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

alstria office REIT-AG's risk management system was not exposed to any significant changes as compared to the previous year.

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

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

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

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

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

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

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

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

## Description and assessment of risks

In accordance with alstria's risk management system, all material risks inherent to the future development of alstria Group's position and performance are described in this chapter. The individual risks described relate to the planning period from 2015 to 2017.

### Corporate risks

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

### Strategic risks

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

### ***Market environment risks***

For alstria Group, market environment risks are derived from macro-economic developments and their impact on respective real estate markets. An economic downturn in the German market could result in a decreasing number of employees and in turn be reflected in lower demand for office properties. For alstria this would lead to a higher risk of vacant space or lower rental income. The demand for goods and services may also be affected by what happens next in the financial markets and the sovereign debt in individual countries. The development of the euro and sovereign debt crisis in these countries, rising unemployment and the resulting uncertainty amongst customers might also affect the German markets by a decrease in demand for goods and services from these markets. To date, however, the German market has proven to be unimpressed and stable in spite of such circumstances.

As opposed to last year, no direct impact on the overall strategic risk situation that can be linked to the macroeconomic environment can currently be identified.

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

### ***Risks in relation to changes of the legal environment***

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

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

### ***Risk of inefficient organisational structures***

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

### ***Operational risks***

alstria's operational risk management deals with property-specific risks and general business risks. This includes, among others, vacancy risk, the creditworthiness of tenants and

the risk of falling market rents. Personnel-related risks such as loss of know-how and competences due to fluctuation of staff are also monitored in this risk area. alstria applies various early warning indicators to monitor these risks. Ongoing insurance checks such as rent projections, vacancy analyses, the control of the lease terms and termination clauses are designed to help identify potential dangers and risks.

### ***Vacancy risk***

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

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

### ***Shortfall of rental payments***

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

### ***Maintenance risk***

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

### ***Refurbishment projects***

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

### ***Employees***

The skills and motivation of alstria's employees are decisive factors in the company's success. A risk of losing knowledge results from the fluctuation of staff as well as from not recruiting sufficiently qualified experts to fill vacancies in the company in good time. Both cases could result in a shortfall of suitable experts and key personnel, which could endanger alstria's competitive advantages in its markets as well as its further growth opportunities. alstria mitigates these risks through the following measures: selective, needs-oriented skills-development of the existing staff, strengthening its image as an attractive employer, university marketing, promoting employee motivation through strong leadership and corporate culture and profit-oriented variable remuneration schemes. Overall, alstria estimates the described risks to be at a low level (L), which corresponds to the situation at the end of the previous year.

### ***IT security***

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

### ***Property transactions***

alstria is exposed to risks related to the acquisition and disposal of real estate properties. Related risks are not revealing all or the full extent of the risks and liabilities associated with properties in the due diligence examination carried out or the risks associated with or inherent to the valuation method used to value the property. In case of the disposal of real estate assets alstria usually gives certain warranties to the potential purchaser regarding factual and legal matters of the property in question. It cannot be fully ruled out that alstria's management is not aware of a risk covered by certain elements and warranties given in the sales agreement. As a result, there is generally a risk that alstria (as the seller) may be charged for breach of warranty by a prospective purchaser. From a purchasing perspective, alstria is exposed to the risks that hidden deficiencies on land and / or proper-

ty are not observed or unfavourable contractual agreements are transferred to the Company, resulting in additional future costs.

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

### ***Environmental risks***

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

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

### ***Compliance risks***

#### ***G-REIT legislation***

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

Certain requirements have to be met by the Company in order to qualify for and retain its designation as a G-REIT. The most significant requirements are as follows: The G-REIT must be a stock corporation listed on an organised market and its registered office and management must be in Germany. Its registered share capital must amount to at least EUR 15 m. All shares must be voting shares of the same class. Free float must be at least 15% and no investor may directly hold 10% or more of the shares, or shares that represent 10% or more of the voting rights. Furthermore, at least 75% of assets must consist of real estate and at least 75% of gross income must be generated from real estate. At least 90% of annual profits as resulting under German GAAP-accounting must be distribut-

ed to shareholders and the G-REIT's equity may not fall below 45% of the fair value of its real estate assets as recorded under IFRS.

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

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

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

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

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

The G-REIT equity ratio is 50.2% on the balance sheet date. Accordingly, alstria complies with the minimum G-REIT equity ratio requirement according to section 15 G-REIT-Act (REITG). Nonetheless, the risk that alstria may fail to meet the minimum G-REIT equity ratio of 45% in the following three consecutive years remains. As stated above it would then face the prospect of losing its status as G-REIT and its tax exemption. The three-year forecast until December 31, 2017, excludes the possibility that alstria will lose its G-REIT status by falling short of the 45% barrier.

### **Compliance risks**

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



ance-related topics. The materialization of compliance risks is assessed to be unlikely (L) unchanged to the previous year.

### ***Litigation***

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

### ***Financial risks***

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

### ***Refinancing risks***

The Group's main financial instruments such are bank loans and derivative financial instruments. The main purpose of the bank loans is to finance alstria's business activities. Derivative financial instruments include interest swaps and caps. The purpose of these derivative financial instruments is to hedge against interest risks arising from the Company's business activities and its sources of finance. The main risks arising from the Group's financial instruments are cash flow risks, interest rate risks and liquidity risks. The alstria Group's current debt ratio is approx. 52.2%. This is a reasonable rate compared to the average leverage of German real estate companies. alstria's syndicated loan facility agreement allows for a loan-to-value ratio (LTV) of up to 70%. After refinancing the main loan in financial year 2013, alstria managed to fix the loan LTV at 49.3% on the relevant test date. The risk of a covenant breach was encountered effectively.

According to plan the next refinancing of the main part of alstria's loans will be necessary in 2020. Thus, the risk of refinancing on unfavourable terms is limited for the time being (L).

### ***Breach of Covenants***

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

### ***Interest rate risk***

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

alstria's hedging policy allows the use of a combination of plain vanilla swaps and caps in order to limit the Company's exposure to interest rate fluctuations. It still provides enough flexibility to allow for the disposal of real estate assets, avoiding any cost linked to an over-hedged situation. The interest base for the financial liability (loan) is the three-month EURIBOR, which is adjusted every three months. The maturity of the derivative financial instruments is linked to the term of maturity of the loans. Derivative financial instruments mainly relate to interest swaps, in which the Company agrees to exchange the difference between fixed and variable interest rate amounts with its contract partners at specified intervals, as calculated by reference to an agreed notional principal amount. Interest caps were further acquired in order to cap the interest at a set maximum. If the maximum interest rate is exceeded, the difference between the actual interest rate and the cap rate is paid out. In this way all existing floating rate loans were secured over a period of at least three years as at balance sheet date. Interest rate risk is currently considered to be low (L). A year earlier because part of the loan was not secured by interest rate derivative financial instruments, last years' risk classification was classified at a medium (M) level.

### ***Liquidity risk***

One of alstria's core processes is cash management. The Company manages its future cash position and monitors its progress on a daily basis. A cash-forecasting tool is used to

prevent liquidity risks. As a basis for analysis this liquidity-planning tool makes use of the expected cash flows from business activities and the maturity of the financial investments.

Having implemented refinancing in 2013, the major liquidity risk resulting from the balloon repayment on the main syndicated loan facility was successfully averted. Since the new syndicated loan facility will not be due until mid-2020, the liquidity risk resulting from repayment obligations is currently, as in the previous year, mitigated (L).

### **Valuation risks**

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

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

### **Counterparty risk**

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

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

### ***Tax risks***

REITs are completely exempt from corporate income tax and trade tax. As a result tax risks can only arise in the case of loss of the REIT status or at subsidiary-level. Additionally the Group as a whole faces risks from value added tax, real estate transfer tax and property tax. Furthermore, it is possible that changes in tax laws or their interpretations can result in a higher tax liability also for prior tax periods that have not yet been finally approved. Due to the income tax exemption as a REIT and a consistent monitoring of tax relevant issues by internal and external tax experts, the probability of a tax loss is considered to be limited. Since certain tax-related issues, such as real estate transactions or valuations of assets and liabilities as well as a re-entry into the tax liability could result in high tax obligations over the three-year risk period, the risk impact is considered to be significant. This fact results in an overall tax risk level, which is unchanged from the previous year's average (M) control risk.

### ***Overall risk assessment by the Management Board***

alstria office REIT-AG consolidates and aggregates all risks reported by the different business units and functions adhering to its risk management policy. Compared to the previous year, the overall risk situation of alstria remained stable. In financial year 2014 only minor or immaterial changes were noted in alstria's risk level matrix for risks categorised as high (H) or medium (M). At the end of the year, risks categorised as 'high' accounted for 0.0% (2013: 1.1%,) of all identified risks while risks categorised as 'medium' accounted for 44.4% (2013: 46.3%) of all identified risks.

On the one hand this is due to the economic environment in Germany, which so far has proven to be relatively stable despite the sovereign debt crisis in some European countries and the uncertainties concerning the Euro currency. On the other hand, the company's stable funding position, conservative level of debt and its solid-REIT equity ratio support this assessment.

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 12.7 m as at the balance sheet date.

In our view, the risks described in our aggregated risk report neither threaten our ability to continue as a going concern individually nor cumulatively in terms of their likelihood of

occurrence and level of impact. This applies both to the single Group companies and the Group.

## **REPORT ON OPPORTUNITIES**

### **Management of opportunities**

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

Growth and earnings opportunities of alstria result both from the existing real estate portfolio and the acquisition of properties, which have a certain earnings potential. Depending on the level of a property's life cycle, opportunities may be found in the re-positioning and development, the strengthening of tenant relationships or in selling the property.

The funding that is necessary for the implementation of these activities is safeguarded by the financing activities of the company. Here, opportunities lie in ensuring sustainable financing on favourable terms.

The evaluation of opportunities is partially carried out in the context of the annual budget planning or on an ongoing or occasional basis during the year. The process starts with the careful analysis of the market environment and the market opportunities of the properties held in the portfolio. These include the assessment of different criteria like tenant needs, the category of properties, as well as the regulatory changes. Regular reporting supports the monitoring of growth initiatives within the respective budget and planning approval processes.

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

### ***Opportunities relating to real estate acquisitions***

The location of a property is essential for its attractiveness. Opportunities arise when the regional market is characterised by favourable demographics and positive real estate dynamics. Together with an optimal property management this results in opportunities for long-term capital appreciation. alstria's acquisition strategy aims to identify properties with the described opportunity structure. The acquisition will therefore only be performed if the

investment volume offers prospects of achieving a sustainable increase in value.

### ***Opportunities relating to tenant relationships***

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

### ***Opportunities arising from real estate development***

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

### ***Opportunities from financing***

The alstria's financing strategy is focused on optimal provision of funds to invest in new properties and development projects. Opportunities arise from optimisation of the financing terms. This requires the implementation of long-term and flexible funding at favourable conditions as well as the safeguarding of the financial covenants at all times. A significant opportunity from financing also arises out of the low debt ratio (LTV), which is currently at 49.3%, representing a comfortable base for future funding and growth.

## **Overall Summary of the Opportunities Report**

The current refinancing position of the alstria safeguards a stable financial position at favourable interest rates until mid-2020. Concerning revenues, alstria benefits from long-term rental agreements of an average lease length of approx. 6.8 years and potential increases in rents due to decreases in vacancy rates and adjustments to the consumer price index. In addition, the company possesses a range of properties available for attractive and value adding refurbishment opportunities. alstria's portfolio is well balanced and contains many first-class anchor buildings with high-quality tenants.

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

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

## **SUSTAINABILITY REPORT**

In 2014, alstria published its fifth sustainability report. This report shows a continuous improvement of alstria's reporting framework and its scope of coverage since the first publication of a sustainability report. It provides information about alstria's key achievements within its sustainability framework and gives the reader a deeper insight into the respective operational impacts. The key values within the framework, which are expressed for each and every stakeholder group, are alstria's main drivers when considering a sustainable approach for every decision made at every level of the organisation.

For further information on our sustainability engagement and targets, please refer to alstria's annual sustainability report 2014

<http://www.alstria.com/en/sustainability/sustainability-reports/date/2014/>

or to the Company Report of the Annual Report.

## **DISCLOSURES REQUIRED BY TAKEOVER LAW**

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

## **COMPOSITION OF SUBSCRIBED CAPITAL**

On the balance sheet date of December 31, 2014, the share capital of alstria amounted to EUR 79,018,487.00, divided into 79,018,487 no par value bearer shares. All shares have equal rights and obligations. Each share entitles the bearer to one vote at general shareholders' meetings and is decisive for the shareholder's share in the profit of the Company. The individual rights and duties of the shareholders result from the provisions of the German Stock Corporation Act (*Aktiengesetz, AktG*), in particular Sections 12, 53a *et seq.*, 118 *et seq.* and 186.

## **RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES**

The exercise of voting rights and the transfer of shares are based on the general statutory requirements and alstria's articles of association, which do not restrict either of these activities. According to Section 136 AktG the voting rights of the affected shares are excluded by law. Other restrictions as to voting rights or the transfer of shares do not exist, or, as far as they arise from agreements between shareholders, are not known to the Management Board.

## **SHAREHOLDINGS EXCEEDING 10% OF THE VOTING RIGHTS**

As per the balance sheet date of December 31, 2014, alstria was not aware of any shareholders directly or indirectly holding more than 10% of the voting rights.

## **SHARES WITH SPECIAL RIGHTS**

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

## **SYSTEM OF CONTROL OF ANY EMPLOYEE SHARE SCHEME WHERE THE CONTROL RIGHTS ARE NOT EXERCISED DIRECTLY BY THE EMPLOYEES**

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

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

alstria's Management Board consists of one or more members who may be appointed or dismissed by the Supervisory Board in accordance with Sections 84 and 85 AktG. The articles of association do not contain any special provisions in this respect. Pursuant to Section 84 AktG, members of the Management Board are appointed 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 may be made pursuant to Sections 179 and 133 AktG. Pursuant to Section 12 para. 2 of the articles of association the Supervisory Board is furthermore authorised to make changes in, and amendments to, the articles of association that merely affect the wording without passing a resolution of the shareholders in the general meeting. The Supervisory Board has, in addition, been authorized to adapt the wording of the articles of association to the utilization of the Conditional Capital 2013 and the Authorized Capital 2014 and after expiration of the applicable authorization periods by resolution of the Annual General Meetings on May 29, 2013 and May 14, 2014.

Pursuant to Section 15 para. 5 of the articles of association in conjunction with Sections 179 para. 2 and 133 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 by resolutions passed by the Supervisory Board on September 2 and December 1, 2014: Section 5 para. 1, 2 and 8 of the articles of association were formally adapted to a capital increase executed under the Company's



employee participation programme and the provisions regarding Conditional Capital II in Section 5 para. 6 of the articles of association were deleted without substitution, as the Conditional Capital II became irrelevant due to the expiry of the stock option programme for the management board.

## **AUTHORITY OF MANAGEMENT BOARD REGARDING THE ISSUE AND BUYBACK OF SHARES**

### **1. Authorised Capital**

The articles of association authorise the Management Board, with the approval of the Supervisory Board, to increase the share capital until May 13, 2016 by issuing new bearer shares against contribution in cash and/or kind once or repeatedly up to a total amount of EUR 39,466,743.00. Further details are governed by Section 5 para. 3, 4 and 4a of the articles of association.

### **2. Conditional Capital**

alstria holds three conditional capitals (pursuant to Sections 192 *et seq.* AktG), which are regulated in Sections 5 para. 5, 7 and 8 of the Company's articles of association.

#### **a) Conditional Capital 2013**

The share capital is conditionally increased by an amount of up to EUR 38,000,000.00 by issuing of up to 38,000,000 no par value bearer shares. The Management Board is authorised to stipulate the profit entitlement for the new shares issued on the basis of the exercise of options or conversion rights or the fulfilment of a conversion obligation at variance from Section 60 para. 2 AktG. The conditional capital increase is only carried out insofar as the holders of option rights or conversion rights or those holders with conversion obligations from bonds with warrants or convertible bonds, profit participation rights or participating bonds which were issued based on the authorisation resolved by the shareholders in the general meeting on May 29, 2013, utilise their option rights or conversion rights or, insofar as such holders have conversion obligations, such holders fulfil their conversion obligations, unless a cash settlement is granted or treasury shares are used to fulfil the option rights or conversion rights.

#### **b) Conditional Capital III**

The share capital is conditionally increased by an amount of up to EUR 336,874.00 by the issuing up to 336,874 no par value bearer shares. The conditional capital increase shall be used solely to grant shares to the holders of convertible profit participation certificates, which were issued by the Company up until March 14, 2012 in accordance with the authorisation of the general meeting held on March

15, 2007. The conditional capital increase is only carried out insofar as issued convertible profit participation certificates are converted into shares of the Company and no treasury shares are used to satisfy the certificates. The new shares shall participate in the Company's profits from the beginning of the financial year in which they come into existence as a result of the conversion of certificates.

**c) Conditional Capital III 2012**

Furthermore, the share capital is conditionally increased by an amount of up to EUR 415,000.00 by issuing up to 415,000 no par value bearer shares. The conditional capital increase shall be used solely to grant shares to the holders of convertible profit participation certificates, which were issued by the Company up until April 23, 2017 in accordance with the authorisation of the general meeting held on April 24, 2012. The conditional capital increase is only carried out insofar as issued convertible profit participation certificates are converted into shares of the Company and no treasury shares are used to satisfy the certificates. The new shares shall participate in the Company's profits from the beginning of the financial year in which they come into existence as a result of the conversion of certificates.

**3. Purchase of treasury shares**

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

**SIGNIFICANT AGREEMENTS WHICH TAKE EFFECT UPON A CHANGE OF CONTROL OF THE COMPANY FOLLOWING A TAKEOVER BID**

Significant financing agreements of alstria contain the usual clauses common to such contracts regarding a change of control. In particular, the agreements entitle the lenders to require repayment of the loans or an obligation of alstria to repay the loans in the case any person, company or a group of persons should acquire - directly or indirectly - 50% of the voting rights or a controlling influence in alstria.

The terms and conditions of the convertible bond issued by the Company also provide for termination rights or an adaption of the conversion price in the case of a change of con-

trol. Such change of control occurs, in particular, if a person or persons acting in concert acquire - directly or indirectly – more than 50% of the voting rights in the Company.

The total volume of obligations under financing instruments with corresponding change of control clauses amounted to approx. EUR 690.9 m at the balance sheet date.

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

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

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

## **ADDITIONAL DISCLOSURE**

### ***Employees***

As at December 31, 2014, alstria had 63 employees (December 31, 2013: 63). The annual average number of employees was 62 (previous year: 61). These figures exclude Management Board members.

### ***Remuneration report***

Management Board members' compensation comprises a fixed and a variable component 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 component of remuneration.

Members of the Supervisory Board receive a fixed remuneration.

The remuneration report (appendix to the Group management report 2014), which contains details of the principles for the definition of the Management Board and Supervisory Board remuneration, forms an integral part of the audited Group management report.

## **REPORTS ON POST-BALANCE SHEET DATE EVENTS AND EXPECTED DEVELOPMENTS**

### **REPORT ON POST-BALANCE SHEET DATE EVENTS**

No events occurred after the balance sheet date, which had a significant impact on the earnings, financial and asset position of alstria-Group.

## REPORT ON EXPECTED DEVELOPMENTS

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

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

### **Expected economic development**

The German economy is still in good condition. This is reflected by the employment rate, which remains at record level in 2014. Despite the temporarily cool down of the economic growth in the middle of 2014, the German government expect, driven by strong consumption of private households and the positive development on the german labor market, a recovery of the macroeconomic situation. This development loomed already at the end of 2014. Following that, the German government forecasts a growth rate of the German economy of 1.5% for 2015.\* This development is expected to positively impact the labour market, especially the number of employees in the service sector.

### **Development of the real estate market: Outlook for 2015**

The relevance of real estate as an investment will persist at a high level in 2015, due to the continuing very low interest rates. On the investment market, the demand for core assets is expected to remain high and will highly exceed the supply. Therefore, investor demand for value-adding properties could accelerate, although the biggest transactions should still take place in the core markets. Considering the continuing request for first-class office space in central locations, top rents are likely to rise slightly in 2015.

### **Outlook for the alstria-Group**

Based on the expected stability of the German economy and the real estate market, the Company does not expect significant changes in alstria's direct environment. However, changes other than the expected in terms of interest rates, further property acquisitions or property disposals or other changes in the assumptions for the financial year 2015 could have an impact on the projections.

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\* Please refer to annual economic report 2015 (Bundesministerium für Wirtschaft und Energie)

Based on the transactions undertaken in financial year 2014 and in light of the already contracted rents for 2015, alstria is expecting revenues to decrease by approx. EUR 4 m to EUR 98 m as compared to revenues in 2014.

For fiscal year 2015, the Company is expecting an FFO of around EUR 49 m. The increase in FFO as compared to the FFO of EUR 47.6 m as achieved in 2014 is mainly due to the Company's finance/hedging structure, which results in lower financing costs.

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

**Hamburg, February 13, 2015**

## **REMUNERATION REPORT\***

### **REMUNERATION OF THE MANAGEMENT BOARD MEMBERS**

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

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

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

#### **1. Structure of the Management Board remuneration**

The Supervisory Board determines target remuneration for each board member. The target remuneration of each Management Board member is comprised of a fixed basic salary, a short-term and a long-term variable component and ancillary benefits (benefits in kind). The majority of the target remuneration is made up of variable components which

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

are dependent on achieving annual or multi-year targets as described below. The system also comprises caps for the different variable elements of the remuneration.

### Fixed remuneration

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

### Variable remuneration

The variable element of the remuneration amounts to approximately 60% of the total target remuneration, and is composed of two parts: a Short Term Incentive and a Long Term Incentive.

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

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

### Performance target FFO for STI

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

***Min./Max. target achievement***

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

***Discretionary factor***

Reflects the discretionary factor that the Supervisory Board can apply to reflect the individual performance of each board member.

***Deferred component***

Reflects the part of the variable remuneration, which is deferred.

***Reference share price***

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

***Virtual shares***

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

***Pay-out amount***

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



The table below summarizes the number of virtual shares granted under the existing STI and LTI program and outstanding as at December 31, 2014.

				<b>Olivier Elamine</b>	<b>Alexander Dexe</b>
	<b>Start of deferral period</b>	<b>Reference share price in EUR</b>	<b>End of deferral period</b>	<b>Number of virtual shares</b>	<b>Number of virtual shares</b>
<b>STI 2012</b>	2013	9.45	2015	7,193	5,885
<b>STI 2013</b>	2014	9.57	2016	5,914	4,839
<b>LTI 2011</b>	2011	10.43	2015	42,186	34,516
<b>LTI 2012</b>	2012	8.70	2016	50,575	41,379
<b>LTI 2013</b>	2013	9.29	2017	47,363	38,751
<b>LTI 2014</b>	2014	9.44	2018	46,610	38,136

### Ancillary benefits

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

## 2. REMUNERATION OF THE MANAGEMENT BOARD IN THE FINANCIAL YEAR 2014

In the previous financial year the total target remuneration for the members of the Management Board amounted to a total of EUR k 2,186. The total amount paid to the Management Board in that financial year amounted to a total of EUR k 2,931 (including pay-outs on vested virtual shares from the STI 2011 and LTI 2010). The correctness of the calculation of the pay-out amounts for the multi-year variable remuneration elements was confirmed by an independent remuneration expert.

The individual Management Board remuneration is presented based on model tables pursuant to the German Corporate Governance Code as amended on June 24, 2014.

No individual member of the Management Board was granted or rendered any benefits by third parties with regard to Management Board work in financial year 2014.

We explicitly make reference to the fact that the hypothetical maximum amounts can only be attained in the extraordinary situation that all the conditions named in the table "Conditions to attain maximum amounts for variable remuneration elements granted in 2014" occur at the same time.

# Remuneration for the members of the management board for financial years 2013 and 2014

in EURk

Benefits granted	Olivier Elamine				Alexander Dexne			
	CEO				CFO			
	2013	2014	2014 (Min)	2014 (Max) <sup>10</sup>	2013	2014	2014 (Min)	2014 (Max) <sup>10</sup>
<b>Total amount of fixed compensation and ancillary benefits</b>	<b>451</b>	<b>454</b>	<b>454</b>	<b>454</b>	<b>379</b>	<b>369</b>	<b>369</b>	<b>369</b>
Fixed compensation <sup>1</sup>	440	440	440	440	360	360	360	360
Ancillary benefits <sup>2</sup>	11	14	14	14	19	9	9	9
<b>Total amount of one-year variable compensation</b>	<b>173</b>	<b>173</b>	<b>0</b>	<b>312</b>	<b>142</b>	<b>142</b>	<b>0</b>	<b>255</b>
One-year variable compensation (STI 2013)	173 <sup>3</sup>	-	-	-	142 <sup>3</sup>	-	-	-
One-year variable compensation (STI 2014)	-	173 <sup>3</sup>	0	312 <sup>4</sup>	-	142 <sup>3</sup>	0	255 <sup>4</sup>
<b>Total amount of multi-year variable compensation</b>	<b>498</b>	<b>498</b>	<b>0</b>	<b>2,240</b>	<b>407</b>	<b>407</b>	<b>0</b>	<b>1,833</b>
STI 2013 (1 plus 2 years)	58 <sup>5</sup>	-	-	-	47 <sup>5</sup>	-	-	-
STI 2014 (1 plus 2 years)	-	58 <sup>5</sup>	0	260 <sup>6</sup>	-	47 <sup>5</sup>	0	213 <sup>6</sup>
LTI 2013 (4 years)	440 <sup>7</sup>	-	-	-	360 <sup>7</sup>	-	-	-
LTI 2014 (4 years)	-	440 <sup>7</sup>	0	1,980 <sup>8</sup>	-	360 <sup>7</sup>	0	1,620 <sup>8</sup>
<b>Total amount of fixed and variable compensation</b>	<b>1,122</b>	<b>1,125</b>	<b>454</b>	<b>3,006</b>	<b>928</b>	<b>918</b>	<b>369</b>	<b>2,457</b>
Service costs <sup>9</sup>	84	85	85	85	58	58	58	58
<b>Total</b>	<b>1,206</b>	<b>1,210</b>	<b>539</b>	<b>3,091</b>	<b>986</b>	<b>976</b>	<b>427</b>	<b>2,515</b>

<sup>1</sup>annual base salary according to service contracts

<sup>2</sup>includes benefits for company car

<sup>3</sup>75% of the STI target value for the respective financial year

<sup>4</sup>maximum attainable pay-out amount for 75% of the STI after 1 year  
(target value STI x 0.75 x 1.5 x 1.2)

<sup>5</sup>25% of the STI target value for the respective financial year

<sup>6</sup>maximum attainable pay-out amount for 25% of the STI after 1 plus further 2 years  
((target value STI x 0.25 x 1.5 x 1.2) x 2.5)

<sup>7</sup>LTI target value for the respective financial year

<sup>8</sup>maximum attainable pay-out amount for the LTI after the holding period of 4 years  
(1.5 x granted virtual shares x (2.5 x share price on grant date) x 1.2)

<sup>9</sup>includes benefits for insurances and pension plans

<sup>10</sup>hypothetical maximum attainable pay-out amount under the condition that all assumptions described in the table  
"Conditions to attain maximum amounts" are fulfilled

Allocation/benefits paid out	Olivier Elamine		Alexander Dexne	
	CEO		CFO	
	2014	2013	2014	2013
<b>Total amount of fixed compensation and ancillary benefits</b>	<b>454</b>	<b>451</b>	<b>369</b>	<b>379</b>
Fixed compensation <sup>1</sup>	440	440	360	360
Ancillary benefits <sup>2</sup>	14	11	9	19
<b>Total amount of one-year variable compensation</b>	<b>170</b>	<b>204</b>	<b>139</b>	<b>167</b>
One-year variable compensation (STI 2012) <sup>3</sup>	-	204	-	167
One-year variable compensation (STI 2013) <sup>3</sup>	170	-	139	-
<b>Total amount of multi-year variable compensation</b>	<b>911</b>	<b>67</b>	<b>745</b>	<b>54</b>
STI 2010 (1 plus 2 years) <sup>4</sup>	-	67	-	54
STI 2011 (1 plus 2 years) <sup>4</sup>	75	-	61	-
LTI 2010 (4 years) <sup>5</sup>	836	-	684	-
Other	0	0	0	0
<b>Total amount of fixed and variable compensation</b>	<b>1,535</b>	<b>722</b>	<b>1,253</b>	<b>600</b>
Service cost <sup>6</sup>	85	84	58	58
<b>Total</b>	<b>1,620</b>	<b>806</b>	<b>1,311</b>	<b>658</b>

<sup>1</sup>annual base salary according to service contracts

<sup>2</sup>includes benefits for company car

<sup>3</sup>pay-out amount for 75% of the STI after 1 year for the respective previous year

<sup>4</sup>pay-out amount for 25% of the STI after 1 plus further 2 years

<sup>5</sup>pay-out amount for LTI after holding period of 4 years

<sup>6</sup>includes benefits for insurances and pension plans

**Conditions to attain maximum amounts for variable remuneration elements granted in 2014:**

<b>One-year variable compensation:</b>	<b>1.</b> FFO 2014 = EUR 70.146 m (budgeted FFO of EUR 46.764 m is achieved by 150%) <b>2.</b> SB passes resolution on discretionary factor of 1.2
<b>Multi-year variable compensation:</b>	
LTI (4 years):	<b>1.</b> absolute TSR $\geq 9\%$ , i.e. total shareholder return for alstria investors over 4 years of 9% p.a. or more <b>2.</b> relative TSR (TSR vs. EPRA) $\geq 25\%$ , i.e. alstria overperforming EPRA/NA-REIT Europe Index Ex UK by 25% <b>3.</b> Company share price increases by 250% (share price of EUR 9.44 on granting date --> share price of EUR 23.6 on payment date after 4 years) <b>4.</b> SB passes resolution on discretionary factor of 1.2
STI (1 plus 2 years):	share price of Company shares increases by 250% (e.g.: share price of EUR 9 on deferral date --> share price of EUR 22.5 on payment date after 2 years)

### **3. OTHER MANDATORY DISCLOSURES**

#### **Benefits upon premature termination of Management Board duties**

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

#### **Additional information on share-based remuneration components**

The long-term incentive plan (LTI) was implemented in 2010 and replaced the Company's stock option program of 2007. The stock option program of 2007 set out that the members of the Management Board were granted a single tranche of stock options in financial year 2007. These stock options were granted with an exercise price of EUR 16.00. The seven-year term of the options expired in financial year 2014. The options could only have been exercised, if the current share price of the Company had exceeded the exercise price by 20% or more on at least seven non-consecutive trading days of the Frankfurt Stock Exchange, before the start of the respective exercise period. The defined performance target was a stock price of EUR 19.20, which was reached during the entire term of the stock options granted in 2007. Thereby the Company's stock option program 2007 is terminated. In financial year 2014 no expenses were incurred due to the stock options granted in financial year 2007.

## REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

### 1. Structure of the Supervisory Board remuneration

The members of the Supervisory Board each receive an annual fixed remuneration of an amount of EUR 40 k. The Chairman of the Supervisory Board receives an additional annual amount of EUR 20 k, the Vice-Chairman receives an additional amount of EUR 10 k. Members who sit on the Supervisory Board for only part of a year receive a remuneration pro rata temporis. Membership in the audit committee entails the member to an additional remuneration of EUR 10 k, whereby the chair of the audit committee receives EUR 15 k. Membership in other committees does not entitle the members to any additional elements of remuneration.

### 2. Remuneration of the Supervisory Board in financial year 2014

The total remuneration for the Supervisory Board members in 2014 amounted to EUR 305 k. The individual remuneration of the Supervisory Board members for financial years 2014 and 2013 is composed as follows:

in EUR k

Supervisory Board member	Function on the Supervisory Board	Function on the Audit Committee	Remuneration for 2013	Remuneration for 2014
<b>Alexander Stuhlmann</b>	Chairman	n/a	60.00	60.00
<b>Dr. Johannes Conradi</b>	Vice Chairman	Member	60.00	60.00
<b>Benoît Héroult</b>	Member	n/a	40.00	40.00
<b>Roger Lee</b>	Member	Member	50.00	50.00
<b>Richard Mully</b>	Member	n/a	40.00	40.00
<b>Marianne Voigt</b>	Member	Chairman	55.00	55.00
<b>Total</b>			305.00	305.00

**alstria office REIT-AG, Hamburg**

**Income Statement**

**January 1 to December 31, 2014**

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
1. Revenues	82.838.983,87	85.590.568,09
2. Decrease or increase in work in progress	-414.011,59	3.895.096,67
3. Total operating performance	82.424.972,28	89.485.664,76
4. Other operating income	27.596.061,72	20.775.217,92
5. Cost of materials		
Cost of purchased services	-15.764.007,84	-15.564.966,15
6. Personnel expenses		
a) Wages and salaries	-6.945.859,55	-6.331.450,59
b) Social security pension and other benefits (of which relating to pensions EUR 208,575.10; previous year EUR 202 k)	-847.418,13	-794.620,56
	-7.793.277,68	-7.126.071,15
Amortization and depreciation of fixed intangible and tangible		
7. assets	-41.305.302,08	-32.632.788,63
8. Other operating expenses	-17.650.817,98	-35.388.088,07
9. Income from participating interests	314.091,73	825.650,00
10. Income from loans (of which from affiliated companies EUR 961,287.14; previous year EUR 963 k)	961.287,14	963.353,19
11. Other interest and similar income	109.581,90	312.988,37
12. Write-down of financial assets	-35.008,44	-622.734,82
13. Interest and similar expenses (of which from discounting of provisions EUR 120,343.60; previous year EUR 140 k)	-25.477.577,68	-32.772.313,08
<b>14. Net operating profit/loss</b>	<b>3.380.003,07</b>	<b>-11.744.087,66</b>
<b>15. Net profit/loss for the year</b>	<b>3.380.003,07</b>	<b>-11.744.087,66</b>
16. Profit carried forward from previous year	4.033.256,50	33.256,50
18. Transfer from capital surplus	40.586.740,43	55.210.831,16
<b>19. Balance sheet profit</b>	<b>48.000.000,00</b>	<b>43.500.000,00</b>

alstria office REIT AG, Hamburg

Balance sheet as at December 31, 2014

Assets			Equity and liabilities		
	31.12.2014	31.12.2013		31.12.2014	31.12.2013
	EUR	EUR	EUR	EUR	EUR
<b>A. Non-current assets</b>			<b>A. Shareholders' equity</b>		
I. Intangible assets			I. Share capital	79.018.487,00	78.933.487,00
Licenses and similar rights acquired for consideration	342.375,20	471.974,78	(condi-tional capital EUR 38,751,874.00; previous year EUR 39,352 k)		
II. Property, plant and equipment			II. Capital reserves	510.477.016,37	550.978.756,80
1. Land, property rights and buildings	1.075.598.504,50	1.102.355.648,42	III. Balance sheet profit		
2. Technical plant	748.876,35	936.280,66	(of which unappropriated profits brought forward	48.000.000,00	43.500.000,00
3. Other plant, operating and office equipment	434.514,98	498.199,07	EUR 4,033,256.50; previous year EUR 33 k)	<b>637.495.503,37</b>	<b>673.412.243,80</b>
4. Prepayments and construction in progress	22.583.427,30	4.553.345,64			
	1.099.365.323,13	1.108.343.473,79	<b>B. Provisions</b>		
III. Financial assets			Other provisions	15.970.332,08	26.189.450,51
1. Shares in affiliates	187.028.961,91	151.337.902,66		<b>15.970.332,08</b>	<b>26.189.450,51</b>
2. Loans to affiliates	17.744.818,90	18.472.818,90	<b>C. Accounts payable</b>		
3. Participating interests	14.608.521,28	13.594.152,81	1. Equity participation	263.550,00	269.300,00
	219.382.302,09	183.404.874,37	2. Convertible bonds	79.400.000,00	79.400.000,00
	<b>1.319.090.000,42</b>	<b>1.292.220.322,94</b>	2. Bank loans and overdrafts	611.519.974,29	626.008.516,21
<b>B. Current assets</b>			3. Payments received	22.876.293,07	21.927.408,27
I. Inventories			4. Trade payables	2.395.653,95	1.962.658,33
Work in progress	22.554.374,13	22.968.385,72	5. Payables to affiliated companies	70.249.778,72	37.871.489,73
II. Receivables and other assets			6. Other liabilities	3.128.097,15	2.247.416,62
1. Trade receivables	773.282,07	1.012.010,90	(of which for taxes EUR 79,932.66; previous year EUR 446 k)		
2. Receivables from affiliated companies	20.617.041,53	26.936.891,26		<b>789.833.347,18</b>	<b>769.686.789,16</b>
3. Receivables from companies in which the company has a participating interest	88.174,87	89.433,87	<b>D. Deferred income</b>	<b>1.445.319,37</b>	<b>1.521.293,93</b>
4. Other assets	2.394.785,83	1.882.072,58			
	23.873.284,30	29.920.408,61			
IV. Cash in hand and at banks	33.982.125,13	81.417.019,63			
	<b>80.409.783,56</b>	<b>134.305.813,96</b>			
<b>C. Prepaid and deferred expenses</b>	<b>45.244.718,02</b>	<b>44.283.640,50</b>			
	<b>1.444.744.502,00</b>	<b>1.470.809.777,40</b>		<b>1.444.744.502,00</b>	<b>1.470.809.777,40</b>

# **alstria office REIT-AG, Hamburg**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014**



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## **Schedule of fixed assets**

## **1. GENERAL**

### **1.1. BASIC INFORMATION AND APPLIED REGULATIONS**

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

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

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

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

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

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

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

The balance sheet has been amended to include the position equity participation. Based on the Company's employee stock ownership plan alstria's employees receive bonds that are convertible into a capital share of the company. Upon issuance of convertible bonds, an amount equal to the nominal value of the shares to be issued to the employee, or in case of non-conversion, the amount to be refunded, is stated as liability.

The income statement has been prepared according to the total cost accounting-method. A line-item 'Total operating performance' has been added to the income statement for reasons of presenting a subtotal. Land tax expenses are stated within the operating cost of purchased services. As far as land tax is not attributable to tenants it is shown under other operating charges.

These financial statements were prepared for the period from January 1 to December 31, 2014.

## **1.2. ACCOUNTING AND VALUATION POLICIES**

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

### **1.2.1. Intangible assets**

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

### **1.2.2. Land, property rights and buildings**

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

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

### **1.2.3. Property, plant and equipment**

Other items of property, plant and equipment are capitalized at acquisition or production cost and, if they have a limited useful life (3 to 15 years), are reduced pro rata temporis by systematic depreciation rates accordingly. From January 1, 2010 onwards low-value assets up to a purchase price of EUR 410 are fully depreciated in the year in which they are purchased.

### **1.2.4. Financial assets**

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

### **1.2.5. Work in progress**

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

### **1.2.6. Receivables and other assets**

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

### **1.2.7. Cash and Bank balances**

Cash and Bank balances are stated at face value.

### **1.2.8. Prepaid expenses**

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

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

#### **1.2.9. Provisions**

Provisions are comprised of undetermined liabilities due to uncertain liabilities and default risks connected to pending transactions. They are recorded at the estimated amounts repayable, which takes price advances into account. Provisions exceeding a maturity of one year are reduced by discounts, calculated on the basis of the remaining period and the average market interests over the last seven years, as published by the Deutsche Bundesbank and according to Section 254 para. 2 HGB. Price increases over the remaining term to 2019 are not to be expected.

#### **1.2.10. Liabilities**

Liabilities are recorded at the amount repayable.

#### **1.2.11. Convertible bond**

In the second quarter of financial year 2013, alstria office REIT-AG issued a convertible bond generating proceeds of EUR 79,400 k. The convertible bond is divided in 794 bearer shares of EUR 100.000 each and has a term to maturity of five years. It will be redeemed at 100 % of its principal amount. The coupon is set at 2.75% p.a., payable quarterly in arrears. The initial conversion price was set at EUR 10.0710. In accordance with the terms of the underlying agreement, the conversion price was adjusted to the amount of EUR 9,8123 in the reporting period under review.

The conversion period commenced on July 24, 2013 and ends on June 14, 2018, the maturity date. With the issue of the convertible bond, alstria exercised its right enacted by the annual general meeting of 2013. Additionally, in 2013 the annual general meeting replaced the Company's conditional capital 2010 by the conditional capital 2013 of up to 38,000,000.00 of no par value bearer shares. The conditional capital increase is only carried out to the extent that the holders of convertible bonds make use of their option rights.

The convertible bond is recognised as an item in liabilities at its nominal value. The conversion right as a derivative component is valued at fair value as the difference between the contractual interest rate and the market rate.

### **1.2.12. Deferred income**

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

## **2. NOTES TO THE BALANCE SHEET**

### **2.1. PROPERTY, PLANT AND EQUIPMENT**

The development of the individual items of fixed assets, including depreciation and amortization for the fiscal year, is shown in the schedule of fixed assets (see attachment to the notes). Depreciation on property, plant and equipment of an amount of EUR 11,704 k (previous year EUR 5,037 k) is extraordinary depreciation according to the definition of section 253 (3) sentence 3 of the German Commercial Code (HGB). During the reporting period two real estate properties were sold. The book value of the disposed assets amounted to EUR 3,679 k. The assets were disposed of for a total sales price of EUR 4,715 k. The transactions resulted in an accounting profit of EUR 1,036 k, which is recognized as a part of other operating income. Additionally, two more real estate properties were contributed to an affiliate. The properties with a total book value of EUR 36.197 k, were transferred at their fair value of EUR 35,700 k resulting in an accounting loss of EUR 576 k and an accounting profit of EUR 79 k. The accounting loss was recognized in other operating expenses whereas the accounting profit increased other operating income. The contributions increased the carrying amount of the subsidiary by the fair value of the transferred assets. As there were no reasons to undertake any impairments of either land or buildings, appreciations of EUR 9,132 k were conducted during the reporting period.

## 2.2. FINANCIAL ASSETS

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

	Interest	Equity Dec. 31, 2014	Net result 2014
	%	in EUR k	in EUR k
alstria Bamlerstraße GP GmbH, Hamburg	100	31	(-321.32 EUR)
alstria Gänsemarkt Drehbahn GP GmbH, Hamburg	100	30	5
alstria Englische Planke GP GmbH, Hamburg	100	21	(-188.00 EUR)
alstria Halberstädter Straße GP GmbH, Hamburg	100	22	(-252.19 EUR)
alstria Hamburger Straße 43 GP GmbH, Hamburg	100	21	-1
alstria Ludwig-Erhard-Straße GP GmbH, Hamburg	100	22	2
alstria Mannheim/Wiesbaden GP GmbH, Hamburg	100	21	(-309.05 EUR)
alstria Portfolio 1 GP GmbH, Hamburg	100	23	(-137,14 EUR)
alstria Steinstraße 5 GP GmbH, Hamburg	100	22	-1
alstria solutions GmbH, Hamburg	100	438	35
alstria office Bamlerstraße GmbH & Co. KG, Hamburg	100	39,112	-1,997
alstria office Gänsemarkt Drehbahn GmbH & Co. KG, Hamburg	100	76,217	3,107
alstria office Englische Planke GmbH & Co. KG, Hamburg	100	2,364	3,931
alstria office Halberstädter Straße GmbH & Co. KG, Hamburg	100	7,031	250
alstria office Hamburger Straße 43 GmbH & Co. KG, Hamburg	100	34,479	10,011
alstria office Insterburger Straße GmbH & Co. KG, Hamburg	100	-1,058	-1,241
alstria office Ludwig-Erhard-Straße GmbH & Co. KG, Hamburg	100	5,161	203
alstria office Mannheim/Wiesbaden GmbH & Co. KG, Hamburg	100	31,258	2,281
alstria office Steinstraße 5 GmbH & Co. KG, Hamburg	100	19,287	-491
Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG, Hamburg	49	28,032	-1,293
Alstria VII. Hamburgische Grundbesitz GmbH & Co. KG, Oststeinbek	49	841	597

In the reporting period a joint venture disbursed an amount of EUR 1,470 k to alstria. EUR 314 k of this amount represents a distribution of profits, recognized as income from participating interests. The remaining amount of EUR 1,156 k was recognized as a withdrawal of capital and hence reduced the carrying amount of the joint venture. Due to an impairment of the fair value as at December 31, 2014, an amount of an additional EUR 35 k was depreciated, additionally reducing the carrying amount of the joint venture by the same amount, to EUR 412 k. Furthermore, alstria contributed capital of an amount of EUR 2.205 k to another joint venture, increasing its carrying value by the same amount. Moreover alstria contributed two investment properties in



a subsidiary. The contribution has been effected by its fair value of EUR 35.700 k and increased the carrying amount of the affiliate (see Note 2.1)

### **2.3. INVENTORIES**

Up to an amount of EUR 12,691 k this item is comprised of recoverable service charges that were paid in 2013 and up to an amount of EUR 9,864 k of recoverable service charges that were paid in the reporting period. The settlement of recoverable charges for 2013 has not yet been concluded. Therefore, the original amount of recoverable service charges resulting from 2013 is still presented on the balance sheet date.

### **2.4. RECEIVABLES**

Receivables from affiliated companies decreased by EUR 6,320 k to an amount of EUR 20,617 k (December 31, 2013: EUR 26,937 k), as compared to the previous balance sheet date. The amount includes trade receivables of EUR 292 k (in 2013: EUR 298 k). The remaining amount of EUR 20,325 k (in 2013: EUR 26,639 k) results out of the intra group cash pooling arrangement.

Receivables from companies in which the company has a participating interest amounted to EUR 88 k and, as in the previous year, relate to recharges of real estate operating expenses.

Other assets amounted to EUR 2,395 k as per December 31, 2014 (December 31, 2013: EUR 1,882 k). They included payments into an escrow account (EUR 1,648 k; December 31, 2013: EUR 1,648 k). The term to maturity of these receivables ends in 2020. The escrow account hedges rental guarantees with the same maturity. In addition, other assets include receivables of an amount of EUR 350 k, concerning value added tax. A further amount of EUR 143 k results from the disposal of operating equipment that arose in connection with the disposal of a property. Furthermore, the item includes receivables due from employees totalling EUR 119 k. In the prior year they amounted to EUR 134 k and were recorded as part of trade receivables. They were reclassified for reasons of transparency.

### **2.5. PREPAID AND DEFERRED EXPENSES**

Prepaid expenses (EUR 45,245 k; in 2013: EUR 44.284 k) mainly included acquisition costs for financial derivatives (EUR 45,145 k) that have to be accrued over their re-

maining period. In 2014 an amount of EUR 550 k was recognized as interest expenses (in 2013: EUR 311 k).

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

<b>Product</b>	<b>Notional amount EUR k</b>	<b>Strike price per year</b>	<b>Maturity Date</b>	<b>Fair value EUR k</b>	<b>Carrying amount EUR k</b>
Cap	50,250	3.0000	30.09.2019	49	49
Cap	56,000	3.0000	17.12.2018	30	1,242
Swap	380,870	2.9900	20.07.2015	-6,167	0
Forward-Cap <sup>1</sup>	380,870	0.0000	30.09.2020	5,874	42,152
Cap	10,900	3.0000	29.03.2024	141	460
Cap	48,951	3,0000	30.04.2021	147	840
Cap	340,000	0,2500	31.12.2017	402	402
<b>Total</b>				<b>476</b>	<b>45,145</b>

<sup>1</sup> not effective before 20. July 2015

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

The cap with a notional amount of EUR 50,250 k is not yet effective in a hedging relationship. In the reporting period, its notional amount was increased from EUR 42,500 k to EUR 50.250 k. The respective acquisition costs raised its carrying amount by EUR 127 k. Deferred expenses were released, resulting in interest expenses of EUR 104 k. As at December 31, 2014 its carrying amount was depreciated by EUR 423 k to its fair value.

The cap with a notional amount of EUR 56,000 k is designated for a hedging position according to the interest of a loan agreement. The cap covers 100% of the underlying transactions. Deferred expenses were released, resulting in expenses of EUR 311 k. The carrying amount was simultaneously reduced by the same amount to EUR 1,242 k.

In the previous period the interest rate swap with a notional amount of originally EUR 472,500 k was reduced to a notional amount of EUR 380,870 k. As a result of the refinancing, the hedge position of the swap ended. The swap's negative market value of EUR -15,740 k as at December 31, 2013 was therefore accounted as a provision of the same amount. As at the balance sheet date the swap's negative market value de-

creased by EUR 9,573 k to an amount of EUR -6,167 k. The provision was reversed by the same amount, increasing other operating income.

To hedge the new syndicated loan against interest rate risks, a forward-cap with a notional of EUR 380,870 k was entered into in the previous period. The cap will become effective on July 20, 2015. With a term to maturity until September 30, 2020 the cap will replace the interest rate swap with the same notional. The cap covers 100% of the underlying transaction. Its acquisition costs of EUR 42,152 k are recognized in prepaid expenses. The acquisition costs will be allocated over the duration of the cap, starting on its effective date July 20, 2015.

To hedge the interest rate risk of variable interest rate loans a cap agreement of a notional amount of EUR 10,900 k was signed with a term of the hedging relationship until March 29, 2024. The cap covers 100% of the underlying transaction. Its acquisition costs of an amount of EUR 497 k were recognized in prepaid expenses and released by an amount of EUR 37 k over the year, increasing interest expenses.

The Cap with a notional amount of EUR 48,591 k has a term to maturity until April 30, 2021 and was signed in the reporting period. The cap covers 100% of the underlying transaction. Its acquisition costs of EUR 938 k were recognized in prepaid expenses. An amount of EUR 98 k was released over the year, increasing interest expenses.

Moreover, a cap agreement of a notional amount of EUR 340,000 k with a term of the hedging relationship until December 31, 2017, was signed in December, 2014. The respective acquisition costs of EUR 963 k were recognized in prepaid expenses and depreciated by EUR 561 k at its fair value as at December 31, 2014. The depreciation increased other operating expenses.

Finally, the prepaid expenses include miscellaneous expenses of EUR 100 k.

## **2.6. EQUITY**

### **2.6.1. Share capital (subscribed capital)**

In the balance sheet of the previous period, alstria office REIT-AG's share capital of amounted to EUR 78,933 k. The conversion of profit participation rights in the second quarter of 2014 resulted in the issue of 85,000 new shares by utilising the conditionally increased capital provided for such purposes. As a result, the Company's share capital has increased to an amount of EUR 79,018 k.

The share capital is divided into 79,018,487 bearer shares in the form of no-par shares, each of which represents an interest in the capital stock of EUR 1.00.

### **2.6.2. Authorized capital**

In May 2013 the Annual General Meeting approved an increase of the authorized capital to a total amount of EUR 39,467 k. In the reporting period, the resulting authorized capital 2013 of EUR 39,467 k was transferred to the authorized capital 2014. This authorisation expires on May 13, 2016.

### **2.6.3. Conditional capital**

As at December 31, 2013 alstria's conditional capital amounted to EUR 39,353 k. It was divided into conditional capital 2013 (EUR 38,000 k), conditional capital II (EUR 516 k), conditional capital III 2012 (EUR 337 k), as well as conditional capital III 2012 (500 k), respectively. In the reporting period, the conditional capital II was utilised completely. An amount of EUR 85 k of conditional capital III 2012 was utilised due to the conversion of profit participation rights. As at December 31, 2014 the Company's conditional capital amounted to a total of EUR 38,752 k.

### **2.6.4. Capital surplus**

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

As at Dec 31, 2014 EUR 40,587 k were transferred from the Company's capital surplus, which met the requirements of section 272 paragraph 2 No.4. HGB, to balance sheet profits, pursuant to Section 270 paragraph 1 HGB. An amount of EUR 85 k arising out of the conversion of convertible bonds was contributed to the capital surplus share pursuant to section 272 paragraph 2 No.2.

The capital surplus changed as follows during the fiscal year:

in EUR k	December 31, 2014	December 31, 2013
As at January 1	550,979	605,673
Result of convertible bonds	85	516
Transfers from capital surplus	-40,587	-55,210
<b>As at December 31</b>	<b>510,477</b>	<b>550,979</b>

## 2.7. PROVISIONS

Other provisions (EUR 15,970 k, in 2013 EUR EUR 26,189 k) were recognized mainly for accruals due to contingent losses regarding financial derivatives (EUR 6,167 k), outstanding balances (EUR 3,935 k), rental guarantees (EUR 2,162 k), share-based remuneration (EUR 1,490 k), bonuses (EUR 1,238 k), Supervisory Board compensation (EUR 305 k), audit fees (EUR 271 k), risks of litigation (EUR 202 k) as well as miscellaneous provisions (EUR 200 k).

## 2.8. LIABILITIES

Schedule of Liabilities in EUR k:

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

	31. December 2013			Total
	up to 1 year	between 1 and 5 years	Due in more than 5 years	
1. Equity participation	85	184	0	269
2. Convertible loan	0	79,400	0	79,400
3. Bank loans and overdrafts	323	86,723	538,963	626,009
4. Payments received on account	21,927	0	0	21,927
5. Trade payables	1,963	0	0	1,963
6. Liabilities to affiliated companies	37,872	0	0	37,872
7. Other liabilities	2,247	0	0	2,247
- (thereof for taxes)	(446)	0	0	(446)
<b>Total</b>	<b>64,417</b>	<b>166,307</b>	<b>538,963</b>	<b>769,687</b>

## 2.9. CONVERTIBLE BOND

The convertible bond is disclosed in the liabilities at an unchanged amount of EUR 79,400 k (see Note 1.2.10).

## 2.10. BANK LOANS AND OVERDRAFTS

EUR 501,070 k of the bank loans and overdrafts relate to a syndicated loan with a credit line of EUR 544 m, which will be repayable on September 30, 2020. During the reporting period, interest expenses of an amount of EUR 9,335 k were incurred due to this loan. On the balance sheet date, interest payables on an amount of EUR 23 k were accrued.

At the balance sheet date another loan was disclosed at the previous year's amount of EUR 47,223 k. During the reporting period interest expenses amounted to EUR 1,031 k, of which accrued interest expenses of EUR 246 k were reported in interest liabilities.

A third loan was recognised at the balance sheet date, i.e. unchanged from the previous year by an amount of EUR 39,500 k. The loan resulted in interest expenses of EUR 1,134 k, of which EUR 489 k were accrued as interest liabilities.

Finally, a loan of an amount of EUR 22,939 k was recognised on the balance sheet date. The amount includes a current portion of EUR 348 k. In the reporting period, alstria has taken over the loan of a subsidiary of a value of EUR 23,200 k and re-

deemed it an amount of EUR 261 k. During the reporting period interest expenses of an amount of EUR 47 k were incurred due to this loan.

In addition to the accrued interest expenses on loans, the current portion of bank loans includes EUR 31 k of interest accruals from derivative financial instruments.

The loans are secured by land charges for real estate property owned by alstria. To secure loans of an amount of EUR 611,520 k alstria assigned receivables from rental and property purchase agreements, as well as insurance receivables and derivative financial instruments to the lenders; in addition, liens were granted on bank accounts.

#### **2.11. PREPAYMENTS RECEIVED**

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

#### **2.12. LIABILITIES TO AFFILIATED COMPANIES**

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

#### **2.13. OTHER LIABILITIES**

The other liabilities mainly include security deductions of an amount of EUR 1,750 k as well as rent deposits of an amount of EUR 838 k. Other liabilities increased by EUR 881 k to EUR 3,128 k as compared to December 31, 2013. The increase resulted in an amount of EUR 859 k from the increase of warranty deductions due to refurbishment projects.

#### **2.14. OTHER FINANCIAL COMMITMENTS**

Other financial obligations from ongoing maintenance and refurbishment projects amounted to EUR 9,513 k (2013: EUR 12,796 k).

As at December 31, 2014 no contractual relations concerning the rent of office spaces with minimum rental periods were in place. Other leasing contracts resulted in future financial obligations of EUR 146 k. These commitments include agreements with a remaining maturity of less than one year amounting to EUR 94 k, and at an amount of EUR 52 k leases with a remaining maturity of one to five years.

alstria has signed a letter of comfort in favour of a lender. The letter of comfort serves as security for a loan agreement between the bank and the alstria office Englische Planke GmbH & Co. KG. As at Dec 31, 2014 this loan had a residual amount of EUR 2,617 k.

In connection with the acquisition of four real estate properties, the subsidiaries alstria office Gänsemarkt Drehbahn GmbH & Co. KG as well as alstria office Halberstädter Strasse GmbH & Co. KG took out a loan. alstria has issued a guarantee of an amount of the loan. On the balance sheet date this loan valued at EUR 60.169 k

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

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

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



### 3. INCOME STATEMENT

#### 3.1. REVENUES

Total operating performance amounted to EUR 82,425 k in the period and is compressed of revenues from rental income and operating costs, resulting from charging tenants, as well as inventory changes in relation to work in process.

#### 3.2. OTHER OPERATING INCOME

The other operating income is made up as follows:

in EUR k	2014	2013
Income from the reversal of accrued liabilities	10,509	892
Proceeds from appreciations on land and buildings	9,132	5,482
Proceeds from compensation for early lease termination	3,710	1,079
Reimbursement for service charges	1,236	777
Proceeds from property disposals	1,133	10,802
Proceeds from payments in kind	647	13
Income from Funding Fees	491	0
Refunds of value added tax	265	0
Insurance proceeds	84	176
Proceeds from passed on charges related to capital placement	0	571
Refunds of tax on land	0	395
Other	389	588
<b>Total</b>	<b>20,596</b>	<b>20,775</b>

To an amount of EUR 9,573 k income results from the reversal of accrued liabilities from releases of provisions for contingent losses (see Note 2.5). Apart from this an amount of EUR 862 k relates to the release of provisions for rental guarantees, resulting from alterations of risk assessment (EUR 495 k), as well as releases of accruals for outstanding invoices (EUR 367 k).

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

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

Reimbursements for service charges relate to property expenses, prepaid by alstria, that were passed on to the respective group companies.

Proceeds from property disposals arose from the disposal of land and buildings as well as the transfer of one property to an affiliated company (see Note 2.1).

The income from funding fees results from fees related to the funding of subsidiaries equity.

Insurance proceeds contain payments due to the regulation of claims.

### 3.3. COST OF MATERIALS

The cost of materials are made up as follows:

in EUR k	2014	2013
Operating expenses	9,554	9,530
Land tax	3,283	3,527
Maintenance costs	1,842	1,584
Insurance costs	488	445
Passed on charges	428	367
Repairs	57	105
Other	112	7
<b>Total</b>	<b>15,764</b>	<b>15,565</b>

Cost of materials are comprised of costs of services for all surcharge expenses related to operating lease activities, like expenses for heating, cleaning, land taxes as well as for maintenance and refurbishment. As far as the costs of materials are costs of services allocable to the tenant, they are capitalized as work in progress. Expenses for land tax as disclosed in cost of materials together with those included in other expenses totalled EUR 3,378 k in the reporting year (previous year: EUR 3,654 k).

### 3.4. PERSONNEL EXPENSES

The salaries and wages of the reporting period amounted to EUR 7,793 k. The increase as compared to the previous year of EUR 667 k is mainly based on the increase of expenses for performance based compensation (EUR +647 k). Proceeds arising from this transaction are recognised in other operating income at the exact same amount, hence having a neutralising effect.

### 3.5. OTHER OPERATING EXPENSES

Other operating expenses are made up as follows:

<b>(in EUR k)</b>	<b>2014</b>	<b>2013</b>
Real estate operating expenses	9,556	8,925
Legal and consulting fees	2,079	1,304
Depreciations of derivative financial instruments	984	0
Property disposal losses	590	701
IT costs	518	554
Audit fee and other audit related expenses	335	335
Expenses for conferences and marketing	330	291
General Administration expenses	326	356
Travel expenses	319	397
Supervisory Board compensation	305	305
Telecommunication and postal charges	251	277
Car pool expenses	154	144
Allowance for doubtful debts	111	32
Insurance costs	99	40
Leasing and leasing-related expenses	94	93
Expenses for the recognition of provisions for contingent losses	0	15,740
Losses resulting from the termination of financial derivatives	0	4,234
Other	1,600	1,660
<b>Total</b>	<b>17,651</b>	<b>35,388</b>

Real estate operating expenses increased by EUR 631 k. This is primarily due to an increase in brokerage commissions concerning the new leases of real estate properties in the reporting period.

Legal and consulting fees increased by EUR 775 k, mainly due to expenses for non-recurring strategic projects related to the further development of the Group (EUR 303 k), as well as additions to litigation provisions (EUR 202 k).

Depreciations on derivative financial instruments results from the decrease in the fair values of two caps (see Note 2.5).

To an amount of EUR 577 k property disposal losses of a total of EUR 590 k result from the contribution of a real estate property in a subsidiary (see Note 2.1).

### **3.6. INCOME FROM PARTICIPATING INTERESTS**

The income from participating interests contains a profit distribution of EUR 314 k from a joint venture company (see Note 2.1).

### **3.7. INCOME FROM LOANS FROM TO FINANCIAL ASSETS**

The income from loans from financial assets of an amount of EUR 961 k (previous year: EUR 963 k) resulted from interest income on loans granted to subsidiaries.

### **3.8. OTHER INTEREST AND SIMILAR INCOME**

Interest income (EUR 110 k) results from interest income on bank deposits.

### **3.9. WRITE DOWN OF LONG TERM FINANCIAL ASSETS**

Due to impairments the book value of a participating interest was written down by EUR 35 k (see Note 0).

### **3.10. INTEREST AND SIMILAR EXPENSES**

Interest expenses in the reporting period amounted to EUR 25,478 k. The expenses are comprised of EUR 11,547 k of interest expenses due to bank loans, interest expenses of an amount of EUR 10,720 k due to financial derivatives, EUR 2,184 k of interest expenses due to a convertible bond, as well as EUR 550 k due to the allocation of acquisition costs concerning financial derivatives (see Note 2.5).

Compared to the previous year, the decrease in interest expenses by EUR 7,321 k is mainly based on the extraordinary transaction costs of the previous year, concerning the issue of loans and the convertible bond.

### **3.11. INCOME TAXES**

Due to the Company's REIT tax exemption there were no expenses for corporate income tax and trade tax in 2014.

## **4. OTHER NOTES**

### **4.1. COMPENSATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD**

#### **4.1.1. Management Board**

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

<b>in EUR k</b>	<b>2014</b>	<b>2013</b>
Short-term benefits	1,281	1,287
Share-based remuneration	905	905
<b>Total</b>	<b>2,186</b>	<b>2,192</b>

As at the reporting date, liabilities for the compensation of the members of the Management Board amounted to EUR 378 k (2013: EUR 378 k).

#### **4.1.2. Supervisory Board**

Pursuant to the Articles of Association, the Supervisory Board member's fixed annual remuneration amounted to EUR 305 k (2013: EUR 305 k).

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

### **4.2. AUDITOR'S FEES**

By resolution of the Annual General Meeting held on May 14, 2014, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Dammtorstraße 12, Hamburg, was appointed to perform the audit of the separate and consolidated financial statements for financial year 2014. The fee for the audit of the financial statements in 2014 amounted to EUR 260 k. Other audit related services accounted for expenses of EUR 75 k.

### **4.3. SHARES**

The share capital is divided into 79,018,487 non-par value bearer shares.

### **4.4. SUPERVISORY BOARD**

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

The expiration of the term of office is identical for all members, i.e. the close of the Annual General Meeting of shareholders held in 2016.

During financial year 2014 the members of the supervisory board were:

<b>Alexander Stuhlmann Chairman</b>	<b>Hamburg, Germany</b>	<b>Managemenet Consultant, Managing Director, Alexander Stuhlmann GmbH</b>
since January 1, 2015	Capital Stage AG	Vice-Chairman of the Supervisory Board
	Euro-Aviation Versicherungs AG	Chairman of the Supervisory Board
	Frank Beteiligungsgesellschaft mbH	Chairman of the Advisory Board
	GEV AG	Chairman of the Supervisory Board
	HASPA Finanzholding	Member of the Board of Trustees
	HCI Capital AG	Chairman of the Supervisory Board
until August 31, 2014	LBS Bausparkasse Schleswig-Holstein-Hamburg AG	Member of the Supervisory Board
until June 30, 2014	Ludwig Görtz GmbH	Member of the Administrative Board
until December 31, 2014	Siedlungsbaugesellschaft Hermann und Paul Frank mbH & Co. KG	Chairman of the Advisory Board
	Studio Hamburg Berlin Brandenburg GmbH	Member of the Advisory Board
<b>Dr. Johannes Conradi Vice-Chairman</b>	<b>Hamburg, Germany</b>	<b>Lawyer and Partner, Freshfields Bruckhaus Deringer LLP</b>
	Freshfields Bruckhaus Deringer LLP	Global Head of Real Estate,  Member of the German Management Group
	EBS Universität für Wirtschaft und Recht – Real Estate Management Institute	Member of the Board of Trustees
	Elbphilharmonie Hamburg Bau GmbH & Co. KG	Member of the Supervisory Board

<b>Benoît Hérault</b>	<b>Uzès, France</b>	<b>Managing Director, Chambres de l'Artémise S.à r.l</b>
since September 16, 2014	Belvédère SA	Chairman of the Board
since July 23, 2014	SIIC de Paris	Chairman of the audit committee
since September 1, 2014	Westbrock Partners	Board of directors / senior advisor for France
<b>Roger Lee</b>	<b>London, United Kingdom</b>	<b>Real Estate Investment Manager and Director, Captiva Capital Management SAS</b>
until June 23, 2014	Caposition SARL	Director
	Captiva Capital Management Ltd	Director
	Captiva Capital Management GmbH	Director
	Captiva International Partners LLP	Partner
<b>Richard Mully</b>	<b>Cobham (Surrey), United Kingdom</b>	<b>Director, Starr Street Limited</b>
	Aberdeen Asset Management PLC	Director
	Hansteen Holdings PLC	Director
	ISG plc	Director
	St Modwen Properties PLC	Director
<b>Marianne Voigt</b>	<b>Berlin, Germany</b>	<b>Managing Director, bettermarks GmbH</b>

#### 4.5. MANAGEMENT BOARD

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

Mr. Olivier Elamine	Chief Executive Officer (CEO)
Mr. Alexander Dexne	Chief Financial Officer (CFO)

The remuneration report (see attachment to the management report) lines out the principles for the determination of the Management Board and Supervisory Board's compensation and provides details about the remuneration amounts.

#### **4.6. EMPLOYEES**

During the period from January 1, 2014 to December 31, 2014, the Company employed 62 employees on average (2013: 61 employees on average). The average was calculated based on the number of employed people at the end of each quarter. On December 31, 2014, alstria office REIT-AG employed 63 employees (December 31, 2013: 63 employees), excluding the management board.

	<b>Employees</b>	
	<b>Average 2014</b>	<b>December 31, 2014</b>
Real estate management and development	32	33
Finance and legal	23	22
Other occupations	7	8
<b>Total</b>	<b>62</b>	<b>63</b>

#### **4.7. CONVERTIBLE PROFIT PARTICIPATION RIGHTS PROGRAM**

On September 5, 2007, the Supervisory Board of the Company resolved the issue of convertible profit participation certificates ('certificates') to employees of the Company and to employees 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 programme. With its resolution, the Supervisory Board fixed the details of the convertible profit participation rights programme in accordance with an authorisation granted by the general meeting of shareholders of March 15, 2007. The convertible profit participation rights programme was renewed by the Supervisory Board with minor modifications in 2012 in accordance with an authorisation granted by the general meeting of the shareholders on April 24, 2012.

The main terms of the programme can be summarised as follows:

The nominal amount of each certificate is EUR 1.00 and is payable upon issue. Under the current programme, starting in 2012, a maximum of 500,000 certificates of an aggregate nominal amount of up to EUR 500 k may be issued.



The certificates are issued as non-transferable rights and are neither sellable nor pledgeable or otherwise chargeable.

The maximum term of each certificate is five years.

During its term, each certificate entitles the holder to a preferred disbursement from the Company's annual net profit. The profit share corresponds to the dividend per share of the Company for a full business year of the Company. For certificates held by a beneficiary for less than a full business year of the Company, the profit share is reduced pro rata temporis.

Each certificate shall be converted into one non-par-value bearer share of the Company on the second, third, fourth or fifth anniversary date of the issue date if the then current stock exchange price of the Company's shares has exceeded the stock exchange price of the Company's shares on the issue date by 5 % or more on at least seven non-subsequent trading days (market condition). For 96,800 certificates issued on June 7, 2013 and 107,250 certificates issued on May 22, 2014, this market condition was fulfilled by the end of financial year 2014.

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

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

#### **4.8. THE GROUP'S ECONOMIC SITUATION**

alstria office REIT-AG prepares the consolidated financial statements. These statements are published in the Bundesanzeiger (web-based version of 'German Federal Gazette').

#### **4.9. INFORMATION PURSUANT TO SECTION 160 (1) NUMBER 8 AKTG [AKTIENGESETZ-GERMAN STOCK CORPORATION ACT]**

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

### **5. DISCLOSURES PURSUANT TO WERTPAPIERHANDELSGESETZ**

#### **5.1. AD-HOC ANNOUNCEMENTS**

There were no facts or events the Company was obliged to publish pursuant to Section 15 para. 1 of the German Securities Trading Act (WpHG) during the reporting period.

#### **5.2. DIRECTORS' DEALINGS**

No transactions were made that should have been reported to the Company pursuant to Section 15a para. 1 WpHG during the reporting period.

#### **5.3. VOTING RIGHT NOTIFICATIONS**

Information according to Section 160 para. 1 No. 8 of the German Stock Corporation Act (AktG): The following table shows shareholdings in the Company that were in place on the balance sheet date of 2014, and that were communicated to us pursuant to Section 21 para. 1 WpHG and have been published pursuant to Section 26 para. 1 WpHG. Moreover, share holdings were considered that were in place until the date of the preparation of the financial statements, that were communicated to us pursuant to Section 21 para. 1 WpHG and have been published pursuant to Section 26 para. 1 WpHG. The Company did not receive any notifications pursuant to Section 20 para. 1 and 4 AktG or pursuant to Section 21 para. 1a WpHG during the reporting period.

No.	Shareholders, registered office	Voting rights (new) (in %)	Strike threshold (in %)	Date of change	Attribution of voting rights	Contains 3 % or more of voting rights from
1	CNP Assurances, Paris, France	5.14	5	Dec. 07, 2012	No	-
2	APG Algemene Pensioen Groep N.V., Amsterdam, Netherlands	0.00	3	Jan. 03, 2014	No	-
3	BNP Paribas Investment Partners Belgium S.A., Brussels, Belgium	3.001	3	Jan. 03, 2014	No	-
4	BNP Paribas Investment Partners UK Ltd, London, United Kingdom	3.001	3	Jan. 03, 2014	Yes <sup>1,3</sup>	BNP Investment Partners Belgium S.A.
5	APG Asset Management N.V., Amsterdam, Netherlands	2.961	3	May 08, 2014	No	-
6	Stichting Pensioenfonds ABP, Heerlen, Netherlands	2.961	3	May 08, 2014	Yes <sup>3</sup>	-
7	APG Groep N.V., Heerlen, Netherlands	2.961	3	May 08, 2014	Yes <sup>3</sup>	-
8	BlackRock, Inc., New York, NY, USA	4.53	3	Sept. 25, 2014	Yes <sup>1, 2, 3</sup>	-
9	BlackRock Holdco 2, Inc., Wilmington, Delaware, USA	4.26	3	Sept. 25, 2014	Yes <sup>1, 2, 3</sup>	-
10	BlackRock Financial Management, Inc., New York, USA	4.25	3	Sept. 25, 2014	Yes <sup>1, 2, 3</sup>	-
11	BNP Paribas Investment Partners S.A., Paris, France	5.08	5	Oct. 08, 2014	Yes <sup>1, 2, 3</sup>	BNP Paribas Investment Partners Belgium SA.
12	Ministry of Finance of Norway, Oslo, Norway	2.97	3	Oct. 21, 2014	Yes <sup>3</sup>	Norges Bank
13	Norges Bank, Oslo, Norway	2.97	3	Oct. 21, 2014	No	-
14	Cohen & Steers, Inc., New York, USA	2.88	3	Nov. 04, 2014	Yes <sup>1, 2</sup>	-
15	JPMorgan Asset Management (UK) Limited, London, United Kingdom	3.19	3	Nov. 06, 2014	Yes <sup>1, 4</sup>	-
16	JPMorgan Chase Bank, National Association, Columbus, USA	3.19	3	Nov. 06, 2014	Yes <sup>1, 4</sup>	-
17	J.P. Morgan Investment Management Inc., New York, USA	3.19	3	Nov. 06, 2014	Yes <sup>1, 4</sup>	-
18	BlackRock Advisors Holdings, Inc., New York, NY, USA	2.81	3	Dec. 18, 2014	Yes <sup>1, 2, 3</sup>	-
19	BlackRock International Holdings, Inc., New York, NY, USA	2.81	3	Dec. 18, 2014	Yes <sup>1, 2, 3</sup>	-
20	BR Jersey International Holdings L.P., St. Helier, Jersey, Channel Islands	2.81	3	Dec. 18, 2014	Yes <sup>1, 2, 3</sup>	-
21	BlackRock Group Limited, London, United Kingdom	2.72	3	Dec. 18, 2014	Yes <sup>1, 2</sup>	-
22	BlackRock Advisors Holdings, Inc., New York, NY, USA	3.02	3	Feb. 06, 2015	Yes <sup>1, 2, 3</sup>	-
23	BlackRock International Holdings, Inc., New York, NY, USA	3.02	3	Feb. 06, 2015	Yes <sup>1, 2, 3</sup>	-
24	BR Jersey International Holdings L.P., St. Helier, Jersey, Channel Islands	3.02	3	Feb. 06, 2015	Yes <sup>1, 2, 3</sup>	-
25	BlackRock Group Limited, London, United Kingdom	3.05	3	Feb. 06, 2015	Yes <sup>1, 2</sup>	-
26	BlackRock Advisors Holdings, Inc., New York, NY, USA	2.95	3	Feb. 10, 2015	Yes <sup>1, 2, 3</sup>	-

<b>No.</b>	<b>Shareholders, registered office</b>	<b>Voting rights (new) (in %)</b>	<b>Strike threshold (in %)</b>	<b>Date of change</b>	<b>Attribution of voting rights</b>	<b>Contains 3 % or more of voting rights from</b>
27	BlackRock International Holdings, Inc., New York, NY, USA	2.95	3	Feb. 10, 2015	Yes <sup>1, 2, 3</sup>	
28	BR Jersey International Holdings L.P., St. Helier, Jersey, Channel Islands	2.95	3	Feb. 10, 2015	Yes <sup>1, 2, 3</sup>	
29	BlackRock Group Limited, London, United Kingdom	2.88	3	Feb. 10, 2015	Yes <sup>1, 2</sup>	

<sup>1</sup> Attribution pursuant to Section 22 para. 1 Sentence 1 No. 6 WpHG.

<sup>2</sup> Attribution pursuant to Section 22 para. 2 WpHG.

<sup>3</sup> Attribution in connection with Section 22 para. 1 Sentence 1 No. 1 WpHG.

<sup>4</sup> Attribution in connection with Section 22 para. 2 WpHG.

## **6. CORPORATE GOVERNANCE DECLARATION PURSUANT TO SECTION 161 AKTG [AKTIENGESETZ-GERMAN STOCK CORPORATION ACT]**

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

Hamburg, February 13, 2015

Olivier Elamine

(CEO)

Alexander Dexne

(CFO)

	Acquisition and manufacturing costs				Accumulated amortization and depreciation					Book values		
	1.1.2014	Additions	Disposals	Transfers	31.12.2014	1.1.2014	Additions	Disposals	Appreciations	31.12.2014	31.12.2014	31.12.2013
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>I. Intangible assets</b>												
Concessions, commercial intellectual property rights and similar rights and assets as wall as licences	1.811.423	70.456	1.235	0	1.880.643	1.339.448	198.901	80	0	1.538.268	342.375	471.975
<b>II. Property, plant and equipment</b>												
1. Land, property rights and buildings	1.318.949.853	42.869.100	46.091.977	1.919.859	1.317.646.835	216.594.204	40.801.908	6.215.581	9.132.201	242.048.330	1.075.598.505	1.102.355.648
2. Technical plant and machinery	2.838.826	120.125	474.662	0	2.484.289	1.902.545	196.307	363.439	0	1.735.413	748.876	936.281
3. Other plant, operating ond office equipment	910.499	44.502	0	0	955.001	412.300	108.186	0	0	520.486	434.515	498.199
4. Prepayments and construction in progress	4.553.346	19.949.941	0	-1.919.859	22.583.427	0	0	0	0	0	22.583.427	4.553.346
	1.327.252.523	62.983.668	46.566.638	0	1.343.669.552	218.909.049	41.106.401	6.579.020	9.132.201	244.304.229	1.099.365.323	1.108.343.474
<b>III. Financial assets</b>												
1. Shares in affiliated companies	151.338.403	35.690.559	0	0	187.028.962	500	0	0	500	0	187.028.962	151.337.903
2. Loans to affiliated companies	18.472.819	0	728.000	0	17.744.819	0	0	0	0	0	17.744.819	18.472.819
3. Participating interests	21.529.889	1.049.377	0	0	22.579.266	7.935.736	35.008	0	0	7.970.745	14.608.521	13.594.153
4. Loans to companies in which the company has a participating interest	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
	191.341.111	36.739.936	728.000	0	227.353.047	7.936.236	35.008	0	500	7.970.745	219.382.302	183.404.874
	1.520.405.056	99.794.060	47.295.873	0	1.572.903.242	228.184.733	41.340.311	6.579.101	9.132.701	253.813.242	1.319.090.000	1.292.220.323

## **AUDITORS' REPORT**

We have audited the financial statements, comprising the income statement, the balance sheet and the notes to the financial statements, together with the bookkeeping system, and the management report of alstria office alstria office REIT-AG, Hamburg/Germany, for the business year from January 1 until December 31, 2014. The maintenance of the books and records and the preparation of the financial statements and the management report in accordance with German commercial law are the responsibility of the entity's Management Board. Our responsibility is to express an opinion on the financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

ble view of the entity`s position and suitably presents the opportunities and risks of future development.

Hamburg/Germany, February 13, 2015

**Deloitte & Touche** GmbH

Wirtschaftsprüfungsgesellschaft

[seal]

**Signed: Reiher**

Wirtschaftsprüfer

[German Public Auditor]

**Signed: p.p. Blumhagen**

Wirtschaftsprüferin

[German Public Auditor]



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