

**BUILDING
YOUR
FUTURE**

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alstria

Company Report 2017

COMPANY REPORT 2017

Real estate portfolio performance &
Financial development

COMPANY REPORT 2017

Real estate portfolio performance &
Financial development

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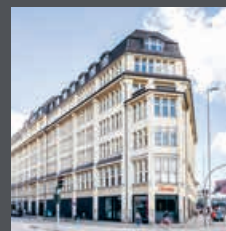
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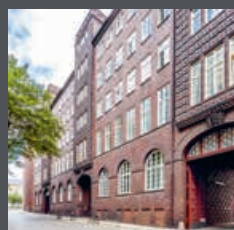
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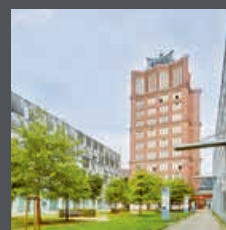
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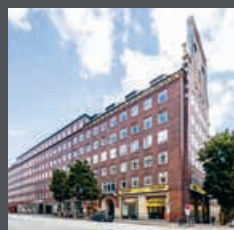
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ALSTRIA AT A GLANCE

*A real estate operator
needs capital and skills.
alstria has both.*

COMPANY PROFILE



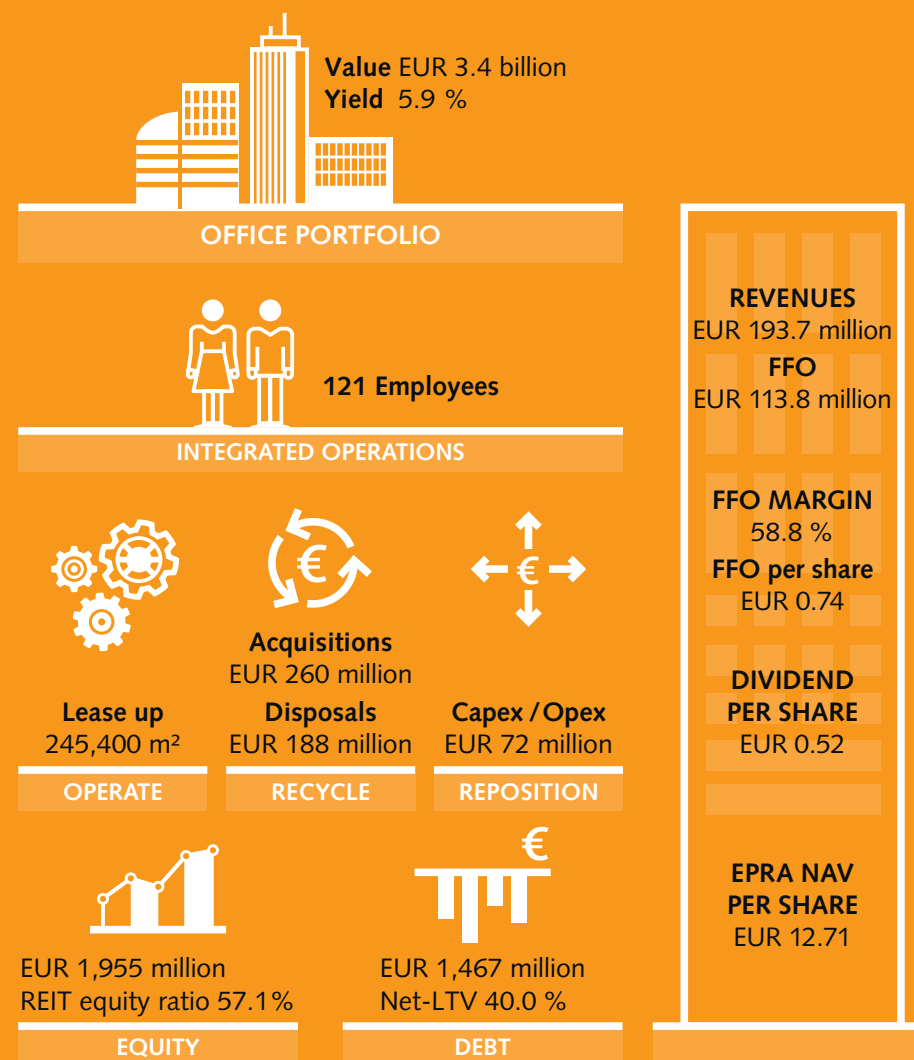
THE ELEVATOR PITCH ALSTRIA IN 2 MINUTES



alstria office REIT-AG is the only real estate operator focusing solely on German offices. We own and manage a portfolio of 116 buildings with a lettable area of 1.6 million m² that represents a total value of EUR 3.4 billion as of December 31, 2017. Our properties are concentrated in the large and liquid German office markets. Through our local presence, we have a deep knowledge of the markets in which we operate. As a fully integrated Company, our 121 employees actively manage our assets throughout their entire life cycle, offer strong added-value services to our customers and strive for sustainable long-term value creation. We sell mature properties to crystallize the value that we create. This provides capital for reinvestment into opportunities with greater prospective returns for our shareholders.

Our business is based on a solid balance sheet. We run the Company at a net LTV of 40.0 % and tend to reduce our leverage even further. With a FFO margin of 58.8 %, our operations are highly profitable and allow us to distribute attractive and sustainable dividends.

We are committed to full transparency. We disclose all relevant information on the assets we buy, own and sell. It is our firm belief that only an open and reliable information policy can build the trust for a long-term partnership between our Company and its shareholders.



KEY FIGURES – FIVE YEAR OVERVIEW

EUR k	2017	2016	2015	2014	2013
Revenues and earnings					
Revenues	193,680	202,663	115,337	101,782	104,224
Net rental income	172,279	179,014	102,140	90,020	93,249
Consolidated profit for the period	296,987	176,872	-110,970	36,953	38,945
FFO (after minorities)	113,834	116,410	59,397	47,626	45,328
Earnings per share (EUR)	1.94	1.16	-1.15	0.47	0.49
FFO per share (EUR)	0.74	0.76	0.61	0.60	0.57

	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Balance sheet					
Investment property	3,331,858	2,999,099	3,260,467	1,645,840	1,632,362
Total assets	3,584,069	3,382,633	3,850,580	1,769,304	1,785,679
Equity	1,954,660	1,728,438	1,619,377	846,593	844,114
Liabilities	1,629,409	1,654,195	2,192,916	922,711	941,565
NAV per share (EUR)	12.70	11.28	10.64	10.71	10.69
Diluted NAV per share (EUR) ¹⁾	12.69	11.28	10.68	10.67	10.60
Net LTV (%)	40.0	40.9	49.3	50.4	50.7

	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
G-REIT key figures					
G-REIT ratio (%)	57.1	56.7	49.4	50.2	50.9
Revenues plus other income from investment properties (%)	100	100	100	100	100

	2017	2016	2015	2014	2013
EPRA key figures²⁾					
EPRA earnings per share (EUR)	0.65	0.57	0.42	0.59	0.57
EPRA cost ratio A (%) ³⁾	20.0	20.6	26.1	22.9	21.7
EPRA cost ratio B (%) ⁴⁾	16.7	16.6	22.1	19.8	18.6

	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
EPRA NAV per share (EUR)	12.71	11.31	10.91	11.22	10.97
EPRA NNNNAV per share (EUR)	12.45	10.81	10.66	10.58	10.55
EPRA net initial yield (%)	4.6	5.0	5.0	4.8	5.6
EPRA 'topped-up' initial yield (%)	5.0	5.4	5.3	5.0	5.8
EPRA vacancy rate (%)	9.4	9.2	11.2	11.0	6.8

¹⁾ Dillution based on potential conversion of convertible bond.

²⁾ For further information please refer to EPRA Best Practices Recommendations, www.epra.com.

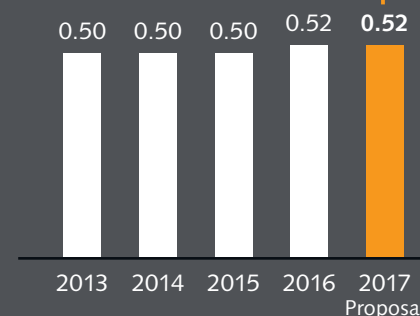
³⁾ Incl. vacancy costs.

⁴⁾ Excl. vacancy costs.

FINANCIAL HIGHLIGHTS

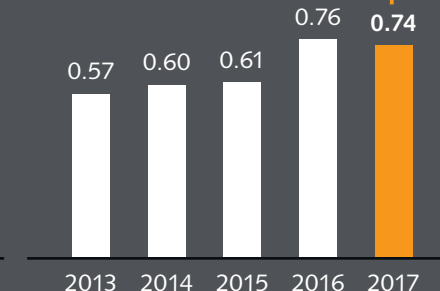
DIVIDEND

0.52
EUR per share



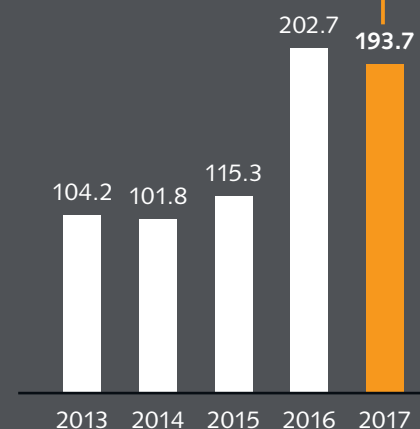
FFO

0.74
EUR per share



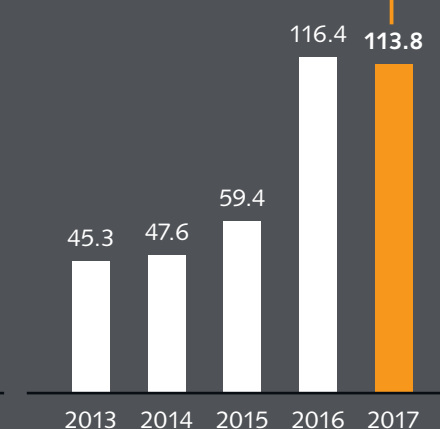
REVENUES

193.7
million EUR



FFO

113.8
million EUR



MANAGEMENT LETTER

Dear ladies and gentlemen, shareholders, business partners and tenants,

'Rents in Berlin have reached EUR 50 per m².' This is not a forecast we are making. It is a historical statement dated 1991. To be precise, the headline at the time was not in EUR but in DM, and therefore not 50 but 100. And eight years later in 1999, the headline for Berlin was 'the turnaround for office markets has arrived.' At that time, office rents were EUR 27 per m². Most of the broker research forecasted that the highest rent would soon exceed EUR 30 per m². There is still a 66 % upside to today's rents before they reach the historical highs of 1991.

Rental growth across the German markets (and not only in Berlin), were the main topic of German real-estate-related discussions in 2017. It became the alpha and omega of German real estate last year. Considering this fact, it felt natural that we should address the topic in this letter. According to a study of the German association of Pfandbrief banks (VdP), published in September 2017, since 1992, across the main German markets, there were 9 years when office rents declined, 11 years when office rents grew, and 5 years when office rents were flat. During that time, the overall trend of rents in Germany, as in Berlin, was a downward one.

This probably explains why, as a long-term manager of real estate, we do not get overly excited by the possible prospects of rental growth. Like any other market, the rental market tends to be cyclical, and any asset is likely to experience more than one rental cycle within its lifetime. If you manage a large portfolio of assets, it is likely that some will be vacant when rents are at their highest, and others will be vacant when rents are at their lowest. The question that we ask ourselves is not so much what rents might be in the future but what rents currently are, as the time for us to lease vacant space is now. Rental growth only matters if we can convert it into cash flow growth, which is only possible if we happen to have a vacant asset at the right moment (and let's put aside the capex debate for now).

Arguably, the prospect of being able to lease your building at a higher rent because of an increasing rental market has some attraction. And the likelihood is high that you would only agree to sell that asset if someone were offering part of that potential benefit upfront. Why would you sell otherwise if you knew that the value would increase in the near future with increasing rents? Assuming that your rental growth expectation is shared by the market, it is likely as well that there will be a buyer out there that would accept to offer that premium (or lower yield) in order to take part in the rental growth story. Suddenly, the potential rental growth starts to increase the spot value (or fair value) of your asset in the marketplace. As the market expects that buyers will pay upfront for something yet to be true, future prospects have created paper value.

We believe there is an important difference that needs to be emphasized between the company and its shareholders. To benefit over the long term from any rental growth, the company needs to convert the prospect of higher rent into real cash flows (i.e. letting assets at higher rents). Shareholders do not need this cash conversion to take place. All they need is the prospect to exist and be reflected in the assets' fair value. They can then sell the shares and crystalize the gain. One could argue (rightly) that the company could just as well sell its assets; however, it is much more cumbersome and much less efficient to sell a real estate portfolio than shares of a listed company. And unlike shares of a listed company, it is almost impossible to buy back the assets later if the situation evolves differently than expected. To a certain extent, listed real estate companies and REITs were set up to create this opportunity for shareholders. They can capture the value created by the prospect of higher rents when they sell their shares as share prices capture the paper gain realized on the assets. Liquidity in the shares allows this to occur with much less friction than what would exist if one was to sell the assets.

Rather than focusing on the rent that a future tenant would be willing to pay, we have chosen to focus on the kind of asset for which the same tenant would be willing to pay a rent. The long-term opportunity we are seeing in the German market is not so much a glimpse in the crystal ball. It is the much-needed transformation of the office stock to adapt it to the change of behavior of the corporate environment and the 'new work environment.' Companies that have good access to capital and a good understanding of the new requirements of corporate users will be successful regardless of rental market volatility. We have been investing in that field over the last 24 months with, among other things, our co-working space, www.beehive.work, and we will continue our effort to understand the dynamics in our client markets.

Our process involves buying, vacating, repositioning, letting and then being opportunistic in capital recycling. We are now at the end of a cycle that started with the takeover of Deutsche Office with a 15 % overall vacancy rate, which we have reduced to around 9.4 % as of today. We will now start to vacate some of our assets to create future opportunities for value creation in the portfolio. Although we are living in exciting times, where there are many opportunities to get distracted from the company's long-term plan, we will strive to stay on course.

Kind regards



Olivier Elamine
Chief Executive Officer (CEO)



Alexander Dexne
Chief Financial Officer (CFO)

OUR PROGRESS IN 2017

LETTING VOLUME

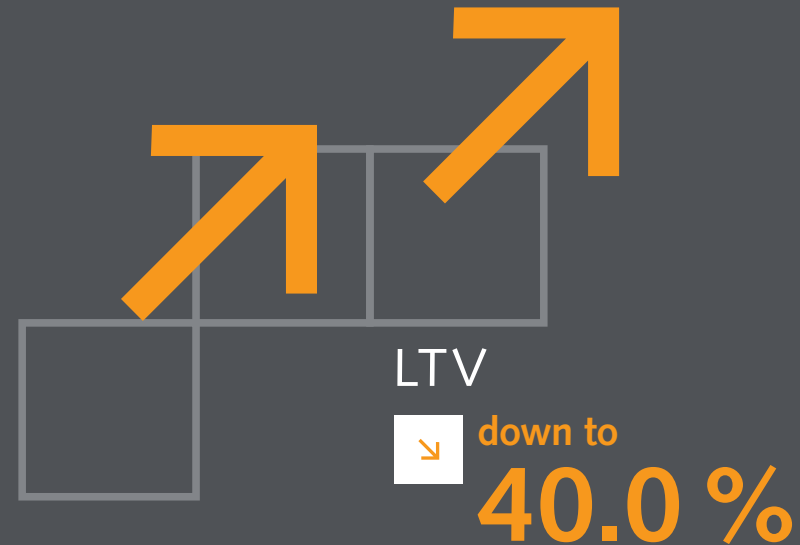
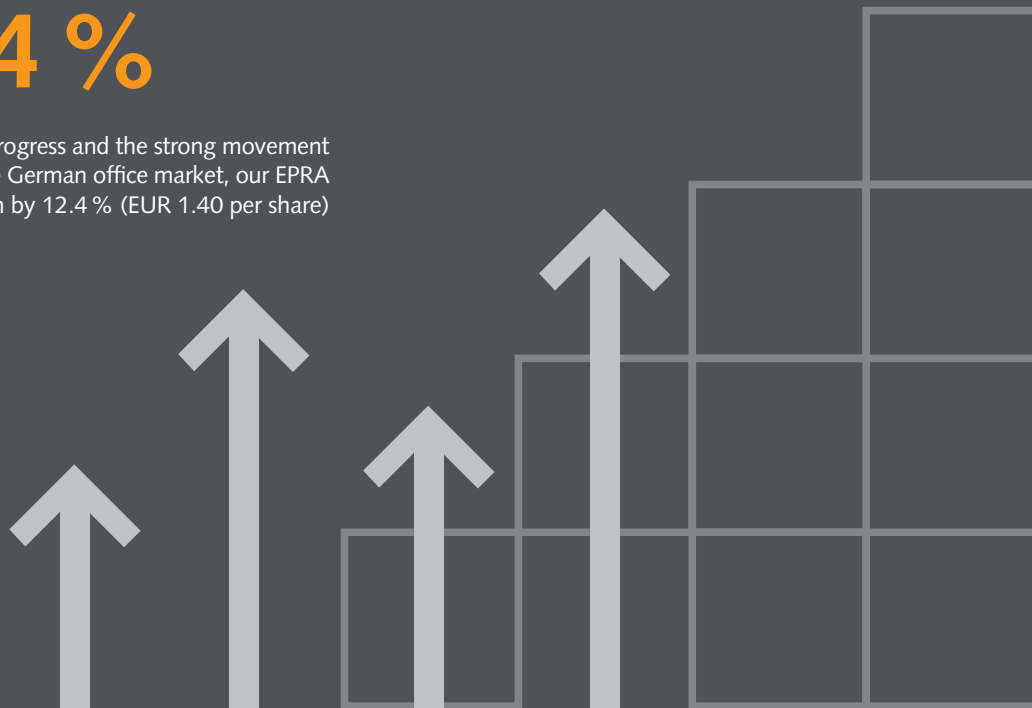
↗ up to
245,400 m²

The core of our operations are our letting activities. The German economy remained in very good shape and we continued to benefit from the high tenant demand for modern and efficient office space. In 2017, we leased up 245,400 m² (of which 98,300 m² were new leases) in our portfolio, and we therefore achieved another record level in the Company's history.

EPRA NAV PER SHARE

↗ up by
12.4 %

Based on our operating progress and the strong movement in real estate values in the German office market, our EPRA NAV per share has grown by 12.4 % (EUR 1.40 per share) to EUR 12.71.



While current interest rates remain at historical lows, we are using the opportunity to reduce our leverage in preparation for the moment when the rate environment will normalize. The only effective protection against the impact of rising interest rates on the Company's profitability is to lower the amount of financial debt. In 2017, we actively managed our debt portfolio, extended our average debt maturity to 5.8 years and reduced the absolute amount of our financial debt.

FFO MARGIN

↗ up to
58.8 %

Our Company is as profitable as never before. alstria's FFO margin stood at 58.8 %. Our FFO of EUR 113.8 million is broadly in line with our operating cash flow of EUR 122.3 million. The profitability of our Company allows us to propose a stable dividend payment of EUR 0.52 to our shareholders.



PORTFOLIO KEY INFORMATION

GEOGRAPHIC PORTFOLIO SPLIT AND PORTFOLIO VALUE

as per December 31, 2017

Total portfolio

- Investment volume: EUR 3,409 million
- 🏠 Number of assets: 116
- ☒ Lettable space: 1,570,100 m²
- 📍 Headquarters
- Local offices

Hamburg

- EUR 992 million
- 🏠 36 assets
- ☒ 365,700 m²

Rhine-Ruhr

- EUR 986 million
- 🏠 36 assets
- ☒ 511,400 m²

Rhine-Main

- EUR 694 million
- 🏠 19 assets
- ☒ 289,600 m²

Stuttgart

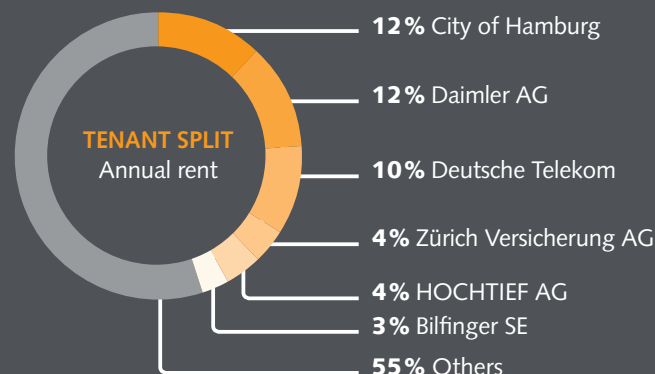
- EUR 408 million
- 🏠 9 assets
- ☒ 208,900 m²

Berlin

- EUR 159 million
- 🏠 6 assets
- ☒ 62,900 m²

Others

- EUR 170 million
- 🏠 10 assets
- ☒ 131,600 m²



PORTFOLIO HIGHLIGHTS

	Dec. 31, 2017	Dec. 31, 2016
Number of properties	116	108
Number of joint venture properties	0	1
Market value (EUR m)	3,409	3,021 ¹⁾
Contractual rent (EUR m)	202.0	188.4
Valuation yield (%)	5.9	6.2
Approx. lettable area (m ²)	1,570,100	1,524,300
EPRA vacancy rate (%)	9.4	9.2
Lease length (years)	4.7	4.9
Average value per m ² (EUR)	2,171	1,982
Average rent per m ² (EUR per month)	12.06	11.61

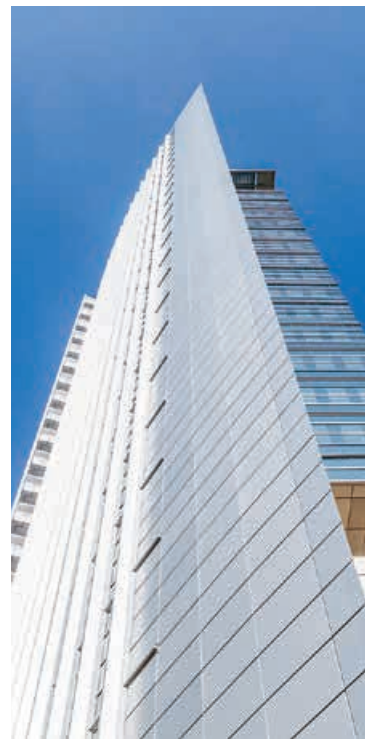
¹⁾ Excl. joint venture.

MOVEMENTS PROPERTY PORTFOLIO

	EUR k
Investment properties as per Dec. 31, 2016	2,999,100
+ Transactions	144,900
o/w Acquisitions ¹⁾	187,700
o/w Disposals (book value)	-42,800
+ Capital expenditure	58,800
o/w Development portfolio ²⁾	18,100
o/w Investment portfolio	40,700
+ Valuation result	181,500
o/w Development portfolio ¹⁾	2,300
o/w Investment portfolio	179,200
+ Reclassification	-57,900
o/w Assets held for sale (book value)	-43,100
o/w Owner occupied properties	-14,800
+ Prepayments of properties	5,500
= Investment properties as per Dec. 31, 2017	3,331,900
+ Assets held for sale	60,200
+ Fair value of owner occupied properties as per Dec. 31, 2017	22,700
+ Prepayments of properties	-5,500
= Total portfolio value as per Dec. 31, 2017	3,409,300

¹⁾ Including acquisition costs.

²⁾ Assets classified as development assets as per Dec. 31, 2016 and Dec. 31, 2017.



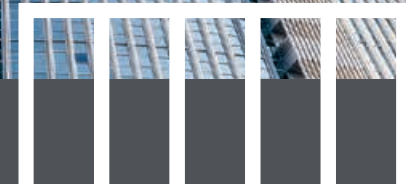
KASTOR TOWER
PLATZ DER EINHEIT 1, FRANKFURT

The Kastor Tower is located directly adjacent to the exhibition center in the heart of Frankfurt. The financial district, the west end and the central railway station are within walking distance. We acquired the building in 2015 and increased the in-place rent from EUR 2.4 million to EUR 6.4 million within 18 months.

Construction year	1997
Lettable area	30,400 m ²
Avg. rent per m ²	EUR 21.00
Value per m ²	EUR 5,000
Valuation yield	4.3 %



PORTFOLIO
PERFORMANCE



Our competitive assets and the skills of our 121 employees are the basis for our letting success.

LETTING

OUR LEASING STRATEGY

Our assets are located in the major and liquid German office markets. In Hamburg, Düsseldorf, Frankfurt, Stuttgart and Berlin, we run local offices in order to be close to our assets and our tenants. Based on the expertise of our regional teams (consisting of assets managers, property managers and technicians), we actively manage the relationship to our tenants and take care of the buildings we operate. This strategy allows us to generate organic rental growth, even in a flat market environment, and thereby create value for our Company and its shareholders.

HIGHLIGHTS 2017

245,400 m²

Letting volume reached record level
(new lettings: 98,300 m²,
lease extensions: 147,100 m²)

13,400 m²

like-for-like net absorption

EUR 94.2 million

new rental income secured over the next 7.6 years

6.3 %

EPRA like-for-like rental growth

18.8 months

average down period

9.4 %

EPRA vacancy rate

LEASING VOLUME HIT NEW RECORD LEVELS

In 2017, alstria's Real Estate Operations team signed 98,300 m² of new leases and 147,100 m² of lease extensions. The table below summarizes the main leases and their main characteristics. The analysis shows that the rent per m² on the new leases was 20 % higher than on the extended leases. This difference is mainly explained by the amount of capex spent on new leases, which allows us to achieve higher rents.

MAIN NEW LEASES IN 2017 (> 1,500 m²)

Adress	City	Tenant	Lettable area (m ²)	Net rent /m ² (EUR)	Net rent p.a. (EUR k)	Lease length (years)	Rent free (in % of lease length)
Hauptstätter Str. 65–67	Stuttgart	State of BW	8,400	16.64	1,677	10.0	0.8
Am Seestern 1	Düsseldorf	Atos Origin	7,600	14.36	1,310	10.0	3.8
Ernst-Merck-Str. 9	Hamburg	PublicisPixelpark	5,850	18.30	1,285	10.0	2.5
Horbeller Str. 11	Cologne	Matrazen Concord	4,400	9.09	480	10.0	10.0
Ernst-Merck-Str. 9	Hamburg	Rowohlt Verlag	4,300	16.82	868	11.0	6.8
Steinstr. 5–7	Hamburg	Hamburger Hochbahn	3,000	15.25	549	12.2	0.0
Ingersheimer Str. 20	Stuttgart	Vector Informatik	2,700	16.02	519	6.0	0.0
Goldsteinstr. 114	Frankfurt	PORR Deutschland	2,300	10.50	290	10.0	5.0
Platz der Einheit 1	Frankfurt	ING-DiBa AG	2,250	19.06	515	5.0	8.3
Am Wehrhahn 33	Düsseldorf	pbr Planungsbüro	1,900	15.92	363	7.0	12.5
Jagenbergstr. 1	Neuss	Yanfeng Europe	2,000	7.75	186	10.5	7.9
Washingtonstr. 16/16a	Dresden	Hönigsberg & Düvel	1,630	7.92	155	4.3	1.9
Bamlerstr. 1–5	Essen	OPTA DATA	1,500	9.06	172	3.5	0.0
Total			47,830	14.56	8,368	9.4	4.7

MAIN RENEWALS IN 2017 (> 5,000 m²)

Adress	City	Tenant	Lettable area (m ²)	Net rent /m ² (EUR)	Net rent p.a. (EUR k)	Lease length (years)	Rent free (in % of lease length)
Vaihinger Str. 131	Stuttgart	Daimler	21,400	14.74	3,785	4.0	0
Breitwiesenstr. 5–7	Stuttgart	Daimler	15,400	9.55	1,765	7.5	4.0
Werner-v.-Siemens-Platz 1	Laatzten	Siemens	17,200	6.31	1,302	2.0	0
Jagenbergstr. 1	Neuss	Yanfeng Europe	6,700	7.76	624	10.5	7.9
Nagelsweg 41–45	Hamburg	HUK Coburg	5,200	11.79	736	5.0	0
Total			65,900	10.38	8,212	5.0	4.0

LIKE-FOR-LIKE NET ABSORPTION

The net absorption of 13,400 m² on the one hand and the net acquisition of 19,900 m² of vacancy on the other hand led to an EPRA vacancy rate of 9.4 % as of December 31, 2017. The total vacancy rate (including development assets) stood at 10.8 % as of December 31, 2017 and was 50 bps lower compared to December 31, 2016. Going forward, we expect the vacancy rate to float between 8 % and 12 %, depending on how much vacancy we buy, how many fully leased assets we sell and how many buildings we have under development. We are constantly optimizing the cash flow of our buildings, which requires a certain amount of vacancy for us to work on in order to create value.

VACANCY SCHEDULE

Investment property		m ²	Vacancy rate (%)
Total lettable area – Dec. 31, 2016	(A)	1,524,300	
+ Acquired space		115,400	
– Disposed space ¹⁾		–84,500	
+ Net new built space		400	
– Remeasurements		–900	
Total lettable area – Dec. 31, 2017	(C)	1,554,700	
Vacancy – Dec. 31, 2016	(B)	171,700	11.3 (B / A)
+ Acquired vacancy		19,900	
– Disposed vacancy		–10,100	
+ Expiries and breaks		232,000	
– Renewals		–147,100	
– New leases		–98,300	
= Vacancy – Dec. 31, 2017	(D)	168,100	10.8 (D / C)
o / w Developments		38,100	
EPRA vacancy rate²⁾			9.4

¹⁾ Disposed assets incl. assets held for sale as of Dec. 31, 2017.

²⁾ For detailed calculation see Table 7 page 93.

GEOGRAPHICAL SPLIT OF RENTAL INCOME

	Contractual rent 2017 (EUR k)	Contractual rent 2016 (EUR k)	Change (%)	Lettable area (m ²)	Number of assets
Hamburg	43,277	40,063	8.0	365.7	36
Rhine-Ruhr	61,186	51,530	18.7	511.4	36
Rhine-Main	47,430	45,895	3.3	289.6	20
Stuttgart	30,144	30,204	–0.2	208.9	9
Berlin	7,689	4,471	72.0	62.9	6
Others	12,277	12,027	2.1	131.6	9
Total portfolio	202,002	184,191	9.7	1,570.1	116

EFFECTIVE RENT UP TO EUR 10.21 PER m²

The base rent of a leasing contract is what is usually communicated. However, more meaningful for the profitability of a real estate company is the effective rent. We calculate our effective rent by deducting all costs relating to a new lease, comprising cost for the fit-out of the space according to tenant needs (tenant improvements), broker fees and rent concessions (rent-free periods). In 2017, new leasing contracts started for a lettable office area of 83,800 m². The weighted average net effective rent for the new leases amounted to EUR 10.21 per m², and the weighted average lease length (WAULT) was 7.6 years. Therefore, we generated a total future rental income of EUR 94.2 million (2016: EUR 40.1 million) through the new leases.

COST OF LETTING AND EFFECTIVE RENT

per m ² in EUR (new leases)	2017	2016	2015
Base rent	12.57	12.08	11.55
Tenant fit-outs	-1.74	-1.29	-1.28
Broker fees	-0.44	-0.52	-0.08
Rent concessions	-0.18	-0.29	-0.32
Effective rent	10.21	9.98	9.87
Weighted average lease term (in years)	7.6	5.0	7.5

AVERAGE DOWN PERIOD OF 18.8 MONTHS



When a lease expires the tenant either stays in the building and extends the lease or he leaves. In case the tenant moves out, we seize the opportunity to modernize the space enabling us to increase the rent afterwards. Usually it takes us between 12–24 months to lease up the vacant space. For a real estate operator such as alstria, the average down period of the vacant space is a more meaningful number than the vacancy rate of the portfolio (see pages 48–49 in this report). As per December 31, 2017, this number stood at 18.8 months and was in line with our expectations.

EPRA LIKE-FOR-LIKE RENTAL GROWTH OF 6.3 %

The main impact on the change of our rental income stems from our transaction activities. Depending on if we are a net buyer or net seller in the period under review, our contractual rent goes up or down. Moreover, we are constantly improving our revenue base by using organic growth opportunities. Our sources for internal (like-for-like) growth are mainly our development projects, which allow us to command higher rents after conducting refurbishment measures in our buildings. Also, we deliberately buy vacancy in order to generate value by leasing out the vacant space. This is usually the main impact for rental growth in our investment portfolio, as market rents in the broad market still tend to stay flat. The split-up shown in the tables below demonstrates that it takes an active asset management approach to generate rental growth. The strong leasing result of the Company over the last 24 months has allowed us to generate an EPRA like-for-like rental growth of 6.3 % (see the table below, 'Change in rental income [2 year period]'). Our target is to achieve an average annual like-for-like rental growth of 1.5 % to 2.0 % beyond inflation over the years.

CHANGE IN RENTAL INCOME (1 YEAR PERIOD)

	EUR k	%
Contractual rent as per Dec. 31, 2016¹⁾	188,426	100.0
+ / – Change in rent investment portfolio (Dec. 31, 2016–Dec. 31, 2017)	5,057	2.7
o / w New leases	6,623	3.5
o / w Lease expiries	-1,566	-0.8
+ / – Change in rent development portfolio (Dec. 31, 2016–Dec. 31, 2017) ²⁾	847	0.4
o / w New leases	2,156	1.1
o / w Lease terminations	-1,309	-0.7
+ / – Change in rent from transactions (Dec. 31, 2016–Dec. 31, 2017)	7,672	4.1
o / w Rents from acquired assets	11,908	6.3
o / w Rents from disposed assets	-4,236	-2.2
Contractual rent as per Dec. 31, 2017³⁾	202,002	107.2

CHANGE IN RENTAL INCOME (2 YEAR PERIOD)



	EUR k	%
Contractual rent as per Dec. 31, 2015¹⁾	208,272	100.0
+ / – Change in rent investment portfolio (Dec. 31, 2015–Dec. 31, 2017)	13,157	6.3
o / w New leases / rent increases	17,446	8.4
o / w Lease expiries	-4,290	-2.1
+ / – Change in rent development portfolio (Dec. 31, 2015–Dec. 31, 2017) ²⁾	-2,399	-1.2
o / w New leases	2,191	1.1
o / w Lease terminations ²⁾	-4,590	-2.2
+ / – Change in rent from transactions (Dec. 31, 2015–Dec. 31, 2017)	-17,028	-8.2
o / w Rents from acquired assets	14,297	6.9
o / w Rents from disposed assets	-31,325	-15.0
Contractual rent as per Dec. 31, 2017³⁾	202,002	97.0

¹⁾ Based on total portfolio of EUR 3,022 m (2016) and EUR 3,335 m (2015).

²⁾ Properties classified as development assets as per Dec. 31, 2017 (upper table), 2016 & 2017 (lower table).

³⁾ Based on total portfolio of EUR 3,409 m (calculation see page 13).

Our capex program is the basis for our rental growth and our capital accretion.



CAPITAL EXPENDITURE

OUR LIFE CYCLE STRATEGY

As a long-term real estate investor, we can hold the assets over their entire life cycle. Therefore, we continuously invest in our buildings in order to maintain the quality of our assets. We also conduct full refurbishments, as at some stage, every building requires substantial development measures in order to start a new life. Over the past years, we have built up internal capacities to carry out challenging refurbishments. At any given moment in time, we have a number of assets under development, i.e., existing buildings are undergoing a substantial refurbishment process to upgrade the buildings to modern standards. Based on our deep real estate knowledge and our local expertise, we are in a position to take the development risk, which is usually rewarded with the respective development profit.



HIGHLIGHTS 2017

EUR 72.1 million

combined capex / opex spent on the portfolio, equals 2.9 % of our asset value (excl. land value)

EUR 90.1 million

of capex (over a two year period) generated EUR 10.8 m of incremental rent, yield on capex: 11.9 %

EUR 40.7 million

of capex into our investment portfolio

EUR 18.1 million

of development capex

EUR 132.7 million

of planned capex over the next two years offers further growth potential

CAPEX SUBSTANTIALLY UP

In our standing investment portfolio (like-for-like), we invest money within the context of new lettings. Capex related to new leases amounted to EUR 40.7 million in 2017 and was up compared to the prior year period, which follows the signature of a number of new leases, particularly in buildings at 'Platz der Einheit' (Kastor), Frankfurt and 'Am Seestern' (Düsseldorf). Of the capitalized amount relating to new lettings, the major part was related to tenant fit-outs.

The capex spent for substantial and value-enhancing development measures was EUR 18.1 million in 2017. This amount is higher than last year, as we increased our exposure to development projects, two of which ('Bieberhaus' in Hamburg and 'Momentum' in Düsseldorf) were in their main reconstruction phases. Both assets will be delivered in mid-2018. The combined capex on both developments will be EUR 54.9 million, and the expected incremental rent (compared to the situation before the refurbishment) amounts to EUR 3.4 million. Our yield on capex therefore amounts to 6.2 % and is in line with our investment targets. As a general rule, we do not capitalize interest or personnel cost with regard to our development assets.

Furthermore, we spent opex on our buildings through smaller refurbishments (EUR 9.1 million) and ongoing repairs (EUR 4.3 million), which are expensed through our P&L and are therefore recognized in our FFO. All in all, we spent a total of EUR 72.1 million on our assets in 2017, which on average is EUR 46 per m² or 2.9 % of the portfolio value (excluding land value).

PROPERTY RELATED CAPEX / OPEX

EUR k	2017	2016	2015
Acquisitions	187,723	46,350	11,576
Development capex	18,081	9,050	29,952
Investment portfolio capex	40,700	22,226	11,733
o / w Tenant fit-outs	17,900	11,527	9,582
o / w Broker fees	2,900	3,298	744
o / w Capitalised interest	0	0	0
o / w Other cost	19,900	7,401	1,407
Capital expenditure	58,781	31,277	41,686
Maintenance expenses ¹⁾	9,086	8,056	4,280
Running repairs ¹⁾	4,275	4,357	1,605
Operating expenditure	13,361	12,413	5,885
Total Capex / Opex	72,142	43,690	47,570

¹⁾ Incl. in P&L and FFO.

LIKE-FOR-LIKE GROWTH YIELD OF 11.9 %

Our capex program is the main source for our internal growth. Through value enhancing capex measures, we upgrade or sometimes completely reposition our assets, which allows us to increase the rents on those assets. As there is still no evidence for market-driven rental growth in the broad market, capex is the only way to exploit the growth potential of a real estate portfolio. Over the past two years, we invested EUR 90.1 million (EUR 58.8 million in 2017 and EUR 31.3 million in 2016) into our portfolio, which allowed us to increase the rents (compared to the situation prior to the refurbishment) by EUR 10.8 million. The like-for-like growth yield on our capex spend was therefore 11.9 %.

LIKE-FOR-LIKE GROWTH YIELD

	EUR k
Change rental income 2016 and 2017¹⁾	10,758
o / w Investment portfolio	13,157
o / w Development portfolio	-2,399
Capex 2016 and 2017²⁾	90,058
Like-for-like growth yield	11.9 %

¹⁾ See table 'Change in rental income (2 year period)' on page 21.

²⁾ See table 'Property related capex / opex' on page 24 (EUR 31.3 m for 2016 and EUR 58.8 m for 2017).

DEVELOPMENTS¹⁾

Asset name	City	Status	Acquisition price ²⁾ (EUR k)	Rent collected ²⁾ (EUR k)	Book value as per Dec. 31, 2017 (EUR k)	Cost to complete (EUR k)	Total capex (EUR k)	Forecast total cost (EUR k)	ERV on completion (EUR k)	Forecast completion date	Cash at risk (EUR k)	Cash-in-cash yield (%)
			(A)	(B)		(C)	(D)	(E)	(F)		(A) – (B) + (D) = (G)	(F/G)
Am Wehrhahn 33	Düsseldorf	Construction	29,400	11,500	71,800	21,400	36,100	65,500	5,200	Q2 2018	54,000	9.6
Ernst-Merck-Str. 9	Hamburg	Construction	44,600	17,600	55,585	15,400	18,800	63,400	3,200	Q2 2018	45,800	7.0
Amsinckstr. 28	Hamburg	Planning	14,000	8,800	13,400	8,100	8,700	22,700	1,500	Q1 2019	13,900	10.8
Amsinckstr. 34	Hamburg	Planning	10,700	6,700	10,900	6,000	6,500	17,200	1,200	Q1 2019	10,500	11.4
Carl-Reiß-Platz 1–5	Mannheim	Planning	25,000	15,600	16,850	28,200	28,400	53,400	3,100	Q2 2019	37,800	8.2
Gustav-Nachtigal-Str. 3–4	Wiesbaden	Planning	35,300	24,000	20,925	9,400	9,800	45,100	2,200	Q2 2019	21,100	10.4
Besenbinderhof 41	Hamburg	Planning	7,000	5,300	6,400	11,300	11,400	18,400	1,200	Q4 2019	13,100	9.2
Solmsstr. 27–37	Frankfurt	Planning	82,100	15,400	68,000	13,000	13,000	95,100	5,000	Q4 2019	79,700	6.3
Total			248,100	104,900	263,860	112,800	132,700	380,800	22,600		275,900	8.2

¹⁾ More information on our development assets see page 44–45.

²⁾ Incl. transaction costs of 6 % and real estate operating expenses of 5 %.

HOW TO
READ THE
TABLE

Example – ‘Am Wehrhahn 33’: Back in 2012, we acquired the 23,200 m² building for an all-in-cost of EUR 29.4 million. Over the years 2012 to 2017, we collected a total rental income of EUR 11.5 million. As the building is currently under refurbishment, we will invest EUR 36.1 million into the building. Total cost minus the collected rent therefore amounts to EUR 54.0 million. Compared to the ERV (expected market rent) of EUR 5.2 million p. a., the building delivers a return of 9.6 %. The current book value of EUR 71.8 million indicates the current market value of the building in case of a disposal.

ACCELERATED DEVELOPMENT PIPELINE

As there currently are only limited opportunities to grow the portfolio by acquisitions, we rather use our resources to invest into our own portfolio in order to generate growth. Our current development pipeline comprises eight buildings with a total lettable area of 126,600 m². Our main projects, ‘Am Wehrhahn’ (Momentum) in Düsseldorf and ‘Ernst-Merck-Str.’ (Bieberhaus) in Hamburg, will be delivered by mid-2018. Bieberhaus, meanwhile, is almost fully let. For the Momentum project, we started the marketing in the second half of 2017, and we are optimistic that we will lease up the building in the course of 2018.

The new projects in Amsinckstr. 28 and 34 as well as Besenbinderhof 41 are located in the inner city of Hamburg and will be repositioned in the course of 2018/2019. The assets were leased to the City of Hamburg before and offer substantial development potential. The former headquarter of Bilfinger Berger at Carl-Reiß-Platz 1–5 in Mannheim will be substantially refurbished and will include a residential component. The asset Gustav-Nachtigal Str. 3–4 in Wiesbaden is a 19,200 m² office building that has reached the end of its life cycle. The repositioning will turn the asset into a state-of-the-art office building. The building in Solmsstr. 27–37 (Frankfurt) will be refurbished after the current tenant moved out in February 2018.



The historical Bieberhaus (Ernst-Merck-Str. 9) is located in the inner city of Hamburg and was repositioned in 2017/2018. The new rent on the refurbished office space increased by 80 % to EUR 19.40 per m² and was in line with our expectations. Through the refurbishment and the related capex, the value of the building increased from EUR 22.7 million to EUR 55.6 million in 2017.



Our disciplined investment approach is the basis for the long-term profitability of our portfolio.

TRANSACTIONS

OUR CAPITAL RECYCLING STRATEGY

Acquisitions and disposals of real estate assets are part of our core business. We buy real estate assets that offer opportunities in the large liquid office markets in Germany. Potential acquisition targets undergo rigorous due diligence and have to perform on an unlevered basis. Our pricing discipline has remained unchanged, regardless of the current low interest rate environment. If prices are too high, we also take a net-seller position in order to benefit from the market environment. When we acquire real estate assets, we strive for unlevered IRR's of 7 % to 8 % on average. The actual unlevered IRR target depends on the individual risk of the property.

HIGHLIGHTS 2017

EUR 259.5 m

acquisition volume in our core markets

EUR 187.8 m

disposal volume of mature and non-core assets (incl. JV)

29.2 %

average gain to book value

14.4 %

average UIRR on disposed assets over their holding period

ACQUISITION OF 15 ASSETS IN OUR CORE REGIONS

Over the course of 2017, we acquired 15 buildings for a total consideration of EUR 259.5 million, which represents an acquisition price of EUR 1,730 per m² and an initial yield of 5.8 %. As some of the assets have substantial vacancy, we expect a stabilized yield of 7.9 % going forward. The acquired assets are entirely located in our core markets of Hamburg, Berlin, Stuttgart and Rhine-Ruhr and therefore perfectly fit our portfolio.

ACQUISITIONS

Asset name	City	Acquisition price ¹⁾ (EUR k)	Lettable area (m ²)	Annual rent ²⁾ (EUR k)	Vacancy rate ²⁾ (%)	Transfer of benefits and burden
Friedrich-List-Str. 20	Essen	18,400	9,000	1,478	0.0	Apr. 22, 2017
Am Borsigturm 13–17	Berlin	18,500	14,400	1,277	11.8	Jul. 1, 2017
Am Borsigturm 44–46	Berlin	9,200	9,100	761	9.9	Jul. 1, 2017
Rankestr. 17	Berlin	14,200	4,900	476	26.5	Jul. 1, 2017
Willstätterstr. 11–15	Düsseldorf	29,400	24,000	2,301	9.6	Jul. 1, 2017
Immermanstr. 59	Düsseldorf	13,300	6,500	962	4.6	Jul. 1, 2017
Kanzlerstr. 8	Düsseldorf	13,700	9,100	951	29.7	Jul. 1, 2017
Am Wehrhahn 28–30	Düsseldorf	4,800	2,600	382	7.7	Jul. 1, 2017
D2 Park 5	Düsseldorf	9,700	5,700	669	0.0	Jul. 1, 2017
Essener Bogen 6 a–d	Hamburg	9,700	5,400	705	0.0	Jul. 1, 2017
Essener Str. 97	Hamburg	1,800	1,400	148	0.0	Jul. 1, 2017
Heidenkampsweg 44–46	Hamburg	5,300	4,200	348	21.4	Jul. 1, 2017
Heidenkampsweg 99–101	Hamburg	28,900	19,000	897	63.2	Jul. 1, 2017
Sonninstr. 26–28 ³⁾	Hamburg	54,600	22,400	2,160	7.6	Feb. 1, 2018
Eichwiesenring 1 ³⁾	Stuttgart	28,000	12,300	1,534	0.0	May 1, 2018
Total		259,500	150,000	15,049	16.0	

¹⁾ Excl. transaction costs.

²⁾ At the time of the signing of the SPA.

³⁾ Not yet on balance sheet as per Dec. 31, 2017.

DISPOSAL OF FIVE NON-CORE ASSETS

In 2017, we continued to make use of the strong demand for German real estate and sold five properties for a total consideration of EUR 104.5 million, either because the properties did not fit into the asset class office or because they were located in a region that does not fit into our strategy. With the sale of our 49 % joint venture 'Kaisergalerie' in Hamburg, we demonstrated our ability to create value through a fundamental repositioning process of a building. A part of the asset, which is located in the high-street area of Hamburg, was converted from a theatre into a shopping gallery over the past years, followed by a substantial rent increase from EUR 1.8 million in 2007 to EUR 5.2 million in 2017. The asset was sold for a total consideration of EUR 170 million (alstria's share: EUR 83.3 million), representing a buyers yield of 2.9 %. The UIRR over the holding period of the asset amounted to 17.3 %.

DISPOSALS

Asset name	City	Disposal price (EUR k)	Lettable area (m ²)	Annual rent ¹⁾ (EUR k)	Vacancy rate (%)	Gain to book value (EUR k)	Transfer of benefits and burden
Eschersheimer Landstr. 55	Frankfurt	44,000	8,700	1,625	46.8	16,600	Mar. 31, 2018 ²⁾
Vichystr. 7–9	Bruchsal	13,400	20,200	1,048	13.0	1,200	Oct. 31, 2017
Carl-Benz-Str. 15	Ludwigsburg	19,600	32,500	1,690	5.3	0	Oct. 31, 2017
Doktorweg 2–4	Detmold	11,300	9,800	816	0.0	300	Dec. 31, 2017
Frankfurter Str. 71–75	Eschborn	16,200	6,700	1,086	14.3	500	June 30, 2018 ²⁾
Disposals from investment portfolio		104,500	77,900	6,265	12.0	18,600	
Grosse Bleichen 23–27 (JV, 49 % share)	Hamburg	83,300	9,000	2,646	2.4	23,900	Aug. 31, 2017
Total		187,800	86,900	8,911	11.0	42,500	

¹⁾ At the time of the signing of the SPA.

²⁾ Expected.

FURTHER DE-RISKING OF THE PORTFOLIO

Over the year 2017, we strengthened the portfolio in our core markets and sold assets in regions outside our strategic focus. In the Rhine-Main region, we sold a hotel and an office building, which will be converted into residential properties. Going forward, we will continue to concentrate our portfolio on Germany's main office markets, as they provide the liquidity on the leasing market that is crucial for our business model. The more liquid the underlying letting market, the lower the re-letting risk.

ACQUISITIONS IN ALSTRIA'S CORE REGIONS



ACHIEVED UIRR OF 14.4 %

We measure the performance of our assets over their entire holding period on the basis on an unlevered internal rate of return (UIRR). Through their holding period, the disposed buildings generated an unlevered profit of EUR 92.0 million and achieved an UIRR (including rent collected and capex spend) of 14.4 %. This result is clearly above our long-term average UIRR and reflects the high price levels in the German real estate investment market.

ACHIEVED UNLEVERED IRR'S

Asset name	Acquisition price (EUR k)	Holding period	Rent collected (EUR k)	Capex (EUR k)	Disposal price (EUR k)	UIRR ¹⁾ (%)	Unlevered profit (EUR k)
Eschersheimer Landstr. 55, Frankfurt	27,300	2015–2018	3,018	606	44,000	20.1	19,112
Vichystr. 7–9, Bruchsal	12,600	2015–2017	1,668	347	13,400	8.4	2,121
Carl-Benz-Str. 15, Ludwigsburg	19,300	2015–2017	2,764	294	19,600	6.3	2,770
Doktorweg 2–4, Detmold	8,569	2008–2017	4,889	699	11,300	7.5	6,921
Frankfurter Str. 71–75, Eschborn	15,700	2015–2018	2,500	206	16,200	5.9	2,794
Grosse Bleichen 23–27 (49 %), Hamburg	31,164	2010–2017	11,912	5,774	83,300	17.3	58,274
Total	114,633		26,750	7,926	187,800	14.4	91,991

¹⁾ Incl. 6 % transaction costs and 5 % real estate operating expenses.

The best way to prove the strength of the valuation process is through asset sales.

VALUATION

NET VALUATION UPLIFT OF EUR 1.18 PER SHARE

Once a year, we ask two real estate valuation firms to value the entire portfolio. This year, this was done by Colliers International and Savills Advisory Services Germany (for the valuation reports, see pages 98–123).

For the total portfolio, the annual revaluation process led to a total uplift (net of capex) of EUR 181.5 million in the course of 2017. 87 buildings experienced an increase in value amounting to EUR 295.4 million in total, while 29 buildings were devalued in a total amount of EUR 113.9 million. Meaningful valuation gains related to the projects with significant capex spending and / or new leases. Valuation losses usually reflect shorter lease contracts.

HIGHLIGHTS 2017

EUR 240.3 m

of mark-up over the total portfolio

EUR 181.5 m

net-valuation of EUR 1.18 per share (after deduction of capex)

5.9 %

gross (valuation) yield

6.6 %

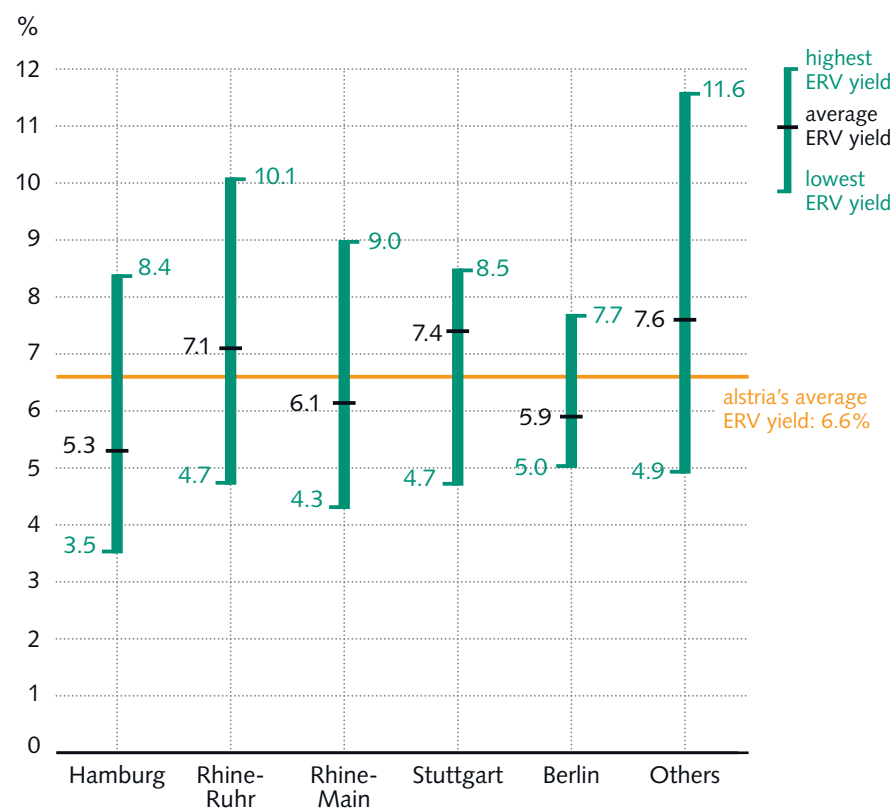
ERV yield

YIELDS RANGE FROM 3.5 % TO 11.6 %

The graph below illustrates the ERV yields of our portfolio (excluding development projects). The bar represents the range between the asset with the lowest yield and the building with the highest yield in the respective region. The yield within the range represents the average ERV yield of the respective local sub-portfolio. Usually, the lower end of the range represents assets with longer term leases, and the higher end of the range represents the valuation of properties with shorter leases in each region.

RANGE OF ERV YIELDS¹⁾ IN ALSTRIA'S PORTFOLIO

as per December 31, 2017



¹⁾ The ERV yield is the market value of the asset (OMV) in relation to its market rent (ERV). The valuation yield is 5.9 % as per Dec. 31, 2017.

Platz der Einheit 1, Frankfurt

Our Kastor office tower in Frankfurt is meanwhile almost fully let to high quality tenants. Based on an in-place rent of EUR 6.4 million, the market value increased by EUR 31.8 million to EUR 152.0 million.



Epplerstr. 225, Stuttgart

The building Epplerstr. 225 is a business park in Stuttgart-Möhringen which is leased by Daimler. As the asset will require a significant amount of capex over the next years, we devalued the asset by EUR 30.6 million in 2017.

PORTFOLIO OVERVIEW

	Total lettable area (m²)	Office space (m²)	Vacancy (m²)	Contractual annual net rent (EUR)	ERV ¹⁾ (EUR)	OMV ¹⁾ (EUR)	Capex (EUR)	Wault (years)	Δ Contractual rent (2016/2017) (%)	Δ OMV (2016/2017) (%)
Investment portfolio	1,443,500	1,181,200	135,000	186,366,200	199,740,800	3,145,440,000	40,700,200	4.9	10.0	15.6
Development portfolio	126,600	109,600	38,100	15,635,900	22,805,000	263,860,000	18,080,900	2.2	5.7	8.4
Total portfolio²⁾	1,570,100	1,290,800	173,100	202,002,100	222,545,800	3,409,300,000	58,781,100	4.7	9.7	15.0

INVESTMENT PORTFOLIO

Asset name	City	Valuer	Total lettable area (m²)	Office space (m²)	Vacancy (m²)	Contractual annual net rent (EUR)	ERV ¹⁾ (EUR)	OMV ¹⁾ (EUR)	Capex (EUR)	Wault (years)	Δ Contractual rent (2016/2017) (%)	Δ OMV (2016/2017) (%)
Hamburg												
Alte Königstrasse 29–39	Hamburg	Colliers	4,300	3,600	0	592,800	568,200	12,000,000	0	8.4	0.0	3.6
Alter Steinweg 4 / Wexstrasse 7	Hamburg	Colliers	32,000	28,000	0	4,176,900	5,036,300	100,000,000	274,200	8.4	0.0	7.7
Bäckerbreitergang 73–75 ³⁾	Hamburg	Colliers	2,700	2,600	0	554,800	556,400	12,000,000	152,800	6.8	202.6	26.6
Basselweg 73	Hamburg	Colliers	2,700	1,900	0	275,600	294,200	5,795,000	0	8.1	0.0	8.7
Borsteler Chaussee 111–113	Hamburg	Savills	6,700	3,600	100	750,200	782,100	13,520,000	0	4.0	–0.2	9.0
Buxtehuder Strasse 9, 9a, 11, 11a	Hamburg	Colliers	7,700	5,100	1,500	579,100	616,800	10,800,000	103,800	8.4	0.0	3.3
Drehbahn 36	Hamburg	Colliers	25,700	20,200	0	3,431,400	3,540,000	100,000,000	0	18.4	0.0	24.2
Essener Bogen 6a–d	Hamburg	Colliers	5,400	4,500	0	711,400	711,000	8,500,000	0	5.5	n/a	n/a
Essener Strasse 97	Hamburg	Colliers	1,400	900	0	149,400	151,000	2,000,000	0	2.2	n/a	n/a
Garstedter Weg 13	Hamburg	Colliers	3,600	2,700	0	363,100	360,000	6,750,000	0	3.4	0.0	3.1
Gasstrasse 18	Hamburg	Savills	25,100	19,400	10,200	1,850,800	3,581,400	41,100,000	486,200	2.5	–10.3	11.1
Grindelberg 62–66	Hamburg	Colliers	18,400	17,400	0	2,197,900	2,238,000	46,000,000	184,700	8.4	0.0	3.8
Hamburger Strasse 1–15 (MOT)	Hamburg	Colliers	9,500	8,300	500	1,836,000	1,774,900	27,500,000	69,100	4.7	1.4	4.8
Hamburger Strasse 1–15 (MUC)	Hamburg	Colliers	12,700	0	600	2,272,500	2,846,200	40,300,000	177,000	5.4	5.3	12.1
Hammer Steindamm 129	Hamburg	Colliers	7,200	6,300	0	576,900	747,000	12,700,000	0	8.4	0.0	18.7
Harburger Ring 17	Hamburg	Colliers	3,600	1,700	0	498,600	528,700	9,250,000	–23,700	6.5	12.3	30.3
Heidenkampsweg 44–46	Hamburg	Savills	4,200	3,700	700	367,000	517,300	7,000,000	0	2.4	n/a	n/a
Heidenkampsweg 51–57	Hamburg	Savills	10,200	9,400	0	1,623,300	1,595,300	28,250,000	569,600	3.8	22.0	21.8
Heidenkampsweg 99–101	Hamburg	Savills	19,300	19,000	12,300	941,600	2,859,200	34,000,000	0	3.3	n/a	n/a
Herthastrasse 20	Hamburg	Colliers	3,300	2,700	0	312,200	334,800	5,900,000	0	3.4	0.0	6.0
Johanniswall 4	Hamburg	Colliers	14,100	10,500	0	1,804,500	1,819,900	52,400,000	0	17.1	–0.5	18.4
Kaiser-Wilhelm-Strasse 79–87	Hamburg	Colliers	5,600	4,300	0	1,131,400	1,175,400	26,500,000	–44,300	2.9	1.4	26.2
Kattunbleiche 19	Hamburg	Colliers	12,400	9,800	0	1,598,200	1,554,000	43,000,000	51,900	18.4	0.0	21.0
Ludwig-Rosenberg-Ring 41	Hamburg	Colliers	4,900	4,100	300	524,200	561,700	9,350,000	2,883,500	8.7	9.2	36.6
Max-Brauer-Allee 89–91	Hamburg	Colliers	9,800	7,000	0	951,500	957,000	20,100,000	0	8.4	0.0	4.6
Nagelsweg 41–45	Hamburg	Colliers	6,700	6,000	0	970,700	1,107,600	17,500,000	0	4.1	6.7	18.7
Öjendorfer Weg 9–11	Hamburg	Colliers	6,100	5,900	0	592,800	756,200	12,700,000	0	8.4	0.0	21.8
Rahlstedter Strasse 151–157	Hamburg	Colliers	2,900	2,900	0	306,700	358,800	6,200,000	800	8.4	0.0	18.7
Schaartor 1	Hamburg	Colliers	5,200	4,400	0	928,500	1,013,600	20,200,000	2,000	4.2	1.6	14.4
Steinstrasse 10	Hamburg	Colliers	26,800	22,200	0	3,432,300	3,744,000	82,500,000	307,000	8.4	0.0	8.6
Steinstrasse 5–7 ³⁾	Hamburg	Colliers	22,300	18,600	6,300	3,087,600	4,222,500	79,540,000	6,057,100	11.0	–14.5	7.1
Süderstrasse 24	Hamburg	Colliers	6,600	6,200	900	758,800	880,000	12,650,000	0	1.1	–10.7	6.9
Total			329,100	262,900	33,400	40,148,700	47,789,500	906,005,000	11,314,100	8.5	6.2	19.8

¹⁾ According to the year-end valuation from Colliers International UK LLP and Savills Advisory Services.

²⁾ The entire portfolio is held as freehold assets.

³⁾ Own used property, partly classified as property, plant and equipment.

INVESTMENT PORTFOLIO

Asset name	City	Valuer	Total lettable area (m²)	Office space (m²)	Vacancy (m²)	Contractual annual net rent (EUR)	ERV ¹⁾ (EUR)	OMV ¹⁾ (EUR)	Capex (EUR)	Wault (years)	Δ Contractual rent (2016/2017) (%)	Δ OMV (2016/2017) (%)
Rhine-Ruhr												
Alfredstrasse 234–238	Essen	Savills	30,300	27,700	0	5,664,600	3,785,200	65,700,000	0	2.0	0.0	–6.8
Am Seestern 1	Düsseldorf	Savills	35,800	31,800	19,900	2,449,800	5,527,100	63,660,000	6,255,800	8.0	111.3	15.5
Am Wehrhahn 28-30	Düsseldorf	Savills	2,600	1,500	600	322,900	408,900	7,500,000	0	6.5	n/a	n/a
An den Dominikanern 6	Köln	Savills	27,500	0	0	3,396,000	4,100,300	76,400,000	132,100	2.6	6.9	19.6
Bamlerstrasse 1–5	Essen	Colliers	33,000	28,200	400	3,871,100	3,700,300	54,000,000	303,200	3.5	1.7	6.9
Berliner Strasse 91–101	Ratingen	Savills	33,900	24,100	6,200	3,829,000	4,027,700	54,800,000	221,100	6.7	–0.3	6.8
Carl-Schurz-Strasse 2	Neuss	Savills	12,700	12,700	1,100	1,219,000	1,346,300	13,900,000	172,200	2.6	–3.5	3.0
D2-Park 5	Ratingen	Savills	5,600	5,100	0	669,400	680,500	8,000,000	0	8.6	n/a	n/a
Earl-Bakken-Platz 1	Meerbusch	Savills	8,000	7,200	0	1,380,800	1,098,300	15,200,000	0	1.7	0.0	1.3
Elisabethstrasse 5–11 ²⁾	Düsseldorf	Colliers	10,800	9,500	700	1,994,500	2,136,700	40,500,000	200	5.2	1.2	11.1
Emanuel-Leutze-Strasse 11	Düsseldorf	Colliers	8,300	7,500	4,600	440,900	1,063,800	13,500,000	101,400	2.9	1.0	22.1
Friedrich-List-Strasse 20	Essen	Savills	9,000	7,900	0	1,477,600	1,404,600	18,400,000	0	2.3	n/a	n/a
Friedrichstrasse 19	Düsseldorf	Colliers	2,200	1,300	100	332,000	378,100	7,140,000	70,500	4.9	–1.0	47.2
Gartenstrasse 2	Düsseldorf	Savills	5,100	5,000	300	974,700	943,800	15,000,000	20,700	3.2	1.4	15.4
Gathe 78	Wuppertal	Colliers	8,400	4,100	500	973,500	823,000	9,000,000	304,100	4.1	8.4	–14.3
Georg-Glock-Strasse 18	Düsseldorf	Colliers	10,400	9,800	0	2,313,800	2,244,000	28,200,000	0	0.1	10.0	10.6
Gereonsdriesch 13	Köln	Colliers	2,500	2,100	0	386,300	380,800	7,000,000	0	9.4	8.5	27.3
Graf-Adolf-Strasse 67–69	Düsseldorf	Savills	5,000	3,300	1,400	361,900	545,200	7,630,000	153,500	3.5	–23.5	1.7
Hansaallee 247	Düsseldorf	Colliers	5,700	4,300	400	750,200	712,700	11,000,000	398,000	4.2	28.7	15.8
Hans-Böckler-Strasse 36	Düsseldorf	Colliers	7,700	6,500	0	1,030,400	1,116,700	24,000,000	0	11.1	5.6	22.8
Heerdter Lohweg 35	Düsseldorf	Savills	37,400	33,000	4,600	5,256,500	5,421,000	55,900,000	1,052,500	1.0	3.4	–26.9
Horbeller Strasse 11	Köln	Colliers	6,300	5,800	0	650,900	784,100	8,100,000	0	1.1	0.7	–3.0
Immermannstrasse 40	Düsseldorf	Colliers	8,200	7,200	500	1,179,400	1,517,600	20,600,000	–37,100	1.9	9.9	20.3
Immermannstrasse 59	Düsseldorf	Savills	6,500	5,100	300	974,300	977,000	17,000,000	600	4.4	n/a	n/a
Ivo-Beucker-Strasse 43	Düsseldorf	Colliers	8,000	7,700	0	1,027,500	1,075,300	11,500,000	0	1.7	1.4	0.0
Jagenbergstrasse 1	Neuss	Colliers	20,400	18,100	3,700	1,533,600	1,928,300	19,000,000	827,100	8.3	2.0	–12.4
Josef-Wulff-Strasse 75	Recklinghausen	Savills	19,900	0	0	1,900,000	2,043,500	29,500,000	0	3.2	0.0	–4.8
Kaistrasse 16, 16a, 18	Düsseldorf	Colliers	9,300	8,900	0	2,177,200	2,390,000	37,800,000	385,800	3.6	18.2	31.7
Kampstrasse 36	Dortmund	Savills	3,100	1,400	1,600	390,000	611,200	7,900,000	14,800	2.8	4.6	–15.1
Kanzlerstrasse 8	Düsseldorf	Savills	9,100	7,500	2,200	1,002,600	1,147,200	14,450,000	0	2.4	n/a	n/a
Karlstrasse 123–127	Düsseldorf	Colliers	5,700	5,200	0	765,500	792,000	13,000,000	28,500	5.5	2.0	8.3
Maarweg 165	Köln	Savills	22,800	20,400	2,700	2,939,800	3,168,800	46,600,000	706,000	2.9	8.6	3.6
Opernplatz 2	Essen	Savills	24,300	24,300	0	2,801,700	2,470,400	36,500,000	0	5.0	0.0	0.8
Pempelfurtstrasse 1	Ratingen	Savills	18,500	17,000	8,100	1,338,500	1,787,500	24,000,000	10,800	3.1	–3.0	–1.6
Willstätterstrasse 11–15	Düsseldorf	Savills	24,000	16,700	2,200	2,357,500	2,478,100	31,500,000	0	3.3	n/a	n/a
Total			488,000	377,900	62,100	60,133,400	65,016,000	913,880,000	11,124,500	3.6	19.2	16.4

¹⁾ According to the year-end valuation from Colliers International UK LLP and Savills Advisory Services.

²⁾ Own used property, partly classified as property, plant and equipment.

INVESTMENT PORTFOLIO

Asset name	City	Valuer	Total lettable area (m²)	Office space (m²)	Vacancy (m²)	Contractual annual net rent (EUR)	ERV ¹⁾ (EUR)	OMV ¹⁾ (EUR)	Capex (EUR)	Wault (years)	Δ Contractual rent (2016/2017) (%)	Δ OMV (2016/2017) (%)
Rhine-Main												
Am Hauptbahnhof 6	Frankfurt	Savills	7,700	5,900	200	1,593,000	1,533,200	35,000,000	168,100	4.3	9.0	39.4
Berner Strasse 119	Frankfurt	Savills	14,900	12,600	3,600	1,368,300	1,408,200	19,900,000	70,100	4.7	-6.6	-2.5
Deutsche Telekom Allee 7	Darmstadt	Savills	24,700	23,300	0	3,574,800	3,050,000	42,500,000	0	2.4	1.0	-9.0
Eschersheimer Landstrasse 55 ³⁾	Frankfurt	Savills	8,700	8,100	4,100	1,625,000	1,726,900	44,000,000	0	1.7	1.8	60.6
Frankfurter Strasse 71 – 75 ³⁾	Eschborn	Savills	6,700	2,300	1,000	1,086,300	1,291,500	16,200,000	0	15.9	8.6	3.2
Goldsteinstrasse 114	Frankfurt	Colliers	8,500	7,900	4,400	523,200	997,300	15,330,000	94,100	7.0	127.6	0.0
Hauptstrasse 45	Dreieich	Savills	8,100	6,700	200	1,416,600	987,000	23,000,000	67,600	9.9	4.1	0.0
Instenburger Strasse 16	Frankfurt	Colliers	13,200	13,000	0	1,800,300	1,785,300	28,000,000	207,100	4.1	1.3	1.9
Mainzer Landstrasse 33a	Frankfurt	Colliers	3,200	2,800	400	540,900	655,800	12,000,000	415,200	3.4	34.5	25.0
Mergenthalerallee 45 – 47	Eschborn	Savills	5,000	4,800	2,100	278,000	418,600	5,200,000	4,500	1.7	26.9	-1.9
Olof-Palme-Strasse 37	Frankfurt	Savills	10,400	9,300	0	1,529,200	1,523,400	22,800,000	0	2.9	2.2	6.0
Platz der Einheit 1 ²⁾	Frankfurt	Savills	30,400	28,700	4,300	6,596,900	6,939,400	152,000,000	5,836,400	3.9	13.9	26.5
Siemensstrasse 9	Neu-Isenburg	Colliers	9,600	9,300	1,300	1,126,900	1,221,500	13,500,000	28,900	5.7	-0.1	22.7
Stresemannallee 30	Frankfurt	Colliers	9,000	8,900	1,400	1,141,800	1,294,500	18,000,000	722,100	5.5	10.0	13.0
T-Online-Allee 1	Darmstadt	Savills	71,900	59,400	0	12,529,000	9,471,500	140,800,000	0	1.9	1.0	-5.8
Wilhelminenstrasse 25	Darmstadt	Savills	8,400	3,500	2,400	953,800	1,288,300	17,200,000	56,500	3.4	-22.4	-19.2
Total			240,400	206,500	25,400	37,684,000	35,592,400	605,430,000	7,670,600	3.7	4.3	9.0
Stuttgart												
Breitwiesenstrasse 5 – 7	Stuttgart	Savills	25,200	20,200	0	2,973,500	3,191,600	47,000,000	5,900	5.5	-2.1	5.1
Epplerstrasse 225	Stuttgart	Colliers	107,500	107,500	0	15,671,100	16,151,400	189,425,000	-448,900	2.7	0.0	-13.9
Hanns-Klemm-Strasse 45	Böblingen	Savills	14,900	14,100	0	1,896,700	1,704,400	25,100,000	68,400	2.5	0.0	5.9
Hauptstätter Strasse 65 – 67	Stuttgart	Colliers	8,600	7,700	0	1,714,100	1,717,200	36,400,000	0	9.8	0.1	76.7
Ingersheimer Strasse 20	Stuttgart	Savills	12,500	10,900	1,200	1,648,200	1,670,300	25,900,000	67,700	5.1	-2.3	17.2
Kupferstrasse 36	Stuttgart	Savills	5,100	4,700	300	538,600	634,000	8,000,000	202,400	3.4	15.9	27.0
Kurze Strasse 40	Filderstadt	Savills	5,300	4,700	600	557,100	614,500	7,400,000	256,200	3.6	-6.6	5.7
Rotebühlstrasse 98 – 100	Stuttgart	Colliers	8,400	6,400	0	1,359,400	1,418,900	22,000,000	10,400	3.5	0.6	15.9
Vaihinger Str. 131	Stuttgart	Savills	21,400	18,500	0	3,785,200	3,143,900	46,800,000	0	3.2	-0.1	55.0
Total			208,900	194,700	2,100	30,143,900	30,246,200	408,025,000	162,100	3.6	-0.2	3.7
Berlin												
Am Borsigturm 13 – 17, 19, 27 – 29, 31 – 33	Berlin	Colliers	14,400	14,200	100	1,523,600	1,743,600	24,000,000	94,600	2.9	n/a	n/a
Am Borsigturm 44 – 46, 52 – 54	Berlin	Colliers	9,000	7,000	900	810,800	1,031,400	14,500,000	0	3.5	n/a	n/a
Darwinstrasse 14 – 18	Berlin	Colliers	22,500	21,400	0	3,395,000	4,122,000	78,900,000	8,522,300	9.1	1.3	24.3
Holzhauser Strasse 175 – 177	Berlin	Colliers	7,700	7,700	200	820,900	941,800	12,175,000	106,200	3.3	38.6	62.3
Rankestrasse 17 ²⁾	Berlin	Colliers	4,900	4,000	600	599,500	943,500	19,000,000	280,000	4.1	n/a	n/a
Tempelhofer Damm 146	Berlin	Colliers	4,400	1,700	1,200	538,900	657,100	10,400,000	300,800	6.8	2.4	18.2
Total			62,900	56,000	3,000	7,688,700	9,439,400	158,975,000	9,309,000	6.1	72.0	99.2

¹⁾ According to the year-end valuation from Colliers International UK LLP and Savills Advisory Services.²⁾ Own used property, partly classified as property, plant and equipment.³⁾ Accounted as asset held for sale.

INVESTMENT PORTFOLIO

Asset name	City	Valuer	Total lettable area (m²)	Office space (m²)	Vacancy (m²)	Contractual annual net rent (EUR)	ERV ¹⁾ (EUR)	OMV ¹⁾ (EUR)	Capex (EUR)	Wault (years)	Δ Contractual rent (2016/2017) (%)	Δ OMV (2016/2017) (%)
Others												
Arndtstrasse 1	Hanover	Colliers	10,900	7,300	0	1,243,300	1,239,500	25,275,000	–60,100	14.1	0.4	7.8
Balgebrückstrasse 13–15	Bremen	Savills	3,900	3,600	0	337,800	353,000	3,900,000	69,600	3.6	1.8	2.9
Carl-Reiß-Platz TG	Mannheim	Colliers	0	0	0	146,600	174,000	1,550,000	0	1.1	0.5	0.0
Frauenstrasse 5–9	Trier	Savills	16,900	900	200	1,728,100	1,934,800	27,300,000	87,700	6.6	1.4	6.6
Friedrich-Scholl-Platz 1	Karlsruhe	Colliers	26,800	26,800	0	2,615,600	2,682,000	44,000,000	539,500	8.0	0.0	1.9
Lötzeener Strasse 3	Bremen	Savills	5,000	3,600	600	323,400	336,000	3,600,000	0	2.4	1.9	11.8
Stiftsplatz 5	Kaiserslautern	Savills	9,000	5,100	2,100	902,300	880,000	11,500,000	100,500	3.0	1.9	0.9
Washingtonstrasse 16 / 16a	Dresden	Colliers	20,500	17,400	4,500	1,481,000	1,857,100	17,000,000	380,800	3.6	14.8	1.5
Werner-von-Siemens-Platz 1	Laatzen	Colliers	21,100	18,000	1,600	1,789,300	2,200,800	19,000,000	1,700	1.5	0.4	–15.6
Total			114,100	82,700	9,000	10,567,400	11,657,200	153,125,000	1,119,700	5.9	2.5	1.1

¹⁾ According to the year-end valuation from Colliers International UK LLP and Savills Advisory Services.

DEVELOPMENT ASSETS

Asset name	City	Valuer	Total lettable area (m²)	Office space (m²)	Vacancy (m²)	Contractual rent (EUR)	ERV ¹⁾ (EUR)	OMV ¹⁾ (EUR)	Capex (EUR)	Wault (years)	Δ Contractual rent (2016 vs. 2017) (%)	Δ OMV ²⁾ (2016/2017) (%)
Am Wehrhahn 33	Düsseldorf	Colliers	23,200	17,000	20,300	1,052,200	5,235,300	71,800,000	12,808,900	2.0	–1.8	30.0
Amsinckstrasse 28	Hamburg	Colliers	8,100	7,800	8,100	0	1,528,800	13,400,000	599,000	–	–100.0	3.3
Amsinckstrasse 34	Hamburg	Colliers	6,200	5,900	6,200	0	1,191,200	10,900,000	530,300	–	–100.0	13.3
Besenbinderhof 41	Hamburg	Colliers	5,000	3,500	300	564,600	1,150,200	6,400,000	32,800	0.7	0.4	–6.2
Carl-Reiss-Platz 1–5	Mannheim	Colliers	17,500	14,800	100	1,709,200	3,076,900	16,850,000	68,000	0.2	–0.5	–26.7
Ernst-Merck-Strasse 9	Hamburg	Colliers	17,500	16,000	2,300	2,563,500	3,217,200	55,585,000	3,810,200	11.1	526.4	69.3
Gustav-Nachtigal-Strasse 3	Wiesbaden	Colliers	18,500	16,500	0	2,621,700	2,168,300	19,650,000	231,700	0.7	–0.2	–29.2
Gustav-Nachtigal-Strasse 4	Wiesbaden	Colliers	800	700	800	22,300	114,800	1,275,000	0	2.9	–19.1	1.2
Solmsstrasse 27–37	Frankfurt	Savills	29,800	27,400	0	7,102,400	5,122,300	68,000,000	0	0.2	0.0	–8.1
Total development portfolio			126,600	109,600	38,100	15,635,900	22,805,000	263,860,000	18,080,900	2.2	5.7	8.4

¹⁾ According to the year-end valuation from Colliers International UK LLP and Savills Advisory Services.

THREE NEW KPI'S TO MEASURE THE PERFORMANCE OF A REAL ESTATE OPERATOR



DREHBAHN 36, HAMBURG

The building is located in the inner city of Hamburg and was acquired from the City of Hamburg in 2006, who leased it back on a long-term basis, as for many years, the asset has served as the home for the judicial authority.

Construction year	1915
Lettable area	25,700 m ²
Avg. rent per m ²	EUR 11.10
Value per m ²	EUR 3,900
Valuation yield	3.4 %

FROM STATIC
TO DYNAMIC

FROM VACANCY RATE TO AVERAGE DOWN PERIOD

Some market participants argue that the vacancy rate is an important indicator to access the quality of a real estate portfolio. The lower the vacancy rate, the better the portfolio quality, they argue. While this might have been true in the past for a pure holding strategy, we do not think it fits into the modern real estate picture of operating strategies. The vacancy rate gives a static picture of a portfolio at a given moment in time. It fails to capture the dynamic of the operation and the importance of capital recycling.

A fully let portfolio generates sustainable rental income and does not offer any value enhancement opportunities beyond a potential CPI increase. For a real estate operator, vacancy is the primary good that is needed to work on the asset. It is our oxygen. Without it, we would not be able to deploy the Company's knowhow and would not be in a position to generate the incremental returns beyond the cash and cash rental yield.

The modern real estate market needs a more dynamic indicator. We call it the 'Average Down Period'. This indicator provides an overview of the time needed to re-let any given amount of space in the portfolio. What matters is not how much is vacant but what is vacant and for how long. In case of a longer down period, the building usually has a structural problem that has to be addressed (for example, a lower rent expectation or an improvement of the quality). The graph shows the turnover of our biggest vacancies over a four year period. As an example, in 2015 our Kastor Tower in Frankfurt ('Platz der Einheit 1') was 80 % (21,700 m²) vacant. Today it is fully let. That's why it disappeared in the 2016 and 2017 bar. The dark green color characterizes our development Momentum (former Wehrhahn Center) in Düsseldorf, which we vacated in 2014 and 2015 in order to completely reposition the building over 2016 and 2017. The marketing and lease of the asset started mid-2017, so in 2018, the vacancy should be significantly lower.

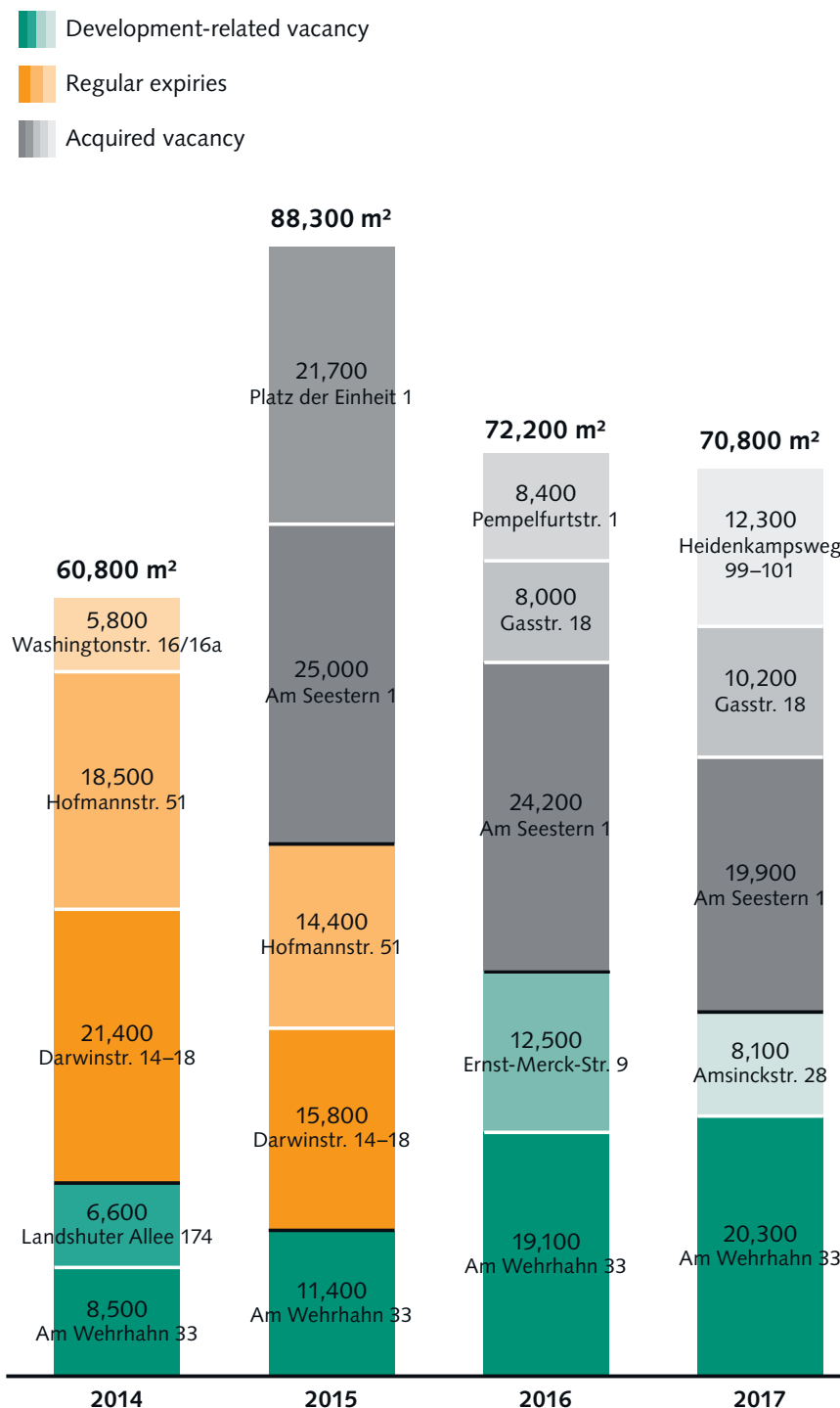
As per December 2017, the Average Down Period of the portfolio was 18.8 months. This means that on average, our vacant space is empty for this period of time. Based on our experience, this number would need to fluctuate around 18 months.



average down period

18.8 months

'TOP 5 VACANT' ASSETS 2014–2017



FROM RENTAL GROWTH TO YIELD ON CAPEX

A real estate company can grow its revenues internally and externally. External growth requires just capital to buy yielding assets that contribute to the P&L. Internal growth is more sophisticated, because besides capital it also needs the skills to operate an asset and improve its cashflow. Now, as there still is no evidence for market-driven rental growth in the broad German market, the question is, why broker reports constantly talk about rents going up. Where does it come from? The answer is easy: There is capital expenditure in between, but hardly anybody is talking about it. So we are moving from the reporting concept of pure like-for-like rental growth to the concept of like-for like growth yield, which basically indicates, how much additional rent (return) we generated based on the investment (capital expenditure), we spend on our buildings. We tend to look at a two year period, because usually the investment this year leads to additional rental income only next year.

Over the years 2016 and 2017 our like-for-like growth yield was 11.9 % and therefore is very attractive compared to investments into the market, which generate lower returns in the current environment. For sure, the like-for-like rental growth concept is not perfect, but it is much more transparent than just looking at the rental growth number.



Capex (2 years)

90,058



Change rental income (2 years)

10,758



Like-for-like growth yield

11.9 %

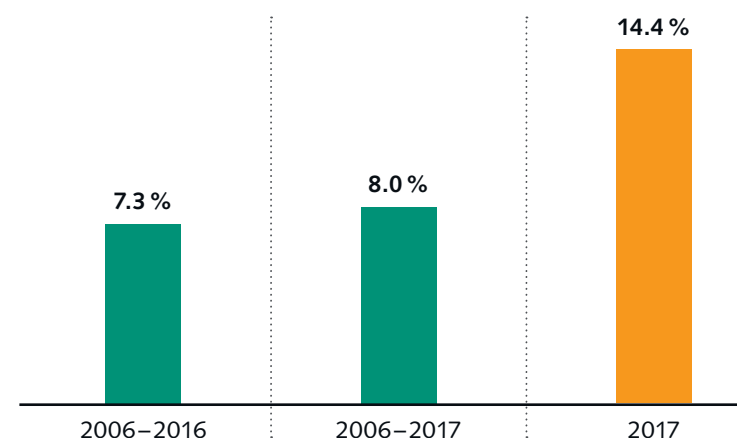
FROM INITIAL YIELDS TO UNLEVERED RETURNS

Sometimes, it makes sense to try to simplify the world. This is only true, however, as long as one is aware of the shortfall of such a simplification. Real estate yields are a good way to simplify the value approach of a real estate asset, but it comes with a number of shortfalls.

As a company, we look at our assets on a total return basis. This is a concept that real estate yields fail to capture appropriately. We underwrite our assets using unlevered IRR models. This allows us to judge the merit of each transaction individually. We also believe in the merits of confronting our actual result with our initial targets. We therefore systematically compute the actual unlevered return achieved whenever we sell an asset. Last year, we started to publish the achieved UIIR's from 2006 up to the present day for all of the buildings we acquired, managed and sold in the market (please see pages 94–97 in this report). The picture is not blurred by unrealized gains or mark up of book values; it's proven by transactions in the market. The average UIRR over the past 11 years, based on a portfolio of 67 assets worth EUR 1.3 billion, was 8.0 % and therefore impressively proves our realistic view on the market. We believe that with this initiative, we are providing the market with a unique set of disclosure of the Company's track record. We are not aware of any other real estate company providing its shareholders with such transparency on its realized operational performance.

We're happy to discuss our new set of KPI's with you and hope that this further step in our reporting transparency gives you more insight into our business model.

UIRR ON DISPOSED ASSETS





STEINSTRASSE 5–7, HAMBURG

The building is located right next to the Hamburg main train station. We acquired the building in 2006 with a vacancy of 100 %. After a refurbishment, the asset serves as the headquarters of Hamburg's public transport network. A part of the building will be alstria's headquarters from 2018 onward.

Construction year	1939
Lettable area	22,300 m ²
Avg. rent per m²	EUR 16.00
Value per m²	EUR 3,600
Valuation yield	3.9 %



FINANCIAL
PERFORMANCE

Over time, the FFO of a real estate company should be in line with its operating cash flow.



OUR BUSINESS APPROACH

Based on the active asset management of our properties, we continuously strive to optimize the cash flow of our real estate portfolio. With regard to our cost base, we have a strong focus on cost efficiency, as this also determines the competitiveness of the company in the market. Currently, we run a fully integrated company with 121 employees, out of which around 75 % are working on the assets. Over the past years, we were able to steadily grow our FFO, which fully reflects the operating cash flow of our company.



HIGHLIGHTS 2017

EUR 193.7 m

revenues in line with our guidance

EUR 113.8 m

FFO represents EUR 0.74 per share

58.8 %

FFO margin hit a new record high

16.7 %

EPRA cost ratio is key to our competitiveness in the market

REVENUES AND FFO IN LINE WITH GUIDANCE

From an operational perspective, alstria absolutely developed according to plan in the reporting period, and we again delivered on the guidance we gave to the market. Our revenues of EUR 193.7 million were in line with our forecast of EUR 193 million, and funds from operations (FFO) of EUR 113.8 million were also in line with the guidance we published by mid-last year. Real estate operating expenses, administrative and personnel costs developed in line with our plans, and the EPRA cost ratio remained stable at 16.7 %. Our operating financing costs were further down due to our active debt management. The positive revaluation result of EUR 181.5 million drove our consolidated pretax profit to EUR 297.0 million, which corresponds to EUR 1.94 per share.

CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2017

EUR k	2017	2016
Revenues	193,680	202,663
Income less expenses from passed-on operating expenses	236	-204
Real estate operating expenses	-21,637	-23,445
Net rental income	172,279	179,014
Administrative expenses	-8,033	-8,464
Personnel expenses	-13,823	-12,683
Other operating income	10,771	5,417
Other operating expenses	-14,371	-14,445
Net result from fair value adjustments on investment property	181,492	72,806
Gain on disposal of investment property	19,693	25,464
Net operating result	348,008	247,109
Net financial result	-67,708	-50,794
Share of the result of joint ventures	28,118	5,480
Net result from fair value adjustments on financial derivatives	-9,334	-8,101
Pre-tax income (EBT)	299,084	193,694
Income tax expense	-2,097	-11,318
Consolidated profit/loss for the period	296,987	182,376
Attributable to:		
Shareholder of alstria office REIT-AG	296,987	176,872
Noncontrolling interests	0	5,504
Earnings per share (EUR)		
Basic earnings per share	1.94	1.16
Diluted earnings per share	1.85	1.11

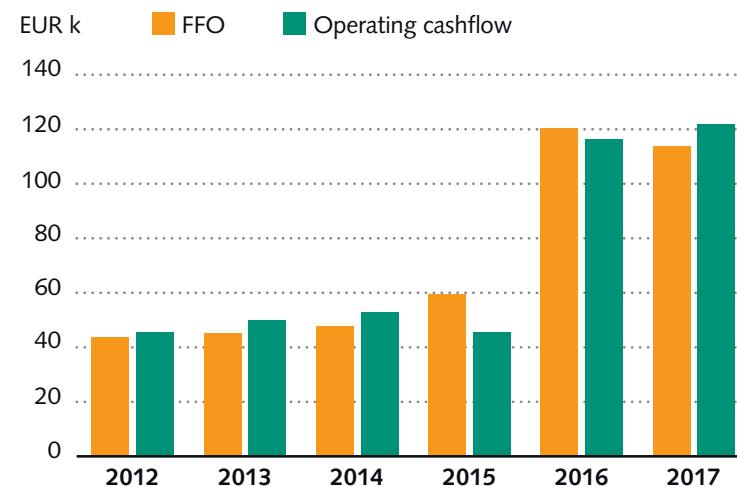
FFO MARGIN OF 58.8 %

Despite declining revenues following the disposal of assets, our FFO and our FFO per share remained largely stable compared to last year. The FFO per share* amounted to EUR 0.74 in 2017 and compares to EUR 0.76 in 2016. alstria's AFFO (adjusted funds from operations) stood at EUR 73.1 million (EUR 0.48 per share). The measure AFFO adjusts FFO for non-expensed capital expenditures that aim at maintaining the quality of the underlying investment portfolio or its cash flow. The adjustments mainly comprised alstria's capitalized capex measures due to tenant-specific property adjustments, which were spent to support the lease-up process.

FFO IN LINE WITH OPERATING CASHFLOW

The FFO of a real estate company should reflect its recurring operating cash result. Therefore, it should be in line with the company's operating cash flow. In 2017, our operating cash flow was EUR 122.3 million and therefore was slightly higher than the FFO (EUR 113.8 million), which clearly underpins the conservative calculation of our FFO. Over the past six years, both figures were absolutely in line, with our operating cash flow at 100.6 % of our FFO.

OPERATING CASHFLOW VERSUS FFO



*154.0 million shares as per Dec. 31, 2017 and 153.2 millions shares as per Dec. 31, 2016.

RECONCILIATION FROM P&L TO FFO

for the period from January 1 to December 31, 2017

EUR k	IFRS P&L	Adjust- ments	FFO
Revenues	193,680	0	193,680
Income less expenses from passed on operating expenses	236	0	236
Real estate operating expenses	-21,637	0	-21,637
Net rental income	172,279	0	172,279
Administrative expenses	-8,033	490	-7,543
Personnel expenses	-13,823	1,279	-12,544
Other operating income	10,771	-6,820	3,951
Other operating expenses	-14,371	10,668	-3,703
Net gain / loss from fair value adjustments on investment property	181,492	-181,492	0
Gain / loss on disposal of investment properties	19,693	-19,693	0
Net operating result	348,008	-195,568	152,440
Net financial result	-67,708	34,821	-32,887
Share of the result of joint venture	28,118	-30,121	-2,003
Net loss from fair value adjustments on financial derivatives	-9,334	9,334	0
Pretax income / FFO (before minorities)	299,084	-181,534	117,550
Income tax	-2,097	2,097	0
Consolidated profit for the period	296,987	-179,437	117,550
Minority interest	0	-3,716	-3,716
Consolidated profit / FFO (after minorities)	296,987	-183,153	113,834
Maintenance and reletting			-40,700
Adjusted funds from operations (AFFO)¹⁾			73,134
Number of shares outstanding (k)			153,962
FFO per share (EUR)			0.74
AFFO per share (EUR)			0.48

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

FFO ADJUSTMENTS

The adjustments from IFRS profit to FFO mainly contained the following items:

- › We deducted EUR 181.5 million of non-cash property valuation gains.
- › We added back EUR 34.8 million of financial expenses due to their non-recurring character, mainly related to the restructuring of our bonds in 2017.
- › We deducted EUR 49.8 million of non-recurring disposal gains (incl. JV).
- › We added back EUR 9.3 million of non-cash valuation movements in our financial derivatives.
- › We deducted EUR 6.8 million of non-recurring other operating income.
- › We considered EUR 3.7 million representing the minority interest in the FFO of our subsidiary alstria office prime portfolio.
- › We added back EUR 10.7 million of non-recurring other operating expenses mainly related to the revaluation of minority shares in the alstria office prime portfolio.

OUTLOOK 2018

Based on the current portfolio, alstria expects revenues of EUR 187 million in 2018. The slight decrease compared to the business year 2017 is due to the disposal of assets and lease expiries. The FFO is expected to amount to EUR 110 million, which represents a FFO margin of approx. 59.0 %.

This report contains statements relating to anticipated future developments. These statements are based on current assessments and are, by their very nature, exposed to risk and uncertainty. Actual developments may differ from those predicted in these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2017

EUR k	2017	2016
1. Cash flows from operating activities		
Consolidated profit/loss for the period	296,987	182,376
Interest income	-816	-535
Interest expense	35,984	45,380
Other financial expenses	32,540	5,949
Result from income taxes	2,097	11,318
Unrealised valuation movements	-190,962	-69,947
Other non-cash income (-)/expenses (+)	5,174	494
Gain (-)/loss (+) on disposal of investment properties	-19,693	-25,464
Depreciation and impairment of fixed assets (+)	490	678
Increase (-)/decrease (+) in trade receivables and other assets not attributed to investing or financing activities	-765	4,202
Increase (+)/decrease (-) in trade payables and other liabilities not attributed to investing or financing activities	5,240	-7,293
Cash generated from operations	166,276	147,158
Interest received	817	64
Interest paid	-36,299	-26,695
Income taxes paid	-8,526	-32
Net cash generated from operating activities	122,268	120,495
2. Cash flows from investing activities		
Acquisition of investment properties	-251,505	-43,740
Proceeds from sale of investment properties	87,975	426,764
Payment of transaction cost in relation to the sale of investment properties	-1,160	-4,771
Acquisition of other property, plant and equipment	-627	-499
Proceeds from the equity release of interests in joint ventures	49,850	0
Payments for capital contributions in affiliates	0	-1,000
Payments for investment in financial assets	-1,764	-34,803
Net cash uses in/generated from investing activities	-117,231	341,951

EUR k	2017	2016
3. Cash flows from financing activities		
Cash received from cash equity contributions	0	34,803
Payments for the acquisition of minority interests	-26,919	-113
Proceeds from borrowings	30,000	150,000
Proceeds from the issuing of corporate bonds	350,000	500,000
Payments of transaction costs for taking out loans	-4,861	-6,817
Payments of dividends	-79,680	-76,564
Payments due to the redemption of bonds and borrowings	-389,876	-1,273,926
Payment of loan premium for redemption of corporate bonds	-29,172	0
Payments for the termination/change of financial derivatives	60	-2,593
Net cash used in financing activities	-150,448	-675,210
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents (subtotal of 1 to 3)	-145,411	-212,764
Cash and cash equivalents at the beginning of the period	247,489	460,253
Cash and cash equivalents at the end of the period	102,078	247,489

A low amount of debt is the most sustainable protection against rising interest rates with regard to profitability.

BALANCE SHEET

OUR FINANCING STRATEGY

A real estate company needs a solid balance sheet and access to different sources of financing. Over the past years, we have built up a positive reputation in the capital market and have positioned alstria as a reliable and solid investment target. Our REIT status clearly helps in this respect, because the REIT is a globally established trademark and stands for a solid financing structure. The quality of our balance sheet has steadily improved over time, and we remain on our path to further de-lever the company going forward. Based on our BBB rating by Standard & Poors, we currently have access to different sources of financing including equity, corporate bonds, convertible bonds and bank debt.



HIGHLIGHTS 2017

EUR 12.71

EPRA NAV per share
increased by 12.4 %

57.1 %

REIT equity ratio on
record high

40.0 %

Net LTV on historic low

5.8 years

average debt maturity at
average cost of debt of 1.9 %

BALANCE SHEET RATIOS FURTHER IMPROVED

In 2017, we were a net-buyer and acquired assets worth EUR 259.5 million. We financed the assets mainly by available cash at hand. Our total amount of debt remained almost unchanged. Our REIT-equity ratio of 57.1 % clearly exceeds our legal requirement of 45 %, and our net LTV fell to 40.0 % as per December 31, 2017. The average maturity of our financial debt stood at 5.8 years as per December 31, 2017.

BALANCE SHEET RATIOS

EUR k	2017	2016
Investment properties	3,331,858	2,999,099
Carrying amount of owner occupied properties	21,049	5,967
Assets held for sale	60,200	14,700
Equity value of JV (A)	8,659	30,381
Carrying amount of immovable assets (B)	3,421,766	3,050,147
Adjustments to fair value of owner occupied properties	1,693	2,575
Fair value of immovable assets (C)	3,423,459	3,052,722
Cash on balance sheet (D)	102,078	247,489
IFRS equity (E)	1,954,660	1,728,438
Interest bearing debt (F)	1,467,288	1,482,864
G-REIT equity ratio (%) (E)/(B)	57.1	56.7
Corporate LTV (%) (F)/(B-A)	43.0	49.1
Corporate Net LTV (%) (F-D)/(B-A)	40.0	40.9

NET ASSET VALUE PER SHARE GREW BY 12.6 %

Our net asset value per share increased by EUR 1.42 to EUR 12.70 per share in 2017. The revaluation of the property portfolio contributed EUR 1.18 per share, and the operating profit almost covered the dividend payment in May 2017.

MOVEMENT IN NET ASSET VALUE (NAV)

	EUR k	EUR per share
IFRS NAV as per Dec. 31, 2016	1,728,438	11.28
Portfolio revaluation	181,492	1.18
Profit on disposals ¹⁾	49,804	0.33
Adjusted profit for the year	65,691	0.43
Dividend payment	-79,680	-0.52
Other adjustments	8,915	0.06
IFRS NAV as per Dec. 31, 2017	1,954,660	12.70
EPRA NAV as per Dec. 31, 2017²⁾	2,058,322	12.71
EPRA NNNNAV as per Dec. 31, 2017²⁾	2,016,721	12.45

¹⁾ Incl. profit from disposal of Joint Venture.

²⁾ Calculation see Table 5, page 92.



NAV growth per share

12.6 %

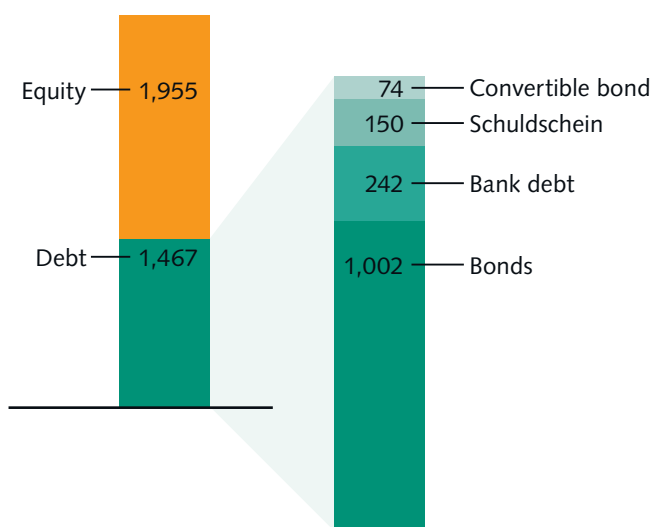
CASH COST OF DEBT

as per December 31, 2017

	Nominal amount (EUR k)	Cost of debt (%)	Average maturity (years)
Bank debt	242.0	1.3	6.1
Bond	1,001.8	2.0	6.3
Schuldschein	150.0	2.0	5.2
Convertible bond	73.5	2.8	0.6
Total	1,467.3	1.9	5.8

SOURCES OF FINANCING

in EUR million

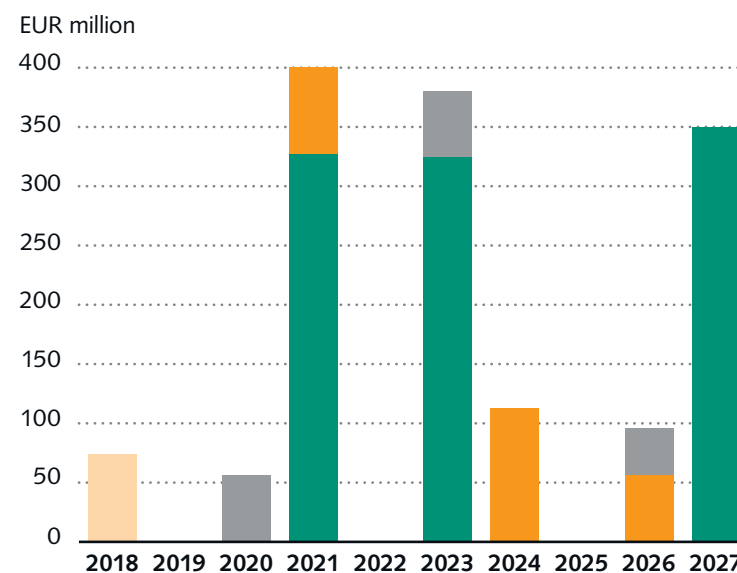


ACTIVE DEBT MANAGEMENT

In 2017, we actively managed our debt portfolio, extended the maturity profile to 5.8 years and further reduced our cost of debt going forward. In November 2017, we issued our third capital market bond with a nominal value of EUR 350 million and with a coupon of 1.5 % p.a. We used the proceeds for a partial buy-back of our existing bonds maturing in 2021 and 2023.

DEBT MATURITY PROFILE

Convertible bond Schuldschein Bank debt Bonds



› For the full consolidated financial statement and notes please see our IFRS Annual report 2017 which is available on our website › www.alstria.com/en/investors

CONSOLIDATED BALANCE SHEET

as per December 31, 2017

Assets

EUR k	Dec. 31, 2017	Dec. 31, 2016
Non-current assets		
Investment property	3,331,858	2,999,099
Equity-accounted investments	8,659	30,381
Property, plant and equipment	22,442	6,858
Intangible assets	313	329
Financial assets	36,567	34,803
Derivatives	14	109
Total non-current assets	3,399,853	3,071,579
Current assets		
Trade receivables	7,153	7,257
Accounts receivable from joint ventures	0	5
Income tax receivables	25	25
Other receivables	14,760	41,578
Cash and cash equivalents	102,078	247,489
Assets held for sale	60,200	14,700
Total current assets	184,216	311,054
Total assets	3,584,069	3,382,633

Equity and liabilities

EUR k	Dec. 31, 2017	Dec. 31, 2016
Equity		
Share capital	153,962	153,231
Capital surplus	1,363,316	1,434,812
Retained earnings	437,382	140,395
Total equity	1,954,660	1,728,438
Non-current liabilities		
Liabilities minority interest	53,834	58,458
Long-term loans, net of current portion	1,381,965	1,466,521
Derivatives	0	20,099
Other provisions	1,499	1,313
Other liabilities	4,408	2,808
Total non-current liabilities	1,441,706	1,549,199
Current liabilities		
Liabilities minority interest	47	12,966
Short-term loans	86,450	19,330
Trade payables	7,268	4,584
Profit participation rights	538	421
Derivatives	27,529	0
Liabilities of current tax	13,675	20,104
Other provisions	2,992	2,257
Other current liabilities	49,204	45,334
Total current liabilities	187,703	104,996
Total liabilities	1,629,409	1,654,195
Total equity and liabilities	3,584,069	3,382,633

EPRA KEY PERFORMANCE INDICATORS



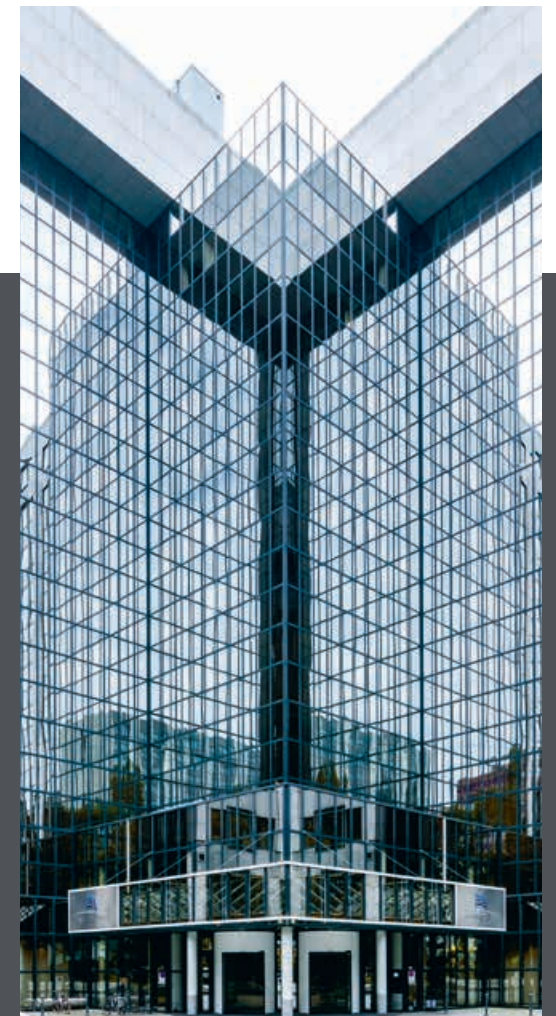
Performance measure	2017	2016	Definition	Calculation	Purpose
EPRA earnings per share (EUR)	0.65	0.57	Earnings from operational activities.	page 92, Table 6	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.
EPRA NAV per share (EUR)	12.71	11.31	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	page 92, Table 5	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.
EPRA NNNAV per share (EUR)	12.45	10.81	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	page 92, Table 5	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.
EPRA Net initial yield (NIY) (%)	4.6	5.0	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	page 90, Table 2	A comparable measure for portfolio valuations.
EPRA 'topped up' NIY (%)	5.0	5.4	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	page 90, Table 2	A comparable measure for portfolio valuations.
EPRA vacancy (%)	9.4	9.2	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	page 93, Table 7	A 'pure' (%) measure of investment property space that is vacant, based on ERV.
EPRA cost ratios (%)	A: 20.0 B: 16.7	A: 20.6 B: 16.6	Administrative & operating costs (including [A] & excluding [B] costs of direct vacancy) divided by gross rental income.	page 93, Table 8	A key measure to enable meaningful measurement of the changes in a company's operating costs.



AM SEESTERN 1, DÜSSELDORF

The building is the landmark asset in Düsseldorf's sub-market Seestern. We acquired the building in 2015 with a vacancy of around 80 % and made significant progress in the lease-up over the last years. The current vacancy of 56 % offers further upside for the rental income going forward.

Construction year 1992	
Lettable area	35,800 m ²
Avg. rent per m²	EUR 12.90
Value per m²	EUR 1,800
ERV yield	8.7 %



SHARE PRICE
PERFORMANCE

Transparency, continuity and reliability are the cornerstones of our capital market communication.



OUR CAPITAL MARKET STRATEGY

alstria has built up a positive reputation in the capital market over the past years. Our communication with investors, analysts, the press and other interested stakeholders is based on transparency, reliability and continuity. Our disclosure policy on financial and non-financial information meets the highest international standards, and due to our very stable business model, we are able to deliver on our communicated targets.

HIGHLIGHTS 2017

13.1 % TSR

performance in line with EPRA Europe index

300 face-to-face meetings

with investors at 28 roadshows and conferences

EPRA Gold Award

for best reporting standards and financial communication

Rank 3

All-Europe property IR professionals 2017 by Institutional Investor

Rank 3

CEO with highest reputation in the German mid cap segment by survey of Capital magazine

Growth champion

Award by German magazine focus business for corporate growth 2013–2017

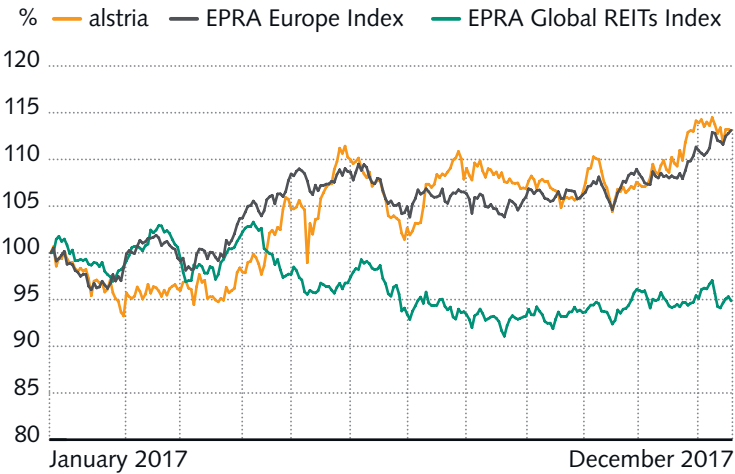
KEY SHARE DATA

ISIN	DE000A0LD2U1
Symbol	AOX
Market segment	Financial Services
Industry group	Real Estate
Prime sector	Prime Standard, Frankfurt
Indices	FTSE EPRA / NAREIT Global Real Estate Index Series, FTSE EPRA / NAREIT Europe Real Estate Index Series, MDAX, RX REIT Index, GPR 250 Index Series, GPR 250 REIT Index Series
Designated Sponsor	M.M. Warburg & CO

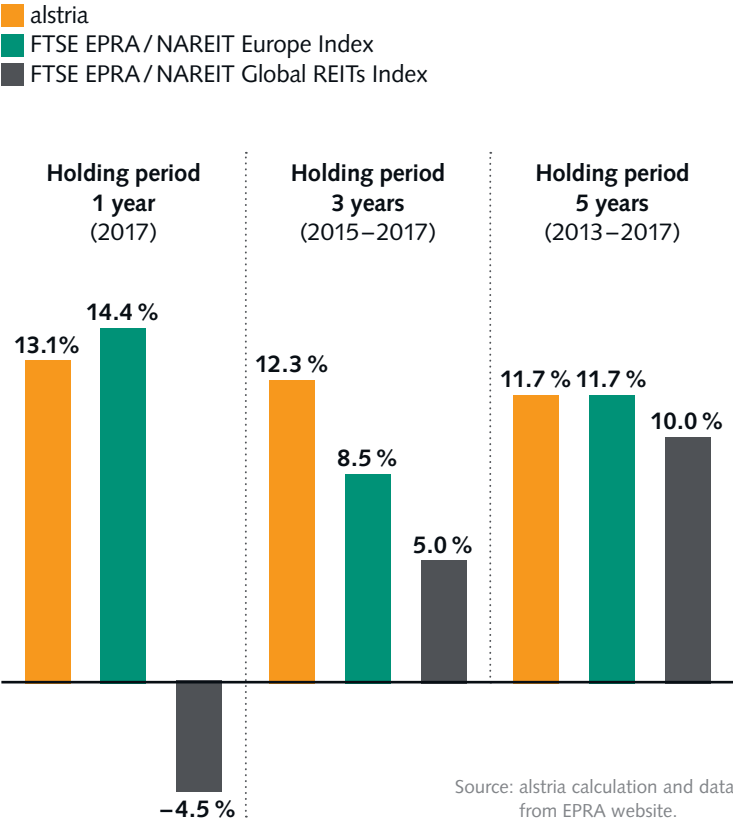
TOTAL SHAREHOLDER RETURN 2017: 13.1 %

alstria measures its shareholder value creation by Total Shareholder Return (TSR). The TSR includes the share price performance plus dividends. For the year 2017, alstria's TSR amounted to 13.1 %. As the real estate business requires a long-term view, the multi-year performance is also an important indicator for the attractiveness of our share. Over the past five years (2013–2017), the compound annual TSR was 11.7 % and therefore proves the strength of our business model.

SHARE PRICE DEVELOPMENT



ANNUALIZED TOTAL SHAREHOLDER RETURN (Dividend reinvested)



SHAREHOLDER STRUCTURE

100 % of alstria's outstanding shares are free float (according to the definition by Deutsche Börse). More than 95 % of our shares are held by institutional investors, being mainly large pension funds and specialized real estate investors. As of year-end 2017, alstria's top 20 investors held around 60 % of the outstanding shares. Geographically, around 30 % of alstria's shareholders are located in the United States, while 25 % are based in the United Kingdom, and 15 % are domiciled in Asia. Another 10 % of our shareholders are based in France, and 5 % each are in the Netherlands and in Germany. The internationalized shareholder structure is related to the REIT status of our Company, as the REIT is a globally established trademark for listed real estate companies.

→ **Free-Float**
100 %

KEY SHARE DATA

		Dec. 31, 2017	Dec. 31, 2016
Number of shares	thousand	153,962	153,231
<i>thereof outstanding</i>	<i>thousand</i>	<i>153,962</i>	<i>153,231</i>
Closing price ¹⁾	EUR	12.90	11.91
Market capitalisation	EUR k	1,986,110	1,824,981
Free float	%	100.0	100.0
		2017	2016
Average daily trading volume (XETRA)	EUR k	5,987	n / a
<i>thereof XETRA</i>	EUR k	3,578	3,729
Share price: high ¹⁾	EUR	13.06	13.85
Share price: low ¹⁾	EUR	11.11	10.55

¹⁾Xetra closing share price.

COVERAGE BY ANALYSTS

The interest of analysts and financial journalists in the development of alstria office REIT-AG remained high in 2017. In total, 20 investment banks and brokers published reports on a regular basis during the year. alstria therefore remained one of the best covered companies in the German MDAX.

INVESTMENT BANKS AND ANALYSTS

Baader Bank	André Remke
Bankhaus Lampe	Dr. Georg Kanders
Bank of America / Merrill Lynch	Mike Bessell
Berenberg Bank	Kai Klose
Deutsche Bank	Markus Scheufler
Goldman Sachs	Jonathan Kownator
HSBC Trinkaus & Burkardt	Thomas Martin
Jefferies	Thomas Rothäusler
J. P. Morgan	Tim Leckie
Kempen & Co	Robert Woerdemann
Kepler Cheuvreux	Thomas Neuhold
Metzler Equities	Jochen Schmitt
Morgan Stanley	Bart Gysens
NordLB	Michael Seufert
Oddo BHF	Thomas Effler
Société Générale	Marc Mozzi
Solventis	Ulf van Lengerich
UBS	Osmaan Malik
Victoria Partners	Bernd Janssen
Warburg Research	Andreas Pläsier



INVESTOR RELATIONS ACTIVITIES

In 2017, our investor relations activities continued to focus on informing investors, financial analysts and the business press about alstria's development and its market environment. Management roadshows and participation in numerous investment conferences all around the globe ensured a constant dialogue between the Company and its shareholders. Over the course of the year, we had more than 300 meetings with investors and analysts at home and abroad. With respect to the issuance of our three capital market bonds with a combined volume of EUR 1 billion, the debt capital market is also part of our IR activities. In addition to our presence at roadshows and conferences, we carried out a number of site visits to our properties, mainly in Hamburg, Düsseldorf and Frankfurt.

Digital communication with investors has always been key for alstria. Any interested person is invited to listen into a live streaming of alstria's results presentation via the Company's website. Relevant information on alstria can be found at any time on our website > www.alstria.com/investors. We also offer the opportunity for a direct chat with alstria via our website in order to make communication between our Company and its stakeholders as convenient as possible.



ERNST-MERCK-STR. 9, HAMBURG

The historical building is located in the inner city at Hamburg's main train station. The building is currently undergoing a heavy duty refurbishment and will be delivered mid-2018. With the current refurbishment, we were able to increase the rent for office space by around 80 % to EUR 19.40 per m².

Construction year	1909
Lettable area	17,500 m ²
Avg. rent per m ² (office)	EUR 19.40
Value per m ²	EUR 3,900
Valuation yield	5.8 %



CSR
PERFORMANCE



*Sustainability is part of
our corporate DNA.*

SUSTAINABLE ENGAGEMENT

OUR SUSTAINABILITY STRATEGY

We define sustainability as the actions we take to promote and safeguard the environmental, social and economic interests of our stakeholder groups—including investors, tenants, employees and communities in which we operate—for the long term. Our sustainability approach is embedded in every decision across all levels of the organization. Pursuing a path of continuous improvement and innovation is what we believe sustainability is all about.

Driving a sustainable portfolio investment has a positive effect on all of our major business areas. This can lead to an increased client demand, reduced speed of obsolescence, reduced vacancy rate, reduced rates of depreciation and lower operational costs. At the same time, by energetically upgrading our buildings, we contribute to reducing the carbon footprint of the real estate sector. In addition, more than in any other business, our success is directly linked to the locations in which we invest. Thus, we have a vested interest in the strong development of the local community.

HIGHLIGHTS 2017

immobilienmanager Award 2017

Category Sustainability for the project 'Mieterstrompool' – a fair offer made for our tenants and employees to procure renewable energy

RE100 – lead the path to a carbon-free future

In 2016, 78 % of the procured energy was climate-neutral. This has enabled us to reduce our total Scope 1–3 emissions by a further 24 % compared with 2015. The 8,407 tons of CO₂ saved corresponds to the annual emissions of 366 households.

CDP – Leader- ship level again

for our ambitious and
consistent endeavour to
reduce the carbon footprint
of our operations

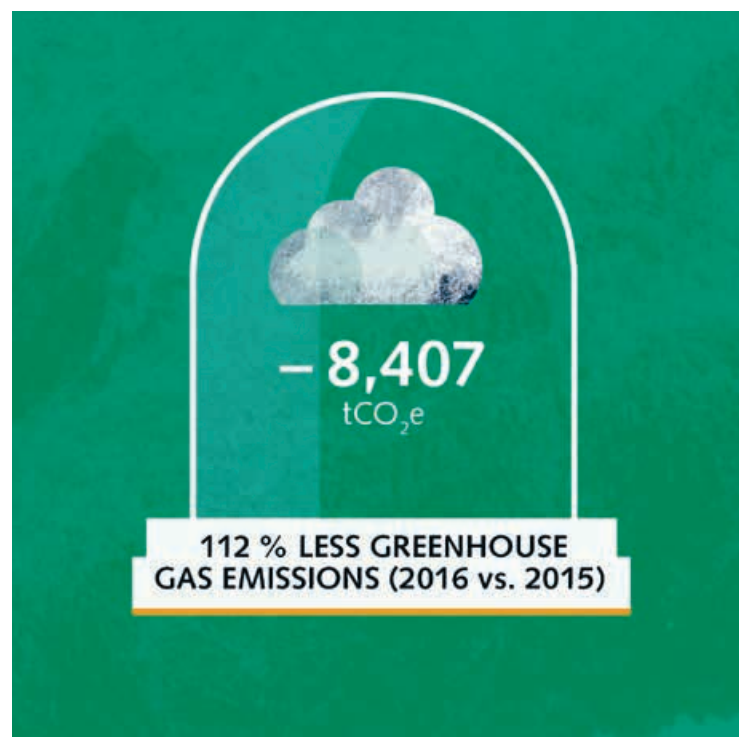
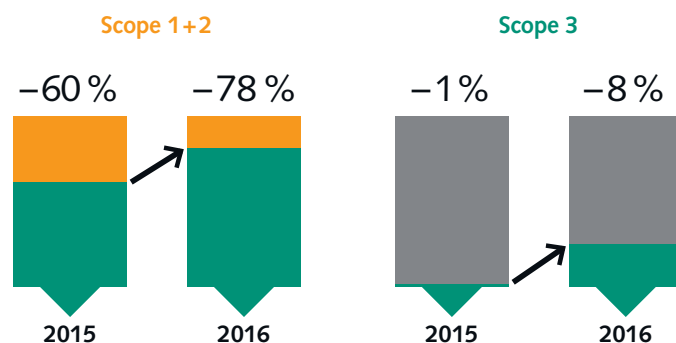
EPRA sBPR Gold Award

for best CSR reporting
practices

REDUCING CARBON EMISSIONS ALONG THE VALUE CHAIN

Our efforts to reduce our carbon footprint are not limited to the consumptions we control. Projects such as the Mieterstrompool allow us to offer our tenants and employees low-cost green electricity, thereby minimizing their CO₂ emissions in our buildings. The project is so successful that many of our competitors offer it to their tenants as well.

GHG EMISSIONS IMPROVEMENT



USING TECHNOLOGY TO OUR ADVANTAGE

Workplaces as we know them are currently undergoing major changes. At alstria, some of the new possibilities are already being used:

- Creating co-working spaces that offer their users a wide range of services, that are sustainable and that are well connected to the city's surroundings
- Integrating holistic ideas of smart-building solutions that interact with one another and improve workplace experience
- Analyzing data related to energy consumption and performance of our buildings to improve the supply of energy and services

A WARM WELCOME TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)!

The UN's Sustainability Development Goals (SDGs) are the core of the 2030 Agenda for Sustainable Development – a global action plan that aims to mobilize governments, businesses and civil society to address social and economic challenges.

At alstria, we very much welcome the SDGs in our business strategy. This way, we take a shared responsibility for achieving positive changes and inspire our business sector to act in a similar manner.

The following SDGs are currently relevant to our strategic orientation.



➤ For more information, please refer to pages 10–11 of the Sustainability Report 2016.



AM BORSIGTURM 13–17, BERLIN

The building is located in Berlin's Submarket Tegel and was acquired by alstria in 2017 as part of a portfolio. The business park has a multi-tenant structure and is attracting young start-up entrepreneurs.

Construction year	2000
Lettable area	14,400 m ²
Avg. rent per m²	EUR 9.30
Value per m²	EUR 1,700
Valuation yield	6.3 %

ADDITIONAL
SHAREHOLDER
INFORMATION



CALCULATION OF EPRA KPI'S AND YIELDS

Table 1: alstria's calculation

EUR k	Dec. 31, 2017	Dec. 31, 2016
Portfolio value		
Investment properties (on balance sheet)	3,331,858	2,999,099
Value of own used property	22,742	8,542
Assets held for sale	60,200	14,700
Total portfolio value (A)	3,414,800	3,022,341
Income		
Contractual rent (B)	202,002	188,426
Real estate operating expenses (5 %)	-10,100	-9,421
Contractual net rent (C)	191,902	179,005
Yield (%) (B / A)	5.9	6.2
Net yield (%) (C / A)	5.6	5.9

Table 2: EPRA calculation



EUR k	Dec. 31, 2017	Dec. 31, 2016
Portfolio value		
Investment properties (on balance sheet)	3,331,858	2,999,099
Value of properties in JV (49 % share)	0	59,437
Trading property	60,200	14,700
Development assets	-263,860	-110,680
Completed portfolio	3,128,198	2,962,556
Acquisition cost	203,333	192,566
Gross up completed property portfolio valuation (A)	3,331,531	3,155,122
Income		
Contractual rent	202,002	191,050
Contractual rent developments	-15,636	-2,753
Contractual rent (excluding developments)	186,366	188,297
Rent-free periods	-13,323	-10,780
Annualized cash passing rent	173,043	177,517
Property outgoings	-18,637	-18,830
Annualized net cash rents (B)	154,407	158,687
Rent free periods	13,323	10,780
'Topped-up' net annulized rent (C)	167,730	169,467
EPRA Net initial yield (%) (B / A)	4.6	5.0
EPRA 'topped-up' Net initial yield (%) (C / A)	5.0	5.4

Table 3: Colliers' calculation

EUR k	Dec. 31, 2017	Dec. 31, 2016
Portfolio value		
Investment properties (on balance sheet)	1,944,758	1,683,862
Acquired asset ¹⁾	0	0
Value of own used property	20,132	7,368
Total portfolio	1,964,890	1,691,230
Value of JV (100 %)	0	121,300
Net valuation	1,964,890	1,812,530
Acquisition cost	129,958	118,272
Capital cost	140,647	71,369
Gross value (A)	2,235,495	2,002,171
Income		
Initial passing gross rents	102,044	98,397
Non-recoverable expenses	-6,389	-5,650
Initial net rents (B)	95,655	92,747
Reversions	25,199	18,297
Estimated net rents (C)	120,854	111,044
Colliers Net initial yield (%) (B / A)	4.28	4.63
Colliers Reversionary yield (%) (C / A)	5.41	5.56
Colliers Equivalent yield (%)	5.20	5.36

Table 4: Savills' calculation

EUR k	Dec. 31, 2017	Dec. 31, 2016 ¹⁾
Portfolio value		
Investment properties (on balance sheet)	1,381,600	1,315,237
Value of own used property	2,610	1,173
Total portfolio	1,384,210	1,316,410
Acquisition cost	104,172	98,034
Capital cost	24,947	23,200
Gross value (A)	1,513,329	1,437,644
Income		
Initial passing gross rents	89,605	89,090
Non-recoverable expenses	-4,628	-4,562
Initial net rents (B)	84,977	84,528
Reversions	2,952	2,146
Estimated net rents (C)	87,929	86,674
Savills Net initial yield (%) (B / A)	5.62	5.88
Savills Reversionary yield (%) (C / A)	5.81	6.03
Savills Equivalent yield (%)	5.49	n/a

¹⁾ Valuation 2016 by CBRE.



Table 5: EPRA NAV per share

EUR k	Dec. 31, 2017	Dec. 31, 2016
NAV (IFRS equity ex. minority interest)	1,954,660	1,728,438
Share 'A' (outstanding shares)	153,962	153,231
NAV per share (EUR)	12.70	11.28
Effect of exercise of options, convertibles and other equity interests	101,029	94,677
'New' Shares B	7,987	8,408
Share A + B	161,949	161,640
Diluted NAV, after the exercise of options, convertibles and other equity interests	2,055,689	1,823,115
Diluted NAV per share (EUR)	12.69	11.28
Revaluation of investment properties (if IAS 40 cost option is used)	1,693	2,575
Fair value adjustments of financial instruments	940	2,052
EPRA NAV	2,058,322	1,827,742
EPRA NAV per share (EUR)	12.71	11.31
Fair value of financial instruments	–940	–2,052
Fair value of debt	–40,661	–76,563
Fair value adjustments of joint ventures	0	–1,025
EPRA NNNNAV	2,016,721	1,748,101
EPRA NNNNAV per share (EUR)	12.45	10.81



Table 6: EPRA earnings & earnings per share

EUR k	2017	2016
Earnings per IFRS income statement	296,987	182,376
(a) Changes in value of investment properties, development properties held for investment and other interests	–181,492	–72,806
(b) Profits or losses on disposal of investment properties, development properties held for investment and other interests	–19,693	–25,464
(c) Tax on profits or losses on disposals	139	2,000
(d) Changes in fair value of financial instruments	22,647	8,101
(e) Acquisition costs on share deals	931	664
(f) Deferred tax in respect to EPRA adjustments	0	–132
(g) Adjustments (a) to (c) above in respect of joint ventures	–30,121	–3,852
(h) Non-controlling interest on adjustments	9,912	–3,769
EPRA earnings	99,309	87,119
EPRA earnings per share (EUR)	0.65	0.57



Table 7: EPRA vacancy rate

EUR k	Dec. 31, 2017	Dec. 31, 2016
Estimated rental value (ERV)	199,741	195,876
ERV of vacant space	18,684	18,026
Vacancy rate (%)	9.4	9.2



Table 8: EPRA cost ratio

EUR k	2017	2016
Administrative / operating expense line per IFRS income statement	–43,493	–44,592
Service fees / recharges	236	–204
Management fees	5,943	3,623
Other operating income / recharges intended to cover overhead expenses	0	0
Share of joint ventures expenses	–499	–461
Exclude:		
Investment Property Depreciation	105	134
Ground rent costs	0	0
EPRA Costs (including direct vacancy costs) (A)	–37,708	–41,500
Direct vacancy costs	6,201	7,950
EPRA Costs (excluding direct vacancy costs) (B)	–31,507	–33,550
Gross Rental Income less ground rents	193,680	202,663
Less: service fee and service charge costs components of gross rental income	–5,943	–3,623
Add: Share of joint ventures	1,023	2,478
Gross rental income (C)	188,761	201,518
EPRA cost ratio (%) (including direct vacancy costs) (A / C)	20.0	20.6
EPRA cost ratio (%) (excluding direct vacancy costs) (B / C)	16.7	16.6
<i>thereof:</i>		
SG&A cost (%)	8.5	8.9
Real estate operating cost (%)	8.2	7.7

BUY, MANAGE, RECYCLE – ACHIEVED UIRR 2006–2017 11 YEARS TRACK RECORD

UIRR 8.0 %

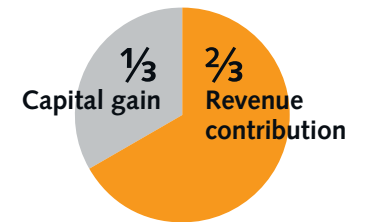


Table 9: Unlevered returns (UIRR) 2006–2017

Asset name	City	Region	Ownership start	Disposal date	Total lettable area (m²)	Gross purchase price ¹⁾ (EUR k)	Rent Collected ²⁾ (EUR k)	Capex (EUR k)	Disposal proceeds (EUR k)	Unlevered profit (EUR k)	UIRR (%)
Eschersheimer Landstr. 55	Frankfurt	Rhine-Main	01.11.2015	01.04.2018	8,700	27,300	3,018	606	44,000	19,112	20.1
Frankfurter Str. 71–75	Eschborn	Rhine-Main	01.11.2015	30.06.2018	6,700	15,700	2,500	206	16,200	2,794	5.9
Doktorweg 2–4	Detmold	Rhine-Ruhr	01.04.2008	31.12.2017	9,800	8,569	4,889	699	11,300	6,921	7.5
Carl Benz Str. 15	Ludwigsburg	Stuttgart	01.11.2015	30.08.2017	32,500	19,300	2,764	294	19,600	2,770	6.3
Vichystr. 7–9	Bruchsal	Stuttgart	01.11.2015	30.08.2017	20,200	12,600	1,668	347	13,400	2,121	8.4
Grosse Bleichen 1 (JV, 49 %)	Hamburg	Hamburg	01.01.2010	31.08.2017	18,300	31,164	11,912	5,774	83,300	58,274	17.3
Zellescher Weg 18–25 a	Dresden	Others	01.04.2006	31.01.2017	6,539	8,576	7,977	183	10,500	9,718	11.1
Feldstr. 16	Weiterstadt	Rhine-Main	01.11.2015	31.12.2016	14,200	6,700	385	33	7,350	1,002	15.1
Gutenbergstr. 1	Ismaning	Munich	01.11.2015	31.12.2016	12,200	12,800	917	465	14,100	1,752	13.9
Oskar-Messter-Str. 22 a–24 a	Ismaning	Munich	01.11.2015	31.12.2016	12,400	16,700	1,445	8	18,400	3,137	19.0
Nägelsbachstr. 26	Erlangen	Others	01.11.2015	31.12.2016	11,600	18,500	1,526	949	11,200	–6,722	–36.8
Lina-Ammon-Str. 19	Nuremberg	Others	01.11.2015	31.12.2016	11,200	15,100	1,191	0	15,100	1,191	8.0
Richard-Wagner-Platz 1	Nuremberg	Others	01.11.2015	31.12.2016	6,800	14,400	1,106	221	17,000	3,485	24.5
Bahnhofstr. 1–5	Heilbronn	Stuttgart	01.11.2015	30.11.2016	14,700	28,400	2,224	654	33,650	6,820	24.3
An den Treptowers 3	Berlin	Berlin	01.11.2015	30.09.2016	85,400	209,300	12,188	965	228,431	30,354	14.7
Ludwig-Erhard-Str. 49	Leipzig	Others	01.04.2006	30.09.2016	6,290	10,307	7,746	267	9,450	6,622	6.9
Taunusstr. 34–36	Munich	Munich	01.11.2015	31.08.2016	11,200	26,400	1,404	28	26,830	1,806	6.9
Wandsbeker Chaussee 220	Hamburg	Hamburg	01.01.2007	30.06.2016	3,156	5,671	3,026	226	5,920	3,049	6.4
Max-Eyth-Str. 2	Dortmund	Rhine-Ruhr	01.10.2007	31.12.2016	7,042	7,791	434	73	4,200	–2,805	–6.1
Landshuter Allee 174	Munich	Munich	05.06.2007	30.06.2016	7,151	11,342	3,071	1,849	14,000	3,881	4.3
Hofmannstr. 51	Munich	Munich	01.04.2007	30.06.2016	22,151	41,764	21,009	782	44,987	23,450	6.2
Dieselstr. 18	Ditzingen	Stuttgart	01.04.2007	25.06.2016	9,639	3,100	0	8,986	13,395	1,309	34.1
Emil-von-Behring-Str. 2	Frankfurt	Rhine-Main	01.04.2007	31.12.2015	9,308	15,370	9,254	3,696	12,800	2,988	2.9
Arnulfstr. 150	Munich	Munich	01.04.2006	31.12.2015	5,871	16,258	8,074	138	16,500	8,177	6.6
Halberstädter Str. 17	Magdeburg	Others	01.04.2006	30.11.2015	7,527	10,417	5,089	304	6,200	568	0.8
Siemensstr. 31–33	Ditzingen	Stuttgart	01.04.2007	01.11.2015	15,051	28,620	12,097	900	22,300	4,878	2.5
Englische Planke 2	Hamburg	Hamburg	01.04.2011	31.12.2014	4,623	12,065	2,804	431	15,530	5,838	15.2
Hamburger Str. 43–49	Hamburg	Hamburg	28.12.2006	30.11.2014	21,777	36,010	18,227	401	41,662	23,478	9.1
Spitzweidenweg 107	Jena	Others	03.03.2008	31.10.2014	2,880	1,993	1,064	106	1,415	380	3.7
Ernstthalenstr. 17	Stuttgart	Stuttgart	03.03.2008	31.05.2014	2,472	2,714	1,663	662	3,300	1,587	10.0
Max-Brauer-Allee 41–43	Hamburg	Hamburg	01.06.2008	31.03.2014	3,226	4,569	1,665	852	6,150	2,395	7.2
Joliot-Curie-Platz 29–30	Halle	Others	02.05.2008	31.12.2013	1,080	1,325	475	19	610	–259	–5.3
Bornbarch 2–12	Norderstedt	Hamburg	01.05.2012	31.12.2013	12,351	6,466	1,357	660	10,320	4,552	68.8

¹⁾ Incl. 6 % transaction costs.

²⁾ Incl. 5 % real estate operating expenses.

Table 9: Unlevered returns (UIRR) 2006–2017

Asset name	City	Region	Ownership start	Disposal date	Total lettable area (m²)	Gross purchase price ¹⁾ (EUR k)	Rent Collected ²⁾ (EUR k)	Capex (EUR k)	Disposal proceeds (EUR k)	Unlevered profit (EUR k)	UIRR (%)
Johannesstr. 164–165	Erfurt	Others	01.04.2006	31.10.2013	5,846	8,127	3,791	187	5,850	1,328	2.7
Am Roten Berg 5	Erfurt	Others	03.03.2008	31.07.2013	5,284	2,756	791	35	1,060	–940	–9.7
Schweinfurter Str. 4	Würzburg	Others	01.01.2007	30.06.2013	5,076	7,950	2,875	161	4,530	–706	–1.9
Helene-Lange-Str. 6–7	Potsdam	Others	01.04.2006	30.06.2013	3,292	6,866	2,705	232	5,700	1,307	3.0
Kanalstr. 44	Hamburg	Hamburg	03.03.2008	31.05.2013	8,094	10,854	4,624	488	15,000	8,281	14.3
Lothar-Streit-Str. 10b	Zwickau	Others	01.04.2006	23.05.2013	1,034	1,583	599	30	350	–665	–11.6
Benrather Schlossallee 29–33	Düsseldorf	Rhine-Ruhr	01.04.2008	01.02.2013	4,941	8,684	2,614	510	7,620	1,040	2.7
Zwinglstr. 11–13	Dresden	Others	03.03.2008	31.12.2012	2,924	1,982	725	31	2,640	1,352	15.4
Schopenstehl 24	Hamburg	Hamburg	01.08.2009	30.06.2012	2,122	3,509	498	999	5,040	1,031	8.0
Am Gräselein 12	Nuremberg	Others	01.04.2006	31.03.2012	2,708	3,769	1,344	71	3,400	904	4.3
Poststrasse 11	Hamburg	Hamburg	01.06.2006	30.03.2012	7,356	36,302	5,211	30,100	120,839	59,648	17.0
Bertha-von-Suttner-Platz 17	Bonn	Rhine-Ruhr	01.04.2006	30.09.2011	1,388	1,624	990	50	2,100	1,416	16.7
Kümmellstr. 5–7	Hamburg	Hamburg	01.06.2006	09.11.2010	15,666	26,325	6,094	305	25,279	4,744	4.6
Lenhartzstr. 28	Hamburg	Hamburg	01.06.2006	09.11.2010	1,131	1,788	466	23	4,221	2,875	28.8
Schloßstr. 60	Hamburg	Hamburg	01.06.2006	22.09.2010	11,945	15,141	4,009	200	17,001	5,669	9.1
Steckelhörn 12	Hamburg	Hamburg	01.06.2006	22.09.2010	14,720	36,616	7,797	390	35,200	5,992	4.2
Gänsemarkt 36	Hamburg	Hamburg	01.06.2006	31.03.2010	20,900	66,341	12,889	644	68,700	14,603	5.5
Gorch-Fock-Wall 15, 17	Hamburg	Hamburg	01.06.2006	31.03.2010	7,700	16,013	3,368	168	15,500	2,686	4.3
Eserwallstr. 1–3	Augsburg	Others	01.04.2006	31.12.2009	5,564	10,583	2,510	126	10,556	2,358	7.7
Rheinstr. 23	Darmstadt	Rhine-Main	01.04.2006	31.12.2009	2,696	5,060	1,132	57	4,197	212	1.5
Mecumstr. 10	Düsseldorf	Rhine-Ruhr	01.04.2006	31.12.2009	8,638	21,452	4,377	219	18,128	834	1.4
Vahrenwalder Str. 133	Hanover	Others	01.04.2006	31.12.2009	7,142	16,869	3,529	176	18,587	5,071	10.2
Bonner Str. 351–351 a	Cologne	Rhine-Ruhr	01.04.2006	31.12.2009	10,907	23,192	5,259	263	21,736	3,541	5.4
Steubenstr. 72–74	Mannheim	Rhine-Main	01.04.2006	31.12.2009	4,070	7,898	1,896	95	7,844	1,748	7.6
Regensburger Str. 223–231	Nuremberg	Others	01.04.2006	31.12.2009	8,938	15,489	3,582	179	14,877	2,791	6.3
Poststr. 51	Hamburg	Hamburg	01.06.2006	07.10.2009	1,681	7,347	1,283	64	6,500	372	1.8
Eppendorfer Landstr. 59	Hamburg	Hamburg	01.06.2006	30.09.2009	3,293	7,423	1,228	61	6,622	365	1.7
Ottenser Marktplatz 10–12	Hamburg	Hamburg	01.06.2006	30.09.2009	934	2,687	470	24	2,375	134	1.8
Marburger Str. 10	Berlin	Berlin	01.04.2008	29.09.2009	6,219	13,155	1,350	37	12,950	504	3.9
Gorch-Fock-Wall 11	Hamburg	Hamburg	01.06.2006	30.06.2009	8,693	20,405	2,886	144	19,600	1,936	3.3
Nikolaistr. 16	Leipzig	Others	01.01.2007	30.11.2008	1,191	2,438	363	18	2,000	–93	–2.0
Düsternstr. 10	Hamburg	Hamburg	01.06.2006	31.10.2008	2,156	4,463	583	29	4,950	1,040	11.6
Osterbekstr. 96	Hamburg	Hamburg	01.06.2006	30.09.2008	7,393	10,067	1,126	56	11,000	2,003	9.9
Richard-Strauß-Allee 10–14 a	Wuppertal	Rhine-Ruhr	01.04.2006	13.07.2007	1,258	1,394	139	7	1,545	284	21.3
Schellenbecker Str. 15–21	Wuppertal	Rhine-Ruhr	01.04.2006	13.07.2007	1,854	1,944	177	9	2,155	379	20.5
Total					628,790	1,115,386	246,849	67,971	1,305,176	368,669	8.0

¹⁾ Incl. 6 % transaction costs.²⁾ Incl. 5 % real estate operating expenses.

Disclaimer: The data shown in the table above can differ from the IFRS accounting numbers.

VALUATION REPORT

alstria office REIT-AG
as at 31 December 2017

The Directors

alstria office REIT-AG
Bäckerbreitergang 75
20355 Hamburg
Germany

Prepared by

Colliers International
Valuation UK LLP
50 George Street
London W1U 7GA

For the attention of Olivier Elamine and Alexander Dexne

Dear Sirs

alstria office REIT-AG (THE 'COMPANY')
A PORTFOLIO OF 72 PROPERTIES (THE 'PORTFOLIO')
VALUATION DATE: 31 DECEMBER 2017

INTRODUCTION

In accordance with the instruction letter dated 5 October 2017, forming Appendix II to this report, we have considered the 72 properties owned by the Company referred to in Appendix III to this report, in order to provide you with our opinion of the Fair Value of the Portfolio, as at 31 December 2017. The purpose of this valuation is for use in the Company's balance sheets, debt covenant calculation and inclusion within the Company's financial year end accounts.

This report should be read in conjunction with the individual property reports prepared by us at the time of each acquisition.

We have pleasure in presenting our report.

STATUS OF VALUER AND CONFLICTS OF INTEREST

The properties have been valued by suitably qualified surveyors who fall within the requirements as to competence as set out in PS 2 of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) July 2017 (the 'Red Book') issued by the Royal Institution of Chartered Surveyors (the 'RICS') and who are valuers registered in accordance with the RICS Valuer Registration Scheme ('VRS').

We confirm that Colliers International complies with the requirements of independence and objectivity under PS 2 and that we have no conflict of interest in acting on the Company's behalf in this matter. We confirm that we have undertaken the valuations acting as independent valuers, qualified for the purpose of this instruction.

COMPLIANCE WITH RICS VALUATION STANDARDS

We confirm the valuations have been made in accordance with the appropriate sections of the Valuation Standards ('VS') contained within the 'Red Book' prepared by the RICS. The International Valuation Standards Council ('IVSC') publishes and periodically reviews the International Valuation Standards ('IVS'), which set out internationally accepted, high level valuation principles and definitions. These have been adopted and supplemented by the RICS, and are reflected in Red Book editions. Thus, the RICS considers that a valuation that is undertaken in accordance with the Red Book will also be compliant with IVS.

We confirm that our valuation complies with the requirements of IAS 40 – Investment Property. Where an entity opts to account for investment property using the Fair Value model, IVSC considers that the requirements of the model are met by the Valuer adopting Fair Value.

We further confirm that our methodology complies with IFRS 13 with regards to transaction costs.

IFRS 13 states:

The price in the principal (or most advantageous) market used to measure the Market Value of the asset or liability shall not be adjusted for transaction costs. Transaction costs shall be accounted for in accordance with other IFRSs. Transaction costs are not characteristic of an asset or a liability; rather they are specific to a transaction and will differ depending on how an entity enters into a transaction for the asset or liability.

1. The standard valuation methodology allows for purchaser's costs to be added to the market value to arrive at a gross market value so that a net return to the purchaser can be calculated. Comparables are analysed in this way so there is uniformity across the market. As such the Fair Value reported reflects the actual price paid and does not include purchase or disposal costs.
2. The net yields that are adopted are based upon the net return to the purchaser which includes their costs. This is logical as the purchaser would wish to reflect his total acquisition costs in determining his actual return.
3. The example below illustrates the approach:

Actual Market Transaction (example)

Sale Price	€ 25,000,000
Purchaser's costs at 6 %	€ 1,500,000
Net passing income	€ 1,250,000
Analysed net initial yield	4.72 % Net annual income / (Sale price + purchaser's costs)

Valuation Approach Using Net Initial Yield

Net passing income	€ 1,250,000
Net initial yield adopted	4.72 % derived from the analysis of market transaction
Capitalisation of net income using Net Initial Yield	€ 26,500,000
Deduction of purchaser's costs to arrive at Market Value	€ 25,000,000 Market Value is equivalent to 'unadjusted transaction price in the market' – and is not adjusted for disposal costs.

Our General Assumptions and Definitions form *Appendix I* to this report and include the definitions for Fair Value, Market Value and Market Rent.

SOURCES OF INFORMATION

We have relied upon the information provided to us, which is identified, together with the source, in the relevant sections of this report.

Unless stated otherwise, we have assumed that the information provided is accurate and that we have been supplied with all the information that has a material effect upon the value of the individual properties.

Furthermore, we have assumed that any information supplied can, if necessary, be verified. Should any of the information provided be found to be inaccurate or incomplete there could be an unspecified impact upon value.

INSPECTIONS

All Properties are subject to a full inspection at the time off acquisition and are then subject to a full inspection on a rolling basis as required for the annual year end valuations. Approximately one third of the Portfolio is inspected each year.

The following properties were inspected in September 2017:

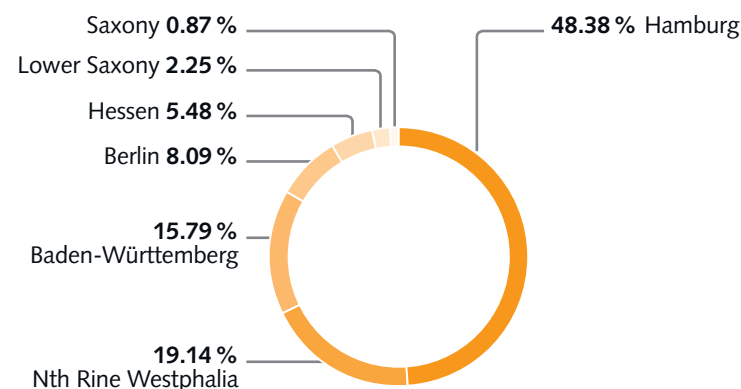
Asset Number	Asset	City
2021	Drehbahn 36	Hamburg
2037	Hammer Steindamm 129	Hamburg
2038	Herthastraße 20	Hamburg
2039	Johanniswall 4	Hamburg
2040	Kaiser-Wilhelm-Straße 79–87	Hamburg
2041	Kattunbleiche 19	Hamburg
2044	Ludwig-Rosenberg-Ring 41	Hamburg
2045	Max-Brauer-Allee 89–91	Hamburg
2046	Öjendorfer Weg 9–11	Hamburg
2050	Rahlstedter Straße 151–157	Hamburg
2098	Schaartor 1	Hamburg
2099	Süderstraße 24	Hamburg
2182	Essener Bogen 6 a–d	Hamburg
2183	Essener Straße 97	Hamburg
2184	Heidenkampsweg 44–46	Hamburg
2185	Heidenkampsweg 99–101	Hamburg
2080	Goldsteinstraße 114	Frankfurt am Main
2100	Mainzer Landstraße 33 a	Frankfurt am Main
2101	Insterburger Straße 16	Frankfurt am Main
2082	Horbeller Straße 11	Köln
2091	Gereonsdriesch 13	Köln
2096	Friedrich-Scholl-Platz 1	Karlsruhe
2172	Tempelhofer Damm 146	Berlin
2174	Am Borsigturm 13–19, 27–29, 31–33	Berlin
2175	Am Borsigturm 44–46, 52–54	Berlin
2176	Rankestraße 17	Berlin
2102	Emanuel-Leutze-Straße 11	Düsseldorf
2103	Hans-Böckler-Straße 36	Düsseldorf
2104	Kaistraße 16, 16a, 18	Düsseldorf
2119	Hansaallee 247	Düsseldorf

With regard to those properties that were not inspected, the Company has confirmed to us that since our last inspections there have been no material changes to the physical attributes of the properties and their surrounding areas that could impact upon their value, other than those that may have been disclosed as part the valuation process. Our Valuation is therefore made on the assumption that this is correct.

THE PORTFOLIO AND ITS LOCATION

The Portfolio comprises 72 investment properties, predominately offices, located throughout Germany. The regional location profile of the Portfolio by Fair Value across Germany by State is illustrated below. It can be seen that the three largest concentrations of investment property are held in the City of Hamburg (48.38 %), North Rhine Westphalia (19.14 %) and Baden-Württemberg (15.79 %). Properties are in the most part located in or close to the business districts of the following cities: Berlin, Dresden, Düsseldorf, Essen, Frankfurt, Hamburg, Hannover, Karlsruhe, Köln, Laatzen, Mannheim, Neu-Isenburg, Neuss, Stuttgart, Wiesbaden and Wuppertal.

ALSTRIA OFFICE REIT AG: FAIR VALUE BY FEDERAL STATE



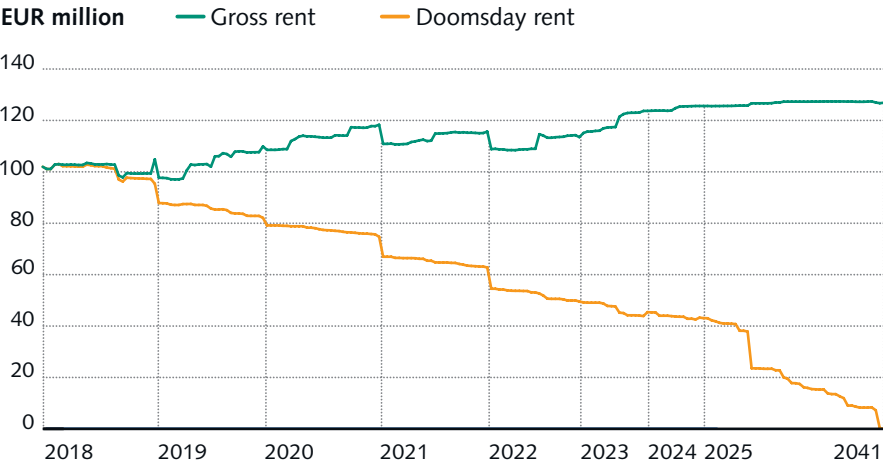
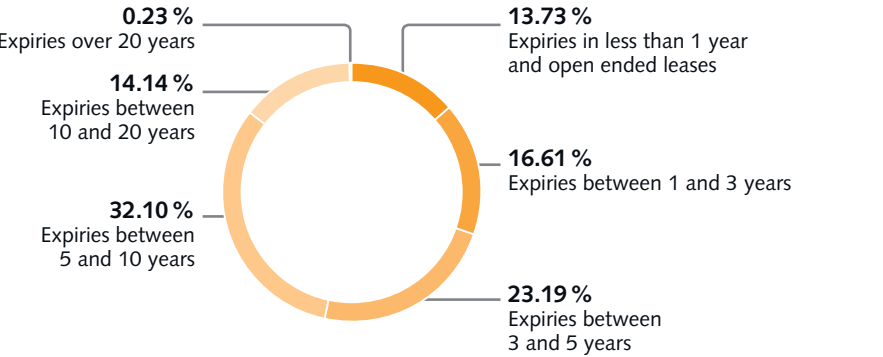
The following two assets have been sold during 2017:

Asset Number	Asset	City
2062	Grosse Bleichen 23–27	Hamburg
2092	Doktorweg 2–4 / Bismarckstraße 3	Detmold

ALSTRIA OFFICE REIT-AG DECEMBER 2017: GROSS RENT BY LEASE EXPIRY

An analysis of the lease expiry terms demonstrates that the majority of the income is secured for the following periods:

Portfolio Lease Expiry Profile	Gross Rent (€)	Percentage %
Expiries in less than 1 year and open ended leases	14,014,632	13.73
Expiries between 1 and 3 years	16,953,700	16.61
Expiries between 3 and 5 years	23,664,503	23.19
Expiries between 5 and 10 years	32,744,443	32.10
Expiries between 10 and 20 years	14,430,863	14.14
Expiries over 20 years	235,932	0.23



To illustrate the strength of the income over the life span of the Portfolio the graph shows tenancies in the current income stream pattern until June 2036 with the red line depicting how this would decline if no leases were renewed. The positive aspect of this analysis is that the decline is broadly even with no occurrence of sudden falls albeit that towards the end of 2018, 2020, 2021 and 2026 the decline of gross income is greater than the average.

FLOOR AREAS

In accordance with the instruction letter, we have not measured the properties and have relied upon the floor areas and car parking stated in the most recent tenancy schedule provided by the Company. Nevertheless, during the course of our inspections we did seek to ensure, where possible, that the areas provided were broadly consistent with the accommodation inspected. We are not aware of any major inconsistencies in this regard but would emphasise that we cannot provide any warranty as to the accuracy of the floor areas provided.

TENURE

We have been provided with the following reports, which we have had regard to in arriving at our opinions of value:

Title	Date
Due Diligence Report	12 December 2005
Draft Due Diligence Report	26 September 2006
Summary of Major Findings	27 September 2005
Legal Due Diligence Report	26 September 2006
Preliminary Legal and tax Due Diligence Report	28 September 2006
Legal Due Diligence Report	24 October 2006
Legal Due Diligence Report	16 July 2007
Legal Due Diligence Report	31 October 2007
Draft Preliminary Key Issues Report for Legal Due Diligence	14 November 2007
Red Flag List of Legal Due Diligence	14 December 2007
Preliminary Legal Due Diligence Report	1 April 2008
Draft Preliminary Key Issues List	8 December 2010
Draft Preliminary Key Issues List	25 January 2011
Legal Due Diligence Report – third draft	6 June 2011
Preliminary Key Issues List	18 July 2011
Legal Due Diligence Report	12 February 2012
Final Key Issues List	21 May 2013
Due Diligence Report	24 June 2013
Legal Due Diligence Report	16 September 2014
Provisional Due Diligence Report	10 November 2015

The above reports were prepared by the Company's lawyers: Alpers & Stenger, Hogan Lovells, Freshfields Bruckhaus Deringer, and trüon Rechtsanwälte. Our valuations assume that, with the exception of the matters disclosed within the aforementioned reports, there are no unusual, onerous or restrictive covenants in the titles which are likely to affect the value.

LETTINGS

We have relied upon the letting details contained within the following reports prepared by the Company's lawyers Alpers & Stenger, Hogan Lovells, Freshfields Bruckhaus Deringer, and trüon Rechtsanwälte:

Title	Date
Due Diligence Report	12 December 2005
Draft Due Diligence Report	26 September 2006
Summary of Major Findings	27 September 2005
Legal Due Diligence Report	26 September 2006
Preliminary Legal and tax Due Diligence Report	28 September 2006
Legal Due Diligence Report	24 October 2006
Legal Due Diligence Report	16 July 2007
Legal Due Diligence Report	31 October 2007
Draft Preliminary Key Issues Report for Legal Due Diligence	14 November 2007
Red Flag List of Legal Due Diligence	14 December 2007
Preliminary Legal Due Diligence Report	1 April 2008
Draft Preliminary Key Issues List	8 December 2010
Draft Preliminary Key Issues List	25 January 2011
Legal Due Diligence Report – third draft	6 June 2011
Preliminary Key Issues List	18 July 2011
Legal Due Diligence Report	12 February 2012
Final Key Issues List	21 May 2013
Due Diligence Report	24 June 2013
Legal Due Diligence Report	16 September 2014
Provisional Due Diligence Report	10 November 2015

In circumstances where there have been tenant changes we have relied solely upon the summary letting details provided by the Company. We have assumed all tenant information provided to be accurate, up-to-date and complete.

RENT ROLL

We have been provided with rent rolls effective as at 31 December 2017 which we have relied upon in arriving at our opinions of Fair Value. We have assumed all information provided to be accurate, up-to-date and complete.

The Company currently occupies offices in two properties:

- › 2073: Bäckerbreitergang 75, Hamburg,
- › 2118: Elisabethstrasse 5–11, Düsseldorf

In January 2018 the Company will open a new office at:

- › 2176: Rankestraße 17 / Schaperstraße 12–13, Berlin

In March 2018 the Company is relocating from Bäckerbreitergang 75, Hamburg, to:

- › 2053: Steinstraße 5–7, Hamburg

For 2118 and 2176 we have agreed to make the Special Assumption that the Company occupy the accommodation on a typical commercial Fach und Dach lease for a term of 5 year commencing on the valuation date, and are paying a Market Rent. This Special Assumption is made on the basis that the Company undertakes to enter such a lease should either of these properties be sold.

In the case of 2073, the Company's current head office, we have also agreed the Special Assumption that the Company, is expected to have vacated by 31 March 2018 and will continue to pay rent until 30 June 2018, following which two prelet tenants will take occupation of the Company's former accommodation from 1 July 2018.

Fit out works of the Company's new office at 2053 are nearing completion. The Company will commence occupation of the new offices from 1 March 2017 as their HQ from which date we have adopted the same Special Assumption for Company occupied offices within the Portfolio.

CONDITION

We have not carried out building surveys of the properties and neither have we tested the drainage or service installations in the buildings as this was outside the scope of our instructions. If there is significant capital expenditure required on a property this sum will have been identified from either the technical due diligence reports referred to below or notified to us by the Company, and deducted from the value reported. At an aggregate level we have made a total CAPEX deduction for identified works in the sum of € 141,228,225 in our valuation. This sum is allocated for the period 2018 to 2020 and includes € 21,448,934 and € 28,359,423 for major redevelopment works at Epplestraße 225, Stuttgart and Carl-Reiß-Platz 1–5, Mannheim respectively.

We have been provided with the following reports prepared on the Company's behalf by URS Deutschland GmbH (URS):

Title	Date
Technical Due Diligence Report	19 December 2005
Technical and Environmental Due Diligence Assessment	25 August 2006
Intermediate Environmental Bullet Point Report	9 October 2006
Structural Property Survey	19 October 2006
Technical Due Diligence Report	29 December 2006
Technical and Environmental Due Diligence Assessment Revised Final Report	7 November 2007
Technical and Environmental Due Diligence Assessment	13 November 2007
Technical and Environmental Due Diligence Assessment Reports	21 December 2007
Technical and Environmental Due Diligence Assessments	22 December 2007
Technical and Environmental Due Diligence Assessments	31 August 2010

Additionally, we have been provided with the following reports, prepared on behalf of the Company, either by ARGOS Projektmanagement GmbH, Arcadis, Valteq or Drees & Sommer:

Title	Date
Technical Due Diligence Assessment	1 April 2008
Technical and Environmental Due Diligence Draft Report	28 July 2011
Quick Check – Technical Due Diligence Report	2 April 2011
Technical Due Diligence Quick Check Report	5 April 2011
Technical Due Diligence Schedule	6 April 2011
Technical Due Diligence Schedule	7 April 2011
Technical Due Diligence Report (Red-Flag-DD)	12,13 & 14 February 2012
Technical Due Diligence Report (Red Flag Report)	24 April 2013
Technical Due Diligence Report	26 June 2013
Technical Due Diligence Report	28 July 2013
Technical Due Diligence Report	4 September 2014
Technical Due Diligence Report	23 November 2014

ENVIRONMENTAL MATTERS

We have been provided with the following reports, prepared on the Company's behalf by URS Deutschland GmbH (URS), which we have relied upon in arriving at our opinions of value:

Title	Date
Technical Due Diligence Report	19 December 2005
Technical and Environmental Due Diligence Assessment	25 August 2006
Intermediate Environmental Bullet Point Report	9 October 2006
Structural Property Survey	19 October 2006
Technical Due Diligence Report	29 December 2006
Technical and Environmental Due Diligence Assessment Revised Final Report	7 November 2007
Technical and Environmental Due Diligence Assessment	13 November 2007
Technical and Environmental Due Diligence Assessment Reports	21 December 2007
Technical and Environmental Due Diligence Assessments	22 December 2007
Technical and Environmental Due Diligence Assessments	31 August 2010

Additionally, we have been provided with the following reports, prepared on behalf of the Company, either by ARGOS Projektmanagement GmbH, Arcadis, DEKRA or Drees & Sommer:

Title	Date
Technical Due Diligence Assessment	1 April 2008
Technical and Environmental Due Diligence Draft Report	28 July 2011
Quick Check – Technical Due Diligence Report	2 April 2011
Technical Due Diligence Quick Check Report	5 April 2011
Technical Due Diligence Schedule	6 April 2011
Technical Due Diligence Schedule	7 April 2011
Technical Due Diligence Report (Red-Flag-DD)	12,13 & 14 February 2012
Environmental Due Diligence, Phase I	23 August 2012

TOWN PLANNING

Upon acquisition the following due diligence reports were reviewed. We have not made any formal searches or enquiries in respect of the properties and are, therefore, unable to accept any responsibility in this connection. However, as and when required we will undertake informal enquiries of the local planning authority.

Title	Date
Due Diligence Report	12 December 2005
Draft Due Diligence Report	26 September 2006
Summary of Major Findings	27 September 2005
Legal Due Diligence Report	26 September 2006
Preliminary Legal and tax Due Diligence Report	28 September 2006
Legal Due Diligence Report	24 October 2006
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Preliminary Key Issues List	18 July 2011
Legal Due Diligence Report	12 February 2012
Final Key Issue List	21 May 2013
Due Diligence Report	24 June 2013
Legal Due Diligence Report	16 September 2014
Provisional Due Diligence Report	10 November 2015

The above were prepared by the Company's lawyers, Alpers & Stenger, Hogan Lovells, Freshfields Bruckhaus Deringer, and trüon Rechtsanwälte for formal search information, town planning and permit issues and we have had regard to this information in arriving at our opinions of Fair Value.

MARKET APPROACH

In preparing our valuations, we have taken into account market trends in the respective localities and except where you have advised us to the contrary, or our other enquiries have alerted us to this, we have assumed that there have been no material changes to any of the properties or their surroundings that might have a material effect on value, since the time of our last inspection.

In arriving at our opinions of Fair Value, we have had regard to comparable investment transactions in determining the net initial yield and equivalent yield which we have adopted in capitalising the current income stream.

Where properties have less than 5 years of term certain remaining we have adopted income void periods which range from 6 to 24 months, depending upon the type of property, prior to re-letting.

In respect of indefinite leases where you have advised that tenants are 'holding over', we have assumed a further year of income followed by a suitable void period.

Generally, across the portfolio we have adopted an income void period of 3 to 6 months for car parking.

In addition, where appropriate, we have allowed for capital expenditure either to undertake works necessary to re-let properties at the end of the lease or deal with extraordinary items of disrepair that are the responsibility of the lessor.

We are of the opinion that the Portfolio as a whole, or each of its individual assets, would appeal to a wide range of national purchasers including funds, property companies and institutions. It would also be of interest to overseas investors attracted by a combination of long dated, high quality income and properties with the opportunity to add value through active asset management. We consider that demand for the Portfolio would be strong.

FREE AND HANSEATIC CITY OF HAMBURG INDEXED RENT

We are informed by the Company that 15 Free and Hanseatic City of Hamburg lease contracts from 2006 contain a provision whereby the indexation of rent can be tested biannually to determine whether CPI has risen by at least 5 points (index 2000 = 100) compared to the previous indexation year.

We have been advised by the Company that the indexation threshold will be met in 2018. Consequently, the current rent for FHH within these properties will increase by 4.86 % with effect from 1 April 2018.

To reflect the added value attributable to the indexation, we have agreed with the Company to adopt the assumption that the majority of vendors would top up the day one income of the relevant property for a period of 3 months so as to make the yield profile more reflective of the forecasted cashflow. Therefore, our valuation model allows for a day one CAPEX cost equal to the difference between the actual passing rent and the indexed rent, which in aggregate total amounts to €255,568.

The 15 Properties are as follows:

Asset No	Asset	City
2020	Alter Steinweg 4 / Wexstraße 7	Hamburg
2021	Drehbahn 36	Hamburg
2023	Steinstraße 10	Hamburg
2024	Alte Koenigstraße 29–39	Hamburg
2027	Basselweg 73	Hamburg
2029	Buxtehuder Straße 9, 9a, 11, 11a	Hamburg
2033	Garstedter Weg 13	Hamburg
2036	Grindelberg 62–66	Hamburg
2037	Hammer Steindamm 129	Hamburg
2038	Herthastrasse 20	Hamburg
2039	Johanniswall 4	Hamburg
2041	Kattunbleiche 19	Hamburg
2045	Max-Brauer-Allee 89–91	Hamburg
2046	Oejendorfer Weg 9–11	Hamburg
2050	Rahlstedter Straße 151–157	Hamburg

NON-RECOVERABLE EXPENSES

In the absence of actual costings, when arriving at our opinion of value, we have made a total deduction of 5 % from the Market Rent to allow for non-recoverable costs. The Company has confirmed that this amount is consistent with the sums that they are incurring in the management of these properties. Such costs relate to items which cannot be recovered from the tenant and generally include the expense of maintaining and repairing all structural components of the property and associated access roads, as well as being financially responsible for maintenance and repair items and management expenses etc. However, it does not include tenant improvement measures that have been taken into consideration. Moreover, for the purposes of this valuation we have been provided with updated planned CAPEX details by the Company which we have deducted from our valuation on the basis of a day one deduction, with the exception of 2063 Epplerstraße, Stuttgart, where an element of CAPEX was delayed until 1 January 2019.

PURCHASER'S COSTS

This comprises the relevant federal state Real Estate Transfer Tax ranging between 3.5 % and 6.5 %, together with a total of 1.5 % agent's fee and legal fee. In practice for the larger properties, brokers would be prepared to accept a lower fee than that adopted by us in our valuation models. Nevertheless, given the practical difficulties of determining the appropriate fee on a property by property basis, we consider that this is a prudent to assume the total costs when assessing purchaser's costs. The only exception to this approach is in relation to the Daimler HQ investment property in Stuttgart. The high value of this asset means that on a sale we are satisfied that combined agents and lawyers' fees would be less than 1.5 % on sale.

MARKET RENT

In preparing our valuations we have made an analysis of the Market Rent of the properties and compared it to the passing rent. Any difference between the Market Rent and the passing rent has been taken into consideration in our valuations. The total aggregate Market Rent is €95,655,442 per annum.

FAIR VALUE

We are of the opinion that the aggregate Fair Value, as at 31 December 2017, of these 72 investment Properties is **€1,964,890,000 (One billion nine hundred and sixty-four million eight hundred and ninety thousand Euros)**. The aggregate net yields are as follows:

Yield	%
Initial	4.28
Equivalent	5.20
Reversion (Dec. 2026)	5.41

We confirm that all of the foregoing opinions of value reflect current real estate transfer taxes which range between 3.5 % and 6.5 % according to the State in which the individual Properties are situated.

The aggregate Value of the Portfolio is the sum of the individual Fair Values. This aggregate figure makes no allowance for any effect that placing the whole Portfolio on the market may have on the overall realisation. The Fair Value of the Portfolio sold as in a single transaction would not necessarily be the same as the aggregate figure reported.

A schedule of Fair Values for each Property forms *Appendix III* to this report.

DISCLOSURES

In accordance with the requirements of PS 2 we confirm the following:

- i. Colliers International has valued this Portfolio since 2006. Adrian Camp has become the principal signatory in 2017 and a new secondary signatory has been introduced through rotation.
- ii. The total fees earned in the latest financial year from the Company amounted to substantially less than 5 % of our Company turnover.
- iii. We are not aware of any non-valuation fee earning work being undertaken by Colliers International Valuation UK LLP for the Company.

LIABILITY AND PUBLICATION

This report is private and confidential and for the sole use of alstria office REIT-AG for publication in its reports and accounts.

We do not accept any responsibility to any third party for the whole or any part of its contents.

Neither the whole nor any part of this valuation or any reference thereto may be included within any published document, circular or statement or disclosed in anyway without our prior written consent to the form and context in which it may appear. In breach of this condition, no responsibility can be accepted to third parties for the comments or advice contained in this report.

For the avoidance of doubt, this report is provided by Colliers International Valuation UK LLP and no partner, member or employee assumes any individual responsibility for it nor shall owe a duty of care in respect of it.

Colliers International Valuation UK LLP has relied upon property data supplied by the Company which we assume to be true and accurate. Colliers International Valuation UK LLP takes no responsibility for inaccurate Company supplied data and subsequent conclusions related to such data.

Yours faithfully

Adrian Camp BSc (Hons) MRICS
Director
RICS Registered Valuer
Colliers International Valuation UK LLP

Mark White BSc (Hons) MRICS
Director
RICS Registered Valuer
Colliers International Valuation UK LLP

VALUATION CERTIFICATE*

“Project Sub-portfolio of alstria office REIT-AG”

sub portfolio of alstria office REIT-AG
Valuation date: 31 December 2017

Instruction Party
alstria office REIT-AG
Bäckerbreitergang 75
20355 Hamburg
Germany

Prepared by
Savills Advisory Services Germany GmbH & Co. KG
Taunusanlage 19
60325 Frankfurt am Main
Germany

A. EXECUTIVE SUMMARY

PORTFOLIO OVERVIEW

Subject to this report are 42 commercial properties with a total lettable area of approx. 688,647 m². The properties are located in the north, west and south of Germany.



*This is an excerpt from the valuation report of the valuer Savills Advisory Services GmbH & Co. KG („Savills“). Please note that the valuation report was prepared based on the basis of contractual agreements between alstria office REIT-AG and Savills and is subject to these. Any liability of Savills, irrespective of the legal grounds, for the content of the valuation report or parts thereof (in particular the values) to third parties (including without limitation to the addressees or readers of this annual report) shall be excluded. For reasons of practicality and confidentiality only excerpts from Savills' valuation report are attached to this company report. Please note that such excerpts of the company report do not provide a suitable basis for any commercial or business decisions, in particular a final assessment of the values stated therein possible only on the basis of the full valuation report including its Annexes.

PORTFOLIO COMPOSITION AND TENURE

The portfolio contains commercial properties in Germany. All properties are held on the German equivalent of freehold title.

Portfolio overview

Federal State	Lettable area sqm	Gross Current Rent ¹⁾ EUR p. a.	Gross Market Rent EUR p. a.	Market Value as at 31/12/2017 EUR p. a.
Baden-Württemberg	84,448	10,894,124	10,958,632	160,200,000
Bremen	8,867	661,242	688,928	7,500,000
Hamburg	16,908	2,174,431	2,377,390	41,770,000
Hesse	211,293	36,478,469	31,732,810	526,400,000
North-Rhine Westphalia	341,172	36,769,735	43,984,237	609,540,000
Rhineland Palatinate	25,959	2,627,195	2,814,806	38,800,000
Total	688,647	89,605,196	92,556,803	1,384,210,000

¹⁾ As at date of valuation; not including future lease contracts.

OPINION OF NET ESTIMATED RENTAL VALUE (ERV)

The estimated rental value as at 31 December 2017 amounts to:

EUR 92,556,803 p. a.
exclusive of VAT

(Ninety Two Million Five Hundred Fifty Six Thousand Eight Hundred Three EUR)

OPINION OF MARKET VALUE

We are of the opinion that the Market Value of the freehold interests in the subject properties as at 31 December 2017 is:

1,384,210,000 EUR

(One Billion Three Hundred and Eighty four Million Two Hundred and Ten Thousand EUR)

B. INSTRUCTIONS AND SOURCES OF INFORMATION

We are of the opinion that the Market Value of the freehold interests in the subject properties as at 31 December 2017 is:

I. SCOPE OF INSTRUCTION

Report Date
29 January 2018

Instruction
In accordance with the Instruction Letter dated 01 August 2017 and signed on 04 August 2017, we undertake a valuation of all 42 commercial properties of the respective portfolio.

This valuation statement is addressed to and may be relied upon by:
alstria office REIT-AG
Bäckerbreitergang 75
20355 Hamburg
Germany
Hereinafter referred to as „Instructing Party“

Conflict of Interest

We hereby confirm that we have no existing potential conflict of interest in providing the valuation report, either with the Principal or with the properties.

Furthermore, we confirm that we will not benefit (other than from receipt of the valuation fee) from this valuation instruction.

Currency

The relevant currency for this valuation is EUR.

Portfolio Assumption

Each property will be valued individually, and no discount or addition is made in the aggregate value to reflect the fact that it may form part of a portfolio.

Tenure

All properties are held on the German equivalent of freehold title.

Purpose of Valuation

The Instructing Party requires this valuation for accounting purposes.

Disclosure of Excerpts of Savills' Reports in the Annual Reports

Savills agrees to the disclosure of an excerpt of Savills' reports (which include the Valuation Certificate and Annex 1 thereto but exclude any other Annexes or information) in the annual reports of the Instructing Party ("Company Report") with the proviso, and under the condition, that Savills is liable to the Instructing Party only, and no third party (in particular no recipients of the Company Reports) may raise any claims against Savills in connection with Savills' report or the disclosure of parts thereof in the Company Report. The Instructing Party shall procure that the Company Reports contain (i) a statement that the disclosure in the Company Reports is made on a non-reliance basis, and no third party (other than the Instructing Party) will be entitled to raise claims against Savills, and (ii) the information that the knowledge of the excerpts of Savills' report disclosed in the Company Reports do not constitute a sufficient basis for business decisions of the recipients of the Company Reports.

Reliance

Our valuation is for the use of the party to whom it is addressed only and for the specific purpose referred to above. No responsibility is accepted to any other party than the instructing party.

Liability

The liability of Savills is limited to a maximum amount of EUR 3 million under Sec. 6 of the General Terms. Savills is prepared to increase this maximum amount for this instruction up to EUR 50 m (fifty million EUR). This increased maximum amount is valid for this instruction only and does not apply for any other present or future instructions, agreements or legal relationships between the Instructing Party and Savills. Where there is more than one Addressee to this Report, the aforementioned maximum amount of our liability is a total limit to be allocated between the Addressees, such allocation being entirely a matter for the Addressees. Savills does not accept any duty, liability or responsibility to any party other than the Instructing Party with respect to the report unless and to the extent otherwise agreed with such party in writing.

Nature and Source of Information relied on

The valuation has been substantially and mainly based upon the information supplied to us by the Instructing Party and / or entitled advisors. For details please refer to the chapter "Sources of Information and Inspection".

Basis of Valuation

Our valuation has been carried out in accordance with the RICS Valuation – Global Standards 2017 (the "Red Book") published by the Royal Institution of Chartered Surveyors (RICS), London, which was effective from 1 July 2017. We have been instructed to value the properties on the basis of Market Value in accordance with Valuation Practice Statements VPS 4.4 of the RICS Valuation – Professional Standards (the "Red Book") which is defined as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Furthermore, we confirm that the determined Market Value corresponds with the German "Verkehrswert" (§194 BauGB) and is also conform to the International Valuation Standards (IVS).

Date of Valuation

31 December 2017

Savills' Team

The responsible project manager for this valuation were Klaus Trautner CIS HypZert (F) MRICS and Johannes Schneider MRICS who are well experienced in the valuation of office properties.

Besides the project manager the following Savills team was involved in the valuation of the subject properties:

- › Henning Bax CIS HypZert (F), Associate
- › Christian Quandt, Associate
- › Erik Matthes MRICS, Senior Consultant
- › Angela Lohmann, Senior Consultant

Verification, Liability

This report contains many assumptions, some of a general and some of a specific nature. Our valuations are based upon certain information supplied to us by others. Some information we consider material may not have been provided to us.

We recommend that the addressee of this report satisfies itself on all these points, either by verification of individual points or by judgement of the relevance of each particular point in the context of the purpose of our valuations. Our valuations should not be relied upon pending this verification process.

Should any of the information or assumption on which Savills' valuation is based be subsequently found incorrect or incomplete our value conclusion may be incorrect so that our valuation may need to be amended. Savills therefore cannot accept any liability for the correctness of this assessment or for any loss or damage resulting there from.

General Terms and Conditions

The "General Terms and Conditions" (Appendix V) of Savills Advisory Services Germany GmbH & Co. KG apply to this agreement. We specifically draw your attention to these.

II. SOURCES OF INFORMATION AND INSPECTION

Information Sources

For the purpose of this valuation we have relied on the following information, supplied to us by the client:

- › Rent roll as at 31 December 2017 including future leases
- › Capex list as at 31 December 2017
- › Land register copies
- › Additional specific documents in course of the Q & A process

We have also included the following sources into our valuation report:

- › Savills Research
- › Local Land Valuation Boards and other local authorities
- › Geoport
- › Empirica
- › RIVIS online database

Extent of Inspections

All conclusions made by Savills as regards the condition and the actual characteristics of the land and buildings have been based on our inspection of the subject properties and on the documents and information provided (please see above).

The inspections have been carried out by our team between 23 August 2017 and 07 September 2017. Full internal inspections for all properties were possible.

Please note that Savills cannot take any liability in connection with assumptions about buildings and / or properties or parts thereof that could not be inspected.

For the avoidance of doubt, Savills did not carry out any building or structural surveys of the subject properties nor tested any of the electrical, heating or other services.

The properties were not measured as part of Savills' inspection nor were the services or other installations tested.

All Savills' conclusions resulting from the inspections are based purely on visual investigations without any assertion as to their completeness.

Furthermore, investigations that might cause damage to the subject properties have not been carried out. Statements about parts of the structure or materials that are covered or otherwise inaccessible are based on the information or documents provided (or on assumptions, respectively).

C. VALUATION METHODS

I. VALUATION APPROACH

We were instructed to determine the Market Value using the valuation software "ARGUS Valuation Capitalisation".

1.1 H&T (HARDCORE & TOP SLICE)

In determining the market value for commercial properties we therefore have applied the Hardcore and Top Slice Method (H&T). Using the H&T method, the cash flows from the property are divided into two blocks with the cash flow of each block being calculated individually and being summed up subsequently.

The H&T method is a static calculation approach which makes no explicit reflection of rental growth: the effects of rental growth and potential changes in other market and financial factors are implicit in the yield, which is normally obtained from the analysis of comparable transactions. Hardcore considers the cash flow as at the date of valuation until the expiry of the existing lease and therefore considers the contractual rents. Management and maintenance costs as well as other unrecoverable costs of the owner are deducted from the current achievable gross annual yield (Gross Income). The remaining Net Income is capitalized by the annuity factor.

Top slice marks the second phase from the beginning of reletting, if required under consideration of an appropriate vacancy period. The calculation of cash flows is based on the estimated market rent. The costs of any outstanding repairs ('deferred maintenance') or other capital costs that would be immediately incurred are deducted from the total capital value. Future capital costs (e.g. renovation or refurbishment before renewed letting) are estimated and discounted for an appropriate period before being deducted.

After the deduction of the purchaser's costs (real property transfer tax, notary and agent costs) and immediately required capital expenditure, the result is the Net Value.

D. VALUATION CONSIDERATIONS

In this chapter we comment on our individual considerations in order to arrive with our opinion of value.

Please note that our opinion of value is carried out on the basis of a number of assumptions. In the absence of any information to the contrary in the Report, our indication of value is based on our General Assumptions and Conditions enclosed in Appendix V to this Report.

Our General Assumptions and Conditions will be amended by our individual considerations, including underlying individual valuation assumptions, as described in the following sections. Our individual considerations are based on these additional assumptions which were adopted specifically with respect to our opinion of value of the assets which are subject to this Report.

In case of any discrepancies with our General Assumptions and Conditions, our individual valuation assumptions as described in the following do prevail. If any of the forementioned assumptions (General or individual valuation assumptions or other) are subsequently found to be incorrect or invalid, our opinion of value may need to be reconsidered.

I. INDIVIDUAL CONSIDERATIONS

1. LEGAL ASPECTS

Main legal documents such as land register copies were provided which we reviewed completely. We were not provided with an actual "Legal Due Diligence Report" by the Instructing Party.

Overall, we are not aware of any legal issues that have an impact on value.

2. TECHNICAL ASPECTS

Maintenance Backlog and Capital Expenditure

Based upon the inspection as well as the documents and information provided by the client we have assumed that the continuing repair and maintenance of the properties have been carried out accordingly. Based upon the capex schedule provided by the client, costs for the repair of damages and/or deferred maintenance have been deducted from the market value in our valuation.

The total costs for repair measures amount to EUR 11,696,551 corresponding to a share of 0.84 % measured by the combined portfolio value. Please see below the Capital Expenditures for the concerning properties.

Capital Expenditures

			Capital Expenditures in EUR
Subject Property	City	Address	
Property ID			
2123	Bremen	Lötzenener Straße 3	216.937
2125	Hamburg	Heidenkampsweg 51–57	90.428
2127	Düsseldorf	Am Seestern 1	4.147.277
2130	Düsseldorf	Heerdter Lohweg 35	215.000
2132	Essen	Opernplatz 2 / Rellinghauser Straße 51–53	64.365
2134	Köln	Maarweg 165	60.493
2136	Neuss	Carl-Schurz-Straße 2	245.000
2139	Recklinghausen	Josef-Wulff-Straße 75	595.000
2141	Darmstadt	T-Online-Allee 1	283.000
2147	Frankfurt am Main	Berner Straße 119	73.371
2151	Frankfurt am Main	Solmsstraße 27–37	1.989.680
2156	Böblingen	Hanns-Klemm-Straße 45	450.000
2161	Stuttgart	Breitwiesenstraße 5–7	1.000.000
2162	Stuttgart	Ingersheimer Straße 20	366.000
2164	Stuttgart	Vaihinger Straße 131	1.385.000
2177	Düsseldorf	Willstätterstraße 11–15	515.000
Total			11.696.551

3. TENANCY ASPECTS

We generally assume that the provided tenancy schedule reflects the status quo for all properties as at valuation date 31 December 2017 to a true and comprehensive extent. According to the provided rent roll the Current Rent as at valuation date 31 December 2017 amounts to:

EUR 89,605,196 p.a.
exclusive of VAT

(Eighty Nine Million Six Hundred Five Thousand One Hundred Ninety Six EUR)

4. THE ESTIMATED RENTAL VALUE (ERV)

Estimated rental values ("market rents") indicated in this report are those which have been adopted by us as appropriate in assessing the capital value or the letting potential of the property, being subject to market conditions that are either current or are expected in the short term. They are based on our experience of the markets and our knowledge of actual comparable market activity.

For the purpose of comparison, we considered market evidence by assessment of actual lettings of units with the same or the closest comparable use, where applicable and available. In few cases we also considered asking rents. Applied ERVs range as follows in the subject portfolio:

Market Rent

	Minimum EUR per sqm p. m.	Maximum EUR per sqm p. m.	Average EUR per sqm p. m.
Commercial use	5.65	19.00	11.20

In our opinion the estimated rental value as at 31 December 2017 amounts to:

EUR 92,556,803 p.a.
exclusive of VAT

(Ninety Two Million Five Hundred Fifty Six Thousand Eight Hundred Three EUR)

Our individually-applied rental values are included in the 'Argus Property Summary Valuation Reports' enclosed in Appendix II to this report.

5. BASIC CASH FLOW CONSIDERATIONS

Costs of a property are generally costs of

- › service of the property ("service charges", "costs of operation"),
- › management,
- › ongoing maintenance.

These costs can generally be allocated to the responsibility of tenants in commercial leases whereas there are much stricter regulations for residential leases.

In accordance with the client's instruction we have assumed 5.0 % of non-recoverable operating costs with regard to the gross market rental income of the subject property which corresponds to cost assumptions at market conditions for mixed-use commercial properties. The different and individual features of each property are shown in the calculation by means of the equivalent yield.

The other non-recoverable costs such as:

- › leasing commissions (for rental agents),
 - › tenant improvement costs (for unit fit-out) and
 - › non-recoverable costs on vacancy
- are taken into account by the applied yields.

Thus, we applied no individual non-recoverable costs for maintenance, management, vacancy, leasing commissions, tenant improvement costs or other non-recoverable costs in our valuation.

Average Lease Term for new Lettings

Commercial tenancies in Germany are usually agreed for a fixed period of 5 or 10 years, sometimes longer.

For the purpose of this valuation and based on our experience with properties of this nature, we have generally derived average lengths of tenancy of 5 years for any potential new letting of commercial areas in the subject assets.

Remaining lease time until lease expiry

For current lease contracts without fixed lease expiry date we applied half of the previous rental period as remaining lease term (e. g. a lease contract is running for 6 years as at valuation date, than we applied 3 years as remaining lease term).

Void Periods for Currently Vacant Space & Future Void Periods on Renewed Letting

Voids generally represent the time period between the expiry of a lease and the start date of a new lease.

Depending on the quality of situation and the respective property, the current rental situation and the local vacancy rate we have assumed an initial void period for current vacancy and future void periods until re-letting after the expiry of leases of rental units. The void periods for the different types of uses are as follows:

Void Periods

Use	Initial Void Period	Continuing Void Period
Office	12 – 24 months	9 – 24 months
Retail	12 – 18 months	12 – 18 months
Residential	3 months	1 – 18 months
Storage	12 – 24 months	6 – 24 months
Other Areas	18 months	12 – 18 months
Medical Practice	18 months	12 – 15 months
Parking internal	6 – 24 months	12 – 24 months
Parking external	12 – 18 months	12 – 18 months

Permanent Void Allowance / Structural Vacancy

At the date of valuation the sub-portfolio of alstria office REIT-AG has a total vacancy area of 76,110 sqm. We have appointed 5,554 sqm of this area as structural vacant. The Portfolio thus has a cumulative vacancy rate of approximately 11.1 %.

Vacancy and structural Vacancy

Subject Property			Lettable Area	Vacancy		Structural Vacancy	
Property ID	City	Address	sqm	sqm	%	sqm	%
2122	Bremen	Balgebrückstraße 13	3.913	–	0,0	–	0,0
2123	Bremen	Lötzener Straße 3	4.953	588	11,9	–	0,0
2124	Hamburg	Borsteler Chaussee 111–113 / Brödermannsweg 1–9	6.716	76	1,1	–	0,0
2125	Hamburg	Heidenkampsweg 51–57	10.192	325	3,2	–	0,0
2126	Dortmund	Kampstraße 36 / Petergasse 2	3.145	1.587	50,5	–	0,0
2127	Düsseldorf	Am Seestern 1	35.804	21.183	59,2	–	0,0
2128	Düsseldorf	Gartenstraße 2 / Kaiserstraße 48–50	5.053	271	5,4	271	5,4
2129	Düsseldorf	Graf-Adolf-Straße 67–69	4.991	1.938*	38,8	–	0,0
2130	Düsseldorf	Heerdter Lohweg 35	37.350	5.092*	13,6	–	0,0
2131	Essen	Alfredstraße 236	30.314	–	0,0	–	0,0
2132	Essen	Opernplatz 2 / Rellinghauser Straße 51–53	24.271	–	0,0	–	0,0
2133	Köln	An den Dominikanern 6	27.462	–	0,0	–	0,0
2134	Köln	Maarweg 165	22.806	3.699*	16,2	–	0,0
2135	Meerbusch	Earl-Bakken-Platz 1 / Lise-Meitner-Straße	8.038	–	0,0	–	0,0
2136	Neuss	Carl-Schurz-Straße 2	12.745	1.093	8,6	–	0,0
2137	Ratingen	Berliner Straße 91–101 / Brandenburger Straße 2–6	33.930	6.177	18,2	889	2,6
2138	Ratingen	Pempelfurtstraße 1	18.547	8.061	43,5	–	0,0
2139	Recklinghausen	Josef-Wulff-Straße 75	19.855	–	0,0	–	0,0
2140	Darmstadt	Deutsche Telekom Allee 7	24.686	–	0,0	–	0,0
2141	Darmstadt	T-Online-Allee 1	71.869	–	0,0	–	0,0
2142	Darmstadt	Wilhelminenstraße 25 / Elisabethenstraße 20–22	8.438	2.354	27,9	–	0,0
2143	Dreieich	Hauptstraße 45	8.109	232	2,9	–	0,0
2145	Eschborn	Mergenthaler Allee 45–47	5.049	2.101	41,6	923	18,3
2146	Frankfurt am Main	Am Hauptbahnhof 6 / Münchener Straße 56	7.714	222	2,9	–	0,0
2147	Frankfurt am Main	Berner Straße 119	14.852	3.646	24,5	1.807	12,2
2149	Frankfurt am Main	Olof-Palme-Straße 37	10.423	–	0,0	–	0,0
2150	Frankfurt am Main	Platz der Einheit 1	30.395	5.125*	16,9	–	0,0
2151	Frankfurt am Main	Solmsstraße 27–37	29.759	–	0,0	–	0,0
2154	Kaiserslautern	Stiftsplatz 5	9.039	2.079	23,0	1.363	15,1
2155	Trier	Frauenstraße 5–9 / In der Olk 10–16	16.920	162	1,0	–	0,0
2156	Böblingen	Hanns-Klemm-Straße 45	14.888	–	0,0	–	0,0
2158	Filderstadt	Kurze Straße 40 / Hornbergstraße 45	5.341	590	11,0	–	0,0
2161	Stuttgart	Breitwiesenstraße 5–7	25.244	–	0,0	–	0,0
2162	Stuttgart	Ingersheimer Straße 20	12.479	3.939*	31,6	–	0,0

Vacancy and structural Vacancy

Subject Property			Lettable Area	Vacancy		Structural Vacancy	
Property ID	City	Adress	sqm	sqm	%	sqm	%
2163	Stuttgart	Kupferstraße 36	5.086	276	5,4	–	0,0
2164	Stuttgart	Vaihinger Straße 131	21.411	–	0,0	–	0,0
2173	Essen	Friedrich-List-Straße 20	8.988	–	0,0	–	0,0
2177	Düsseldorf	Willstätterstraße 11–15	23.984	2.224	9,3	–	0,0
2178	Düsseldorf	Immermannstraße 59 / Karlstraße 76	6.540	296	4,5	–	0,0
2179	Düsseldorf	Kanzlerstraße 8	9.106	2.156	23,7	104	1,1
2180	Düsseldorf	Am Wehrhahn 28–30	2.610	617	23,6	197	7,5
2181	Ratingen	D2-Park 5	5.634	–	0,0	–	0,0
Total			688.647	76.110	11,1	5.554	0,8

*Inter alia it exists a future lease contract but the respective rental unit is still vacant as at valuation date 31/12/2017..

Applied calculations Yields

We applied the following range of yields for the subject portfolio:

Internal Yields and rates

	Minimum	Maximum	Average
Equivalent Yield	3.78 %	7.55 %	5.49 %
Reversionary Yield	3.79 %	8.53 %	5.81 %
Initial Yield	0.81 %	9.37 %	5.62 %

6. Costs of Transaction

For our opinion of value, we applied costs of transaction as follows:

- › Real Estate Transfer Tax: 4.50 % – 6.50 %
(depending on federal state relevant to an asset)
- › Notary fees: 0.50 %
- › Agency fees: 1.00 %

These costs are chosen as they are common in ordinary course of business, i. e. in an asset deal, and for the subject type of properties. Costs of transaction may, however, differ in the actual individual case – depending on the type of transaction.

Closure

Finally, in accordance with the recommendations of the RICS, we would state that this report is provided solely for the purpose stated above.

For and on behalf of
Savills Advisory Services Germany GmbH & Co. KG

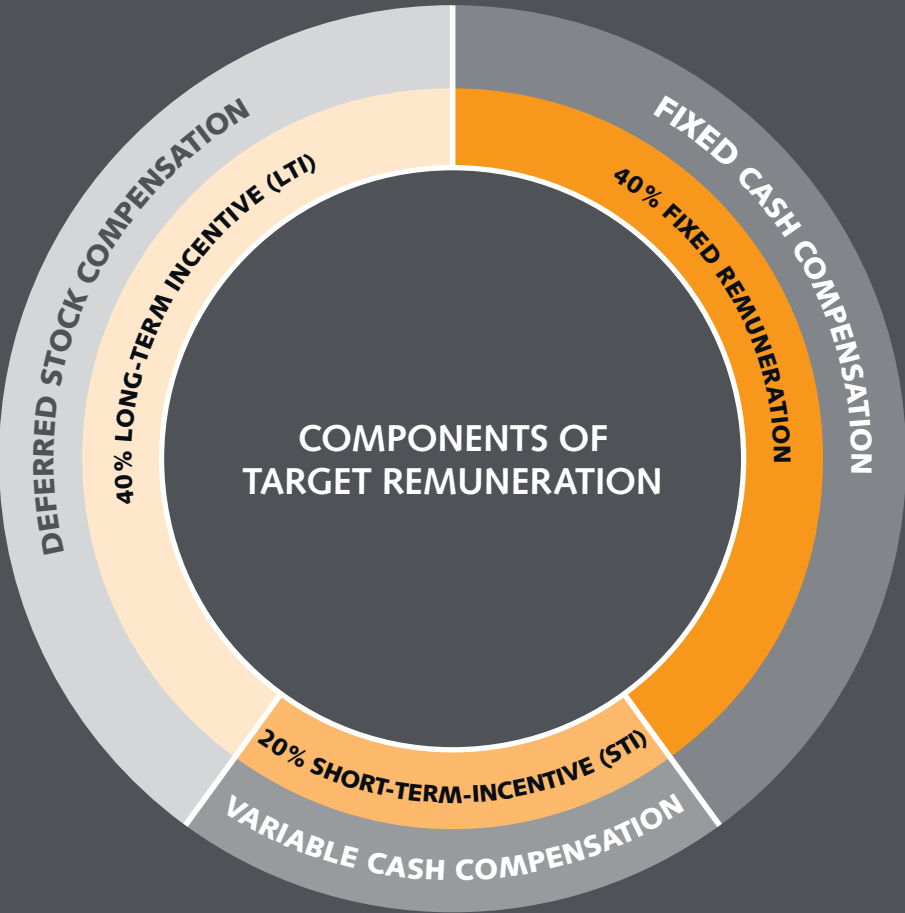
Klaus Trautner MRICS
RICS registered Valuer, CIS HypZert(F)
Valuer

Johannes Schneider MRICS
RICS Registered

MANAGEMENT COMPENSATION SCHEME

TRANSPARENT AND IN-LINE WITH
SHAREHOLDERS INTEREST

➤ More detailed information on management compensation can be found in the Annual Report 2017.



40 % FIXED REMUNERATION ➤ All cash	BASIC SALARY
20 % SHORT-TERM-INCENTIVE (STI) VARIABLE REMUNERATION ➤ All cash	PERFORMANCE MEASURE
FFO PER SHARE	Like-for-like budgeted FFO per share, adjusted by impact of material acquisitions and disposals
40 % LONG-TERM INCENTIVE (LTI) VARIABLE REMUNERATION Stock awards (holding period of 4 years)	PERFORMANCE MEASURE
75 % Relative total shareholder return (TSR)	Total shareholder return relative to FTSE EPRA / NAREIT Developed Europe Index
25 % Absolute total shareholder return (TSR)	Absolute total shareholder return

Share ownership guidelines:
Investment of three times annual fixed remuneration in company shares.



GEORG-GLOCK-STR. 18, DÜSSELDORF

The building is located in Düsseldorf and was vacated by the previous tenant in 2017. Currently, the building is under refurbishment and will be delivered in the second half of 2018. Based on our expected rent, the capex spent will deliver a return of 6.5 %.

Construction year	1991
Lettable area	10,400 m²
Expected rent per m²	EUR 18.50
Valuation per m²	EUR 2,700
Valuation yield	8.0 %



APPENDIX

GLOSSARY

AFFO	The adjusted funds from operations (AFFO) is equal to the FFO (funds from operations) with adjustments made for capital expenditures used to maintain the quality of the underlying investment portfolio.
Annual financial statements	The annual financial statements include the balance sheet and the profit and loss account of a company. In respect of a joint stock company, these are prepared by the Management Board, audited by a chartered accountant for compliance and checked by the Supervisory Board.
Annual General Meeting	At least once a year the shareholders of a joint stock company convene for the Annual General Meeting. This meeting elects the Supervisory Board and the balance sheet auditor. It passes resolutions on the appropriation of the annual profit shown, on measures for raising capital, on changes to the articles of association and other fundamental issues; it is the only body which can approve the decisions made by the Supervisory Board and the Management Board.
Asset management	Value-driven management and / or optimization of real estate investments through letting management, refurbishment, repositioning and tenant management.
Average cost of debt	The cost of finance expressed as a percentage of the weighted average of borrowings during the period.
Broker fees	Fees paid to an intermediary in connection with the brokerage of rental space or a real estate transaction.
Cash flow	The cash flow statement shows how the cash and cash equivalents of the Group changed in the course of the financial year as a result of cash received and paid. In accordance with IAS 7, a distinction is made between cash flows from operating activities and cash flows from investing and financing activities.
CO₂	Carbon dioxide, a gas produced primarily through the combustion of fossil fuels, is believed to be the main cause of climate change.
Completed developments	Completed developments consist of those properties previously included in the development programme, which have been transferred to the investment portfolio from the development programme during the reporting period.
Contractual rent	At a given date, the contractual rent reflects the total annualised rent taking into consideration all signed rental contracts.
Contractual vacancy rate	Contractual vacancy rate is the amount of space as a per cent of the total area of the portfolio on which there is no current or future signed lease contract.

Information provided on a listed public company by banks and financial analysts in the form of studies and research reports.	Coverage
Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.	CSR
Investments related to the substantial modernization / renovation of a building.	Development capex
Part of the real estate portfolio on which modernization/renovation work took place during the reporting period.	Development portfolio
The share of the distributed net profit of a company to which a shareholder is entitled in line with the number of shares he holds.	Dividend
The European Public Real Estate Association is an organization that represents the interests of the major European property management companies and supports the development and market presence of European public property companies.	EPRA
The estimated market rental value of the total lettable space in a property, after deducting head and equity rents, calculated by the Group's external valuers.	ERV
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value for alstria's investment properties is reviewed regularly by external appraisers.	Fair value (or open market value [OMV])
alstria calculates Funds From Operations as EBT, decreased / increased by the net gain / loss from fair value adjustment on investment property, decreased / increased by the net gain / loss from fair value adjustment on financial derivatives, increased / reduced by the profit / loss on disposal of investment property, decreased / increased by the net gain / loss from fair value adjustments on investment property of joint ventures, decreased / increased by non-recurring items, plus non-cash-expenses and less cash taxes paid.	FFO
Real Estate Investment Trusts are public listed companies, fully tax-transparent, which solely invest in properties.	G-REIT
The international financial reporting standards (IFRS) are adopted by the International Accounting Standards Board (IASB). The objective is to achieve uniformity and transparency in the accounting principles that are used by companies and other organisations worldwide for financial reporting. IFRS have applied to listed companies since January 1, 2005.	IFRS
Property, land and buildings, which are held as financial investments to earn rents or for growth and not used for the Company's own purpose. The value of the investment property is determined according to IAS 40.	Investment property

Joint venture	Legally independent entity formed between two or more parties to undertake economic activity together. It is jointly controlled by the parties under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each party's consent.
LTV and Net LTV	alstria calculates loan to value (LTV) by dividing the total loans outstanding to finance investment properties by the value of all mortgaged investment properties. The calculation of alstria's Net LTV also deducts the available non-restricted cash on the respective balance sheet date, which is deducted from the gross debt amount.
MDAX	Mid Cap Index; it contains, with variable weighting, the prices of the 50 most important, in terms of market capitalization and turnover, German joint stock companies which are not included in DAX30. In addition to dividend payments, subscription right proceeds are also included when calculating the index.
NAV (net asset value)	Reflects the economic equity of the Company. It is calculated from the value of assets less debt.
Net absorption	Reduction of vacant space in a real estate portfolio, which remains unchanged over two reporting periods.
NNNAV (triple net asset value)	The Company computes NNNNAV as total equity as reported in the IFRS consolidated statement of financial position, which accounts for the carrying amount and the fair value of financial instruments and financial liabilities, adjusted for hidden reserves and hidden losses in immovable assets and financial liabilities.
Office building	Property where at least 75 % of the lettable area is destined for office use (disregarding potential ground-floor retail).
Opex (Operating expenditure)	Maintenance costs of buildings that are not capitalized but are immediately recognized in the income statement.
Passing rent	Annual gross rental income as per a certain date, excluding the net effects of straight-lining for lease incentives.
Performance	The term performance describes the percentage appreciation of an investment or a securites portfolio during a given period.
Pre-let	A lease signed with a tenant prior to completion of a development.
Property management	Property management is the management of real estate assets including the processes, systems and manpower required to manage the life cycle of a building.
Rent concession	Granting of rent-free periods in connection with a lease.
Roadshows	Corporate presentations to institutional investors.

The term 'share' describes both the membership rights (holding in the joint stock company) and the security that embodies these rights. The holder of a share (shareholder) is a 'sharer' in the assets of the joint stock company. Their rights are protected by the regulations contained in the Companies Act.	Share
The capital stipulated in a corporation's articles of association. The articles also specify the number of shares into which the share capital is divided. The Company issues shares in the amount of its share capital.	Share capital
The Supervisory Board is one of the three executive bodies of a joint stock company: Annual General Meeting, Management Board and Supervisory Board. The Supervisory Board appoints the Management Board and provides supervision and advice regarding management of the company's business.	Supervisory Board
Alignment of an organisation's products and services with stakeholder expectations, thereby adding economic, environmental and social value.	Sustainability
Costs related to the fit out of rental space due to special tenant requirements.	Tenant fit outs
Any incentive offered to occupiers to enter into a lease. Typically the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs.	Tenant incentives
Dividends and capital growth in the share price, expressed as a percentage of the share price at the beginning of the year.	TSR (Total shareholder return)
A principle that allows those affected by administrative decisions, business transactions or charitable work to know not only the basic facts and figures but also the mechanisms and processes. It is the duty of civil servants, managers and trustees to act visibly, predictably and understandably.	Transparency
The Unlevered internal rate of return (UIRR) is a key indicator to assess the attractiveness of an investment. It is the rate needed to discount the unlevered sum of the future cash flow to equal the initial investment.	UIRR
Vacant space refers to the sum of all lettable space that at the end of a calendar year is unoccupied or offered for lease.	Vacant space
Remaining lease length of a rent contract.	WAVLT (Weighted average unexpired lease term)
An electronic stock exchange trading system that uses the open order book and thus increases transparency.	XETRA
Key performance indicator, which is determined at a given date by the contractual rent in relation to the fair value of the property.	Yield

IMPRINT

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

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

Forward-looking statements

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

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