Annual General Meeting

of alstria office REIT-AG

on June 10, 2022

Speech by the Chief Financial Officer

Alexander Dexne

(convenience translation)

Check against delivery at the Annual General Meeting.

Ladies and Gentlemen,

I would like to welcome you to the Annual General Meeting of alstria office REIT-AG, also on behalf of our employees. We are delighted to gather today at our now third virtual AGM to report on what has been an exceptionally eventful year 2021 for alstria. Before my colleague Olivier Elamine and I discuss the acquisition of alstria by Brookfield in detail, I may tell you at this stage that, from a purely economic point of view, our company has not only developed according to plan, but even surpassed our targets in the past financial year, which was still dominated by the COVID-19 pandemic.

Our 2021 turnover of EUR 183.7 million was a solid 3.7% higher than the corresponding figure for the previous year, and thus exceeded our original target of EUR 181 million. This is a very positive development given the difficult economic situation last year. The increase in turnover as compared to 2020 resulted for the most part from additional rental income as a result of acquisitions, indexations and - despite the COVID-19 pandemic - a stronger than expected letting result.

The positive turnover development has also had an effect on our operating profit, the FFO. In this area, we achieved an increase of 7.2% in the past business year compared to the same period of the previous year with EUR 116.5 million and also exceeded our original forecast of EUR 115 million on the earnings side. The significant improvement in results was attributable not only to the positive effects on turnover, but also to lower operating costs. Due to the valuation uplift of our real estate portfolio worth EUR 95 million, the consolidated net income reached a total of EUR 210 million, once again reinforcing the equity of our company. The EPRA net asset value per share, in the sense of net tangible assets, consequently rose to EUR 18.97 as of 31 December 2021.

Ladies and gentlemen, our balance sheet figures have again developed very robustly in the past year. Our net debt to equity ratio was 28.8%, only slightly higher than the corresponding figure for the previous year of 27.0%, and the REIT equity ratio stood at 69.1% at the end of the year, which is well above the regulatory minimum of 45%.

I shall also highlight our operating earnings margin, which increased by 200 basis points compared to the previous year to 63.4% despite the continuing COVID crisis, setting an all-time high in our company's history.

Ladies and gentlemen, last year we once again had our real estate portfolio assessed by independent experts. The experts came to the conclusion that our portfolio represents a market value of around EUR 4.9 billion as of the reporting date of 31 December 2021. On balance, this corresponds to an increase over the previous year - adjusted for transactions and investments - of EUR 94.8 million. The valuation uplift particularly reflects the increase in value of our ongoing development projects. At the same time, it was necessary to devalue our more peripherally located properties. As already mentioned at the beginning, the valuation had a positive impact on our EPRA net asset value (net tangible assets), which rose to EUR 18.97 per share last year.

Ladies and Gentlemen, please join me in taking a look at the development of the most important balance sheet items.
Let's first look at our real estate assets on the balance sheet, which fortunately increased by 4.8 % in 2021. The increase can largely be attributed to investments of approximately EUR 122 million, acquisitions of EUR 81 million, but also to the aforementioned appreciation of the portfolio by EUR 95 million.
Another factor to be considered here is that we sold a total of three properties with a book value of around EUR 80 million over the course of 2021, two of which were still on the balance sheet at the end of the year, as the transfer of benefits and encumbrances was not carried out before 2022. The valuation uplift, in combination with the operating profit, also had a positive effect on our company's equity, which showed a solid increase of around 3.5% to just under EUR 3.4 billion.

By and large, our financial liabilities remained stable compared to the previous year. The increase in net financial liabilities shown on the slide is the result of the decrease in our cash holdings, some of which were invested in our portfolio over the course of the year. With a net debt of around EUR 1.4 billion, our debt ratio of 28.8% is nonetheless at a very low level.

Despite all the uncertainties in the past year, not only did our balance sheet develop favourably, but the earnings situation was also consistent with our expectations.
To a limited extent, we were also active on the transaction market in the past year. We took advantage of the sustained demand for German office properties to dispose of weaker properties in our portfolio. These were located mostly on the periphery of our core markets.

The slight decline in turnover as a result of the property sales and a corresponding reduction in our lettable area was more than compensated for by rental income from acquisitions, new leases and inflation-related indexations, so that at the end of 2021 we were able to report a rental income of just under EUR 184 million. COVID-related losses of rent no longer played a role for us last year.

The operating result (FFO) amounted to EUR 116.5 million and was thus slightly above our forecast of EUR 115 million.
The increase in the operating result by approximately EUR 8 million compared to the same period of the previous year is directly related to the higher rental income, but was also positively influenced by lower operating expenses.

There was a slight increase, however, in our staff and administration costs, which grew by 3.9 % to EUR 28.1 million last year. The main reason for this was an increase in staff costs. However, this increase resulted mostly from share-based compensation components reflecting the higher share price during the year. This means that we are still at a very competitive level in terms of costs. When comparing the operating profit achieved to the rental income, the administrative expense ratio reached a new high of 63.4%, 200 basis points above the already strong margin of the previous year.

Shareholders, on the following slide I will summarise the financial development of our company in the past year. As I mentioned earlier, both the turnover of EUR 183.7 million and the operating profit of EUR 116.5 million were above our forecast level despite the pandemic.
The cost positions developed differently, but declined on the whole. The consolidated net result amounted to just under EUR 210 million, almost half of which was again driven by a positive valuation result of our real estate portfolio.

Ladies and Gentlemen, as communicated in our ad-hoc announcement dated 24 February 2022, the management board of alstria office REIT-AG has decided to propose to this year's annual general meeting the distribution of the statutory minimum dividend of 4 euro cents. Based on the currently outstanding and dividend-entitled shares, this corresponds to a total dividend of EUR 7.12 million. The noticeable reduction in the regular distribution is related to the review of our company's capital structure. In line with this, the company is to operate with a higher debt-equity ratio of approximately 50% in the future and, in this context, assume additional financial liabilities of up to EUR 850 million in the form of secured or unsecured financing instruments.

The anticipated proceeds are then to be used for a return of capital in the amount of ca. EUR 1 billion in the form of a share buyback or - subject to the decision of a general meeting of the company - as a special distribution to shareholders. My colleague Mr Elamine will go into the details of our future financial policy shortly.

Ladies and gentlemen, let us take a look into the future together. How will our company develop in the current year? I would like to highlight three points that, from today's perspective, will shape the course of business.

1. With regard to rental markets, it is to be expected that these will slowly recover as the COVID-19 pandemic subsides. For many companies, the topic of working from home is less relevant than it was a year ago. However, the war in Ukraine is causing new uncertainty, the economic turmoil of which is also affecting Germany and causing new uncertainty with regard to the future economic development. At this point, we cannot yet foresee how this will affect the rental markets.
2. We believe that the economic uncertainty will have an impact on the transaction markets in the form of higher price volatility. The growing interest rate level as a result of the current high inflation rates also indicates that the price development of real estate will at best move sideways for some time to come.
3. COVID-19 as well as the dramatic events in Ukraine have relegated the issue of climate protection to the background. But the issue has not disappeared and a sustainable reduction of CO_2 emissions from the real estate industry remains on the agenda. For well-capitalised companies, there are considerable opportunities for growth in the medium term.

Based on the existing leases and the high percentage of creditworthy tenants, alstria expects a stable revenue development of around EUR 183 million in 2022 despite the expected moderate macroeconomic development. The FFO, on the other hand, are expected to decline to EUR 106 million. This development especially reflects the fact that investments in the real estate portfolio had to be postponed due to the pandemic and interrupted supply chains in 2021 and will be caught up with accordingly in the current year. The deferral of the investment measures was a major cause of the higher than planned result in 2021, which puts the expected decline in the result this year into perspective. Nonetheless, the change of control resulting from the voluntary public takeover offer in January 2022 and the ensuing discussion with the new majority owner regarding the future company strategy may lead to adjustments in the turnover and earnings forecast over the course of the year.

Ladies and Gentlemen, I would like to conclude with a few words about the corporate action carried out since the last Annual General Meeting.

In May 2021, 240,250 shares were issued from the Company's Conditional Capital III 2017. This increase in share capital served to grant shares to the holders of a total of 240,250 convertible profit participation certificates issued in May 2019 to employees of the Company under the employee participation programme, based on the authorisation of the Annual General Meeting of 16 May 2017.

Ladies and Gentlemen, I would now like to pass the floor to my colleague Olivier Elamine, who will present further details to you, in particular with regard to the acquisition by Brookfield and the development of our real estate portfolio.

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Speech by the Chief Executive Officer

Olivier Elamine

Check against delivery at the Annual General Meeting.

Ladies and Gentlemen, dear shareholders,

A very warm welcome also from my side to our AGM, the third virtual AGM of alstria.

Ladies and gentlemen, 2021 was not a usual year for office landlords. For most of the year our assets have remained unused as mandatory work from home orders were issued across Germany. Despite these exceptional circumstances, alstria posted a set of strong figures as Alexander Dexne just highlighted. And while the covid pandemic impact seem somehow behind us, 2022 is proving to have challenges of its own.

Irrespective of exogenous events that will inevitably impact the company, I trust we can rely on the strength of alstria's assets and the strength of its operation to safely navigate troubled waters.

As you can see on the map, alstria is concentrated on the large and liquid German cities, in which we are represented via local offices.

As of December 31, 2021, your Company owned 112 buildings with a lettable area of around 1.4 million square meters. My colleague Alexander Dexne already discussed the valuation uplift of our portfolio, which reflects the consistent high price level in the German commercial real estate market. Due to the valuation uplift of around EUR 95 million and investments into our portfolio, the total value of our Investmentportfolio grew by 6.7% to EUR 4.8 billion as of the end of 2021.
In particular, the properties Solmsstr. 27–37 in Frankfurt, Gustav-Nachtigal-Str. 3 & 5 in Wiesbaden and Rotebühlstr. 98-100 in Stuttgart achieved significant valuation gains, which result essentially from the active approach of the company and reflect the refurbishment progress.

Our total portfolio was yielding 4.2% as of December 31, 2021, which indicates the attractiveness of our assets and the cashflow they generate. The average remaining lease length stood at 5.7 years, slightly below the previous year.
alstria ended-up 2021 with a historical low vacancy rate as large parts of the refurbishment pipeline had already been pre-let, therefore reducing the amount of space available for letting. As such the EPRA vacancy rate across the portfolio accordingly further declined by 70 basis points to 6.9%, its lowest level since the merger with Deutsche Office. As we enter the next refurbishment cycle, I would expect this vacancy rate to increase in the coming month. As you well know, vacancy is the primary good that we need on order to work the assets.

Ladies and Gentlemen, we use the vacancy that comes in the portfolio to create value for the company. This relies on the ability of our real estate operations to create spaces that meet modern corporate demands. In that respect, understanding corporate real estate needs is the basis for a successful leasing strategy and this in turn is the basis of our long-term corporate success.

Despite the covid lock down, alstria has secured during 2021 51,700 m² of new leases and 103,600 m² of renewals. This represents an increase of around 30% compared to the year 2020.
Our letting activities secured future income of EUR 120 million. Our average rent per sqm across the portfolio increased by 3.1% yoy to EUR 13.33 per square meter per month.

Over the past years, we made use of the positive real estate market momentum to improve the strength and resilience of alstria.
Throughout the Covid-19 pandemic, investors' demand for office properties remained high. We used the market momentum for the disposal of three buildings with a total value of EUR 96.9 million in 2021. We realized a book gain of 20.4% compared to the appraised value as of year-end 2020 on the disposed assets, generating a gain of EUR 16.2 million in the process. The achieved unlevered IRR on these disposals – as you know this is our main underwriting criteria - was 15.6%, significantly above our target of 6 to 7%.
The buildings we sold were located in non-core locations of Stuttgart, Hamburg and Düsseldorf as well as a nursing home in Trier.
We made use of the strong demand for German real estate assets to execute the profitable selloff of these non-core assets, located outside of our core investment areas, or at the fringe of these locations. These disposals further sharpened the focus on our core regions and therefore de-risked our portfolio.

Ladies and gentlemen, when we acquire real estate assets, we strive for unlevered internal rates of return of 6% to 7% over a 10-year period on average. Potential acquisition targets undergo a rigorous due diligence, which assess among other things, our future rent level expectation in relation to the amount of capital expenditure that will be needed to upgrade the building during our ownership.

Over the past years our pricing discipline has remained unchanged, regardless of the current low interest rate environment. Performance in real estate is built over years and the initial price paid for the asset remains a major driver for the overall performance of a real estate business plan.

With this in mind, we continued our very selective acquisition strategy in the course of 2021 and acquired two buildings in our core markets of Berlin and Frankfurt for a total consideration of EUR 86.1 million. This corresponds to a purchase price of around EUR 4,100 per square meter. The current rent in the acquired buildings averages EUR 10 per square meter per month and is thus below the market level, which is around EUR 20 per square meter per month and below the average rent of the overall alstria portfolio, which currently stands at around EUR 13.33 per square meter per month.
We believe these assets perfectly match our acquisition criteria. They are in the central city locations, they are currently under-rented, and in need of a major refurbishment that will allow us to move them into the new realm of the office world and to capture the rental reversion.

Ladies and gentlemen, as you have noticed from our transaction activities, alstria balanced acquisitions and disposals in 2021. We sold, in value, just as many properties as we acquired. In addition to the acquisition opportunities, we still have ample investments available to us within our own portfolio. Over the last few years, we have been able to achieve through investment within our own portfolio substantially higher returns then what we could find in the average that the investment market currently has to offer.
To effectively exploit the potential value embedded in our portfolio, several buildings are constantly in the process of being refurbished.

Our current refurbishment pipeline comprises 20 buildings, with a total lettable space of 342,900 square meters. These refurbishments aim at allowing the Company to substantially increase the annual rent in the buildings. We usually target an average yield on cost of ca. 6%. Our development team is currently concentrating especially on the properties in Gustav-Nachtigal-Str. 3 & 5 (Wiesbaden), which comprise a lettable area of 26,000 square meters and an investment volume of EUR 75 million. In 2019, we signed a 15-year lease with a public tenant, who will move into the building in the second half of 2022.
With an expected investment volume of EUR 134 million, the project at Sternhohe, Epplestr. 225 (Stuttgart) is the largest refurbishment project in alstria's corporate history. We are in the process of converting the former headquarter of Daimler into a thriving office campus, which offers Stuttgart based corporates all the amenities that they need. The recent 8.000 sqm lease that we secured on this site is a good and positive first step in achieving this conversion.

If one needs to find a good outcome to the covid pandemic, then maybe looking into the office sector might be a good place to start.
Why do we need an office? Why should a company pay for an office? Are offices a commodity? The unfortunate social experiment we lived collectively through has allowed us to provide answers these questions.

The first thing that we learned is that no one needs an office. With the first lockdowns, we moved our workplaces to our homes. The world did not stop spinning. The economy did not freeze. It turned out that we had at our disposal all the tools that would allow us to work efficiently from home. So, if an office is meant to be simply a place with four walls, a roof, a desk and a computer, it can clearly be replaced by homes.

But then we realized that we desperately needed the office. The human equity that we had built over the years had helped us to navigate the first few months, but as we were depleting through that capital, it became more evident that something was missing. That something was the office. Not the four walls, the desk and the roof, but the human interaction that takes place between these four walls.

The biggest mistake we could do as an office landlord would be to oppose work from home and office work. They are not in opposition, they are complementary. It is fundamental for an office company to acknowledge the new reality of work. The offices that we produce need to be tailored toward this reality and facilitate the tasks which are done more productively in the office.

Ladies and gentlemen, the new EU taxonomy alongside the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD) will unfortunately push so called green capital in a place of limited supply that is newly build or newly refurbished properties because they are the only ones that can be taxonomy compliant. Meanwhile, the new regulations will lead to a starving of capital from a place where we see the value creation and real ESG benefits. While the EU taxonomy may consider refurbished assets as compliant, refurbishing assets is not a viable route for an investor because the revenue from an asset is only eligible after the completion of the refurbishment and only the capex, not the acquisition costs, of the refurbishment may be eligible under the CFRD. Hence, funds will achieve better, and more importantly immediate ratings in selling non-compliant assets and buying compliant ones, rather than going through the difficult but necessary process of renovating their existing portfolio.

The imbalance that this situation will create between high demand for ESG compliant refurbished and new buildings, and the uncompliant, old buildings will create a unique market opportunity. We should once again adopt a contrarian view and focus on buying non-compliant buildings with the view of improving them. It might not be recognized as best-in-class ESG, but it is the only way to combine a profitable business model and the improvement of the overall built environment. alstria will want to continue to acquire dated buildings, refurbish them and once ESG compliant hand them back to the investment market. Something we have successfully done time and again.

Ladies and Gentlemen, as you know alstria has been leading the way for real estate companies when it comes to sustainability. We are measuring our ESG performance in-depth and have shown improving ESG KPIs across the board. For example, our operational energy consumption in our portfolio is 18% below the German and 21% below the EU average for offices. We are committed to reducing our greenhouse gas emissions in line with the 1.5C global warming targets of the Paris climate protocol. But we are also aware that we will not achieve that target in absence of a strong decarbonization of the German electrical grid.

Ladies and gentlemen, let me now briefly outline why we have decided to partner with Brookfield, our new 95% shareholder. alstria has enjoyed unfettered support in the public equity market since its IPO in 2007. However, you know that the combined effect of the covid/work from home and the ESG transformation is triggering a radical change in the real estate office market. And we believe that the public equity market is inefficient at pricing radical change.

While each market participant in the public equity market might have strong convictions, the consensus view will be difficult to form. This will lead to a higher cost of capital for listed office property companies and a potential sustained discount to NAV at a time when both the transformation and the opportunity will require effective funding.

By contrast, the private market, of which Brookfield is one of the most prominent participants, is more effective at adopting a vision of the market development and acting accordingly. We found in Brookfield a global real estate specialist that shares our convictions. We believe the highest added value of offices to corporations is provided through modern efficient office space. We believe that the highest value creation is in converting old buildings into green offices and not in buying those green assets. In the years to come, we believe that having an anchor shareholder in Brookfield will allow alstria to better benefit from the market opportunity.

First and foremost, alstria's overall business approach will remain the same. Our purpose remains unchanged. alstria aims at transitioning office buildings reaching the end of their economic life into their next life cycle, while generating returns in line with its expected cost of capital.
This is done in selected cities through the acquisition, management, refurbishment, and resale of office assets. In doing so, we actively participate in improving the urban environment in the cities, in which we operate, and the overall ESG impact of the built environment.

Ladies and gentlemen, we need to adjust our capital structure to increase the ability to tap the market opportunity ahead of us. As we previously stated, we reduce our dividend payments to the legally required minimum by German REIT law and focus on capital recycling and asset rotation.

We have used in the past our balance sheet more than once to get the company through transformative steps. This was the case when we IPOed, it was the case when we acquired Deutsche Office in 2015, and it is also the case today as we move a substantial part of the company equity into private hands.

As we have recently announced, we intend to take up debt of EUR 850 million either through unsecured bonds and bank debt or mortgage debt and increase the LTV of alstria to around 50%-55%. Since there are still limited investment opportunities in real estate markets, which are still adjusting to the new environment, we will use the extra proceeds to return capital to our shareholders. We have appropriated in that respect around EUR 1 billion of reserve to prepare the company for such capital repayment.

Ladies and gentlemen, last year's AGM agreed to use EUR 0.01 per share as Green Dividend. The total amount of EUR 1.7 million equals the unpaid carbon emissions of alstria's carbon accounts.
The projects we proposed to you touch upon two of the main challenges that the real estate industry faces when it comes to climate change.

First, the increase of renewable energy generation to power the assets. Solar panels are a great example of renewable energy that fit perfectly with offices, as offices are mainly used during the day, when the sun is up, and unused during the night, when there is no sun. Unfortunately, the energy regulation in Germany is currently structured in a way that make the overall installation and operation of solar panels for an office property company uneconomical. We have therefore committed EUR 1.25 million for the installation of solar panels on alstria's buildings. alstria has already commissioned EUR 1 million for six buildings (Kattunbleiche 19, Hamburg, Bamlerstr.1-5, Essen, Darwinstr.14-18, Berlin, Rotebühlstr.98-100, Stuttgart, Hauptstr.45, Dreieich and Willstätter Str.11-15, Düsseldorf) and will continue to invest the remaining amount over the next couple of months. These will allow us to install around 1 MWp of solar panel in alstria portfolio, which are expected to produce around 1 GWh of electric power every year.

Carbon removal, or the ability to physically remove carbon from the atmosphere will be a necessary tool of climate change mitigation in the future. There is currently no technology available that allows a real estate company to remove carbon on its portfolio. We proposed to support open-source carbon removal R&D projects. The first candidate that we have identified for that is called "Project Vesta" and aims at removing large amounts of carbon out of the atmosphere in scaling up on laboratory proven removal technique. Out of the Green Dividend, we have dedicated EUR 0.434 million to Vesta.

I shall make one final remark on the Green Dividend. alstria's initiative was also recognized in the German Real Estate industry and won this year's Immobilien Manager award in the "Sustainability" category.
You can find detailed information on the projects on the green dividend website https://green-dividend.com

This year we are again asking you to approve the investment of alstria into similar green projects for a similar amount.

I have started this speech saying that 2022 is having its own challenges. The start of the year has seen the beginning of the war in Ukraine, inflation hitting a level not seen for 40 years, and central banks across the globe starting to reduce or reverse their liquidity support.
These will have, and already had, an impact on our markets. It is likely that real estate value will be impacted by these developments. I, however, believe that the company is well prepared to face these challenges and potentially benefit from them. The capital value of our assets remains low at EUR 3,400 per sqm, which provides a strong hedge against falling values. The gap between our current rent and market rent remains high which offers good downside protection against the lack of market driven rental growth. More importantly, our strongest asset, which is alstria's knowhow and workforce, is not directly affected by the change in the financial markets.

We have stated time and again that finance was a necessary tool, but that success will come from the ability to operate the assets. This will prove to be yet again the best hedge against changes in the financial environment.

Finally, I would like to thank our employees for their hard work that allowed us to achieve the result that we have been presenting.

I am aware that the changes the company is going through can be frightening. I know your commitment and dedication to alstria and your concern for it to change, or to lose its spirit. There will be changes, but this is not something to fear. It is because we have constantly changed over the years that we are where we are today. Some of alstria's very first employees, which are still with us today, can testify that the alstria they started with in 2007 is not the same company then what it is today. Change always comes no matter what. I believe that this next step in the life of the company will lead us to a better place, and I also know that the company need you to get there. I hope you have always found in alstria a fair work environment, and I will do my best to make sure that it will remain so in the future.

With this I would like to conclude my remarks and I am pleased to begin in a few moments to answer the questions that have reached us in the run-up to the Annual General Meeting.