# Extraordinary General Meeting of alstria office REIT-AG

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**- Check against delivery -**

Ladies and Gentlemen, dear shareholders,

A very warm welcome to our this first Extraordinary General Meeting in our corporate history.

## SLIDE 2: Revenue & FFO growth in H1 2022

Before I come to today's main agenda point, the decision on the distribution of a special dividend of EUR 550 million to our shareholders, please allow me present to you where our Company stands from a financial and operating perspective as of mid of 2022. Overall, I can assure you that, as you would expect from a real estate company, the macroeconomic uncertainties following the war in Ukraine, the increase in interest rates and the concerns of an upcoming recession had limited impact on alstria's short term business. This is reflected in our results for the first half of 2022. On the occasion of the release of these results, some three weeks ago, we confirmed our financial guidance for the FY 2022.

The main corporate KPIs are shown on slide 2. In the first six months of 2022 we were able to increase our revenues by 1.7% to EUR 91.6 million, which is exactly half of what we expect for the FY 2022. The same is true for the FFO, which came in at EUR 59.5 million. This gives us confidence to achieve our FY target of EUR 106 million. There was also significant progress on the leasing side, which is the core of our business and the source of future cash flows. In the course of the first six months of 2022, we signed new leases for a lettable area of 25,000 sqm, which represents an increase of 88% compared to the prior year period. We also extended leases for a lettable area of 30,400 sqm, which is 26% better compared to the first half of 2021.

Last but not least, I would like to point your attention to our balance sheet, which also developed on plan. Our

EPRA NTA experienced a further increase by 1.2% to EUR 19.20 per share and the Net LTV improved by 1.2% to 27.6%.

## Slide 3: Volatile investment market

The fact that the company's business was resilient against the overall macro development does not per se mean that the company is immune from this development. While the long-term impact cannot be precisely predicted, it cannot be completely ignored. The office real estate market will be and is currently already affected by these developments. Investment market volatility has materially increased over the past weeks and investment volumes in Q2 2022 are, according to JLL, down almost 50% when compared to Q1 2022. Property valuation is impacted positively by the increase of inflation, which passes through to rental income, while at the same time negatively impacted by the increase in underlying yields in response to higher interest rates. It is hard to predict what the overall impact will be, but there will be an impact from all these changes on the way properties are valued.

As you know, alstria has always been extremely cautious in its investment decisions, and while we believe the market situation is likely to offer investment opportunities when the dust settles, it is still from our perspective too early to deploy substantial amount of capital in new acquisitions.

## Slide 4: Financial policy

Ladies and gentlemen, as agreed as part of the takeover of alstria by Brookfield beginning of this year, the management reviewed the capital structure of the company. Given the new majority ownership structure, we concluded that we would increase the leverage within the business and, considering the little opportunities for

accretive acquisitions, the company should return approximately EUR 1 billion to its shareholders in form of a special dividend, a share buyback or a mixture of both. In order to rapidly execute the repayment of capital, we decided to take up additional debt in the amount of approximately EUR 850 million, while the current plan is to finance the additional EUR 150 million through the sale of mature assets.
Our intention is to steer the company to a leverage of around 50% across the real estate cycle.

Our further intention is to finance the additional cost of debt by reducing our dividend payout to the minimum required by the REIT law. I will be going through this in more detail later in the presentation.

Finally, we intent to accelerate the asset rotation in our portfolio and use the sale proceeds in an ad hoc fashion depending on the balance sheet exposure and/or the opportunities to re-invest the proceeds in the operating business.

## Slide 5: Where we started

As per June 30, 2022, our financial debt amounted to EUR 1.7 billion. This amount stood on our balance sheet at an average cost of debt of 1.4%. If we take into consideration our available cash on balance sheet amounting to EUR 331 million, our net financial debt position amounted to EUR 1.3 billion. Compared to the market value of our properties, which stood at EUR 4.9 billion as per mid of the year, our net LTV amounted to 27.6%. The average debt maturity of our financial debt is 3.4 years, and the liabilities are spread over a 6-year period from 2023 to 2028.

## Slide 6: Where we are

We have secured new bank loans in the amount of EUR 537 million and on this basis, we are in a position to propose to return around EUR 550 million of capital representing EUR 3.09 per share of special dividend.

The ability of alstria to raise such financing in the current environment is testimony to the strength of our assets and balance sheet.

The new debt we raised will increase the net LTV to 37.9% and will have an average cost of around 3.25% which is higher than the current average cost of debt of the company. This is reflecting the change in the interest rate environment, as well as the higher overall LTV. It has an average maturity of around 5 years. For reference, the public debt of similar maturity in secondary markets currently[1] has higher yields (5.5%).

[1]As of 05/08/2022

## Slide 7: Reallocating financing cash outflow

Ladies and gentlemen, the EUR 537 million of new debt will increase alstria’s financing cost by around EUR 17.5 million per annum. The additional EUR 300 million of debt, we intent to add to it, will increase our financing costs further.

In order to properly manage the company’s cash flows, we have already stated, and already implemented, the reduction of our regular dividend to the minimum required under the German REIT law. Although this is merely an indication, and not a prediction of the future, this amount was on average around EUR 40 million in the last 10 years. We are therefore reducing the dividend by an amount, which on average will be around EUR 50 million, and are using the freed-up cash to support the additional financial costs, with any surplus being re-invested into the company’s refurbishment program.

## Slide 8: We stay on target

Ladies and gentlemen, with the take-up of more debt and the payout of a special dividend alstria's capital structure will change. But at the same time our 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.

We have already used our balance sheet more than once to get the company through transformative steps in the past. 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 moved a substantial part of the company's equity into private hands.

With this I would like to conclude my remarks and would like to continue answering the questions that we have received over the past weeks about today's agenda.