FINANCIAL STATEMENTS 2017

German GAAP

alstria office REIT-AG, Hamburg

MANAGEMEMENT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Translation: German version prevails

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MANAGEMENT REPORT 2017

ECONOMICS AND STRATEGY

ECONOMIC CONDITIONS

The German economy again proved to be solid in 2017. Germany's GDP increased by 2.2%, which was its highest growth rate since 2011. As in the previous year, the growth was above the 10-year average (+1.3%). This good economic development was also reflected in the German labour market, as the unemployment rate decreased by 0.4 percentage points to 5.7%. The employment level reached a peak of 44.3 million employees, which is 1.5% more than last year. This is the highest number since the German reunification.*

The total volume of the German investment market for commercial real estate increased by 9.1% to EUR 57.4 billion compared to the previous year. The transaction volume is above the EUR 50-billion mark for the third time in a row. It can be concluded that Germany still offers great investment opportunities due to its strong key economic and real estate figures.**

Overview of the German office-property market

Development of office rents

In 2017, according to the largest commercial real estate agencies, the average rents for office space in six out of seven important commercial real estate markets - Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, and Stuttgart - known as the Big 7 - exceeded the previous year's levels. Only Hamburg remained stable at EUR 15.21/m². Frankfurt reached the highest average rent for office space with EUR 20.35/m², followed by Berlin with EUR 19.23/m², Munich with EUR 17.31/m², Düsseldorf with EUR 15.08/m², Stuttgart with EUR 13.40/m², and Cologne with EUR 12.90/m².

Take-up in major German cities

According to the largest commercial real estate agencies, the vacancy rate of office properties in German cities decreased from 5.7% in 2016 to 4.8% in 2017, which represents a total vacancy of 4.4 million m² (a decrease of 0.7 million m²) and the lowest value in the last 15 years. Among the Big 7, the highest vacancy rate was recorded in Frankfurt with 9.0%, followed by those in Düsseldorf with 8.0%, Hamburg with 4.8%, Cologne with 3.8%, Munich with 3.1%, Berlin with 2.7%, and Stuttgart with 2.4%.

* Annual Economic Report 2018 from the Federal Ministry of Economics and Energy.

** Sources of real estate market data in this chapter are Jones Lang LaSalle, Colliers International Deutschland GmbH, BNP Paribas Real Estate, and CBRE GmbH.

New lease-ups

In 2017, according to the largest commercial real estate agencies, new lease contracts were signed for more than 4.2 million m² of office space in the Big 7 German cities. This reflects an increase of 0.2 million m², or 6%, compared to the previous year. The highest positive take-ups of office space were registered in Munich with 989,200 m² (+27%), along with 930,075 m² (+6%) in Berlin, 710,500 m² (+31%) in Frankfurt and 628,750 m² (+15%) in Hamburg. Compared to the aforementioned markets, Cologne at 308,300 m² (-25%), Stuttgart at 261,550 m² (-37%), and Düsseldorf at 370,075 m²(-5%) showed a decline in office space sales. In particular, these declines were attributed to the declining supply of space.

New office supply

According to the largest commercial real estate agencies, the delivery of new office spaces amounted to approx. 912,950 m² in 2017. Compared to last year, this was a decline of around 23%. Düsseldorf (+89%) was the only city of the Big 7 that generated an increase in new office spaces compared to the previous year. New office supply declined in the other Big 7 markets, including Berlin (-49%), followed by Frankfurt (-42%), Hamburg (-36%), Cologne (-23%), Stuttgart (-16%), and Munich (-14%). For 2018, an increase of the completion volume (approx. 1,300,000 m²) is forecasted.

Investment markets

According to the largest commercial real estate agencies, the positive trend in the investment markets continued in fiscal year 2017. Total investment volume (EUR 57.4 billion for commercial assets) was about 9.1% higher than the previous year’s result. The Big 7 cities recorded a transaction volume of around EUR 30.4 billion. Through the increase in Berlin’s market volume, Berlin (EUR 7.6 billion; +51%) replaced Frankfurt (EUR 7.0 billion; +7%) at the top. Munich’s market had the third-highest transaction volume of the Big 7 with EUR 5.7 billion (-13%), followed by Hamburg with EUR 3.7 billion (-24%), Düsseldorf with EUR 3.1 billion (+30%), Cologne with EUR 2.1 billion (+23%), and Stuttgart with EUR 1.3 billion (-31%). With regard to the deal structure, approx. 65% of the commercial investment turnover in fiscal year 2017 was related to single-asset deals. The share of portfolio transactions which amounted to 35%, are in accordance with those from the previous year.

There were no apparent fundamental changes in investment strategies due to the price increases of real estate, although there were indications of slightly higher risk tolerance. Although investors still focused on core assets - which are characterised by their good condition, good location, and long-term, attractive letting status - the investments in Value-Add, Core-Plus, and opportunistic assets expanded.

STRATEGY AND STRUCTURE

alstria office REIT-AG (hereafter referred to as “the Company”) is a real estate company listed on the Frankfurt Stock Exchange. As of December 31, 2017, the alstria Group consisted of the corporate parent, alstria office REIT-AG, and 57 direct and indirect subsidiaries (together hereafter referred to as “alstria” or “the Group”). Operational decisions are made at the parent-company level. While alstria office REIT-AG directly held more than 50% of the Company’s real estate assets (66 properties with an overall market value of EUR 1.6 billion), the remaining real estate assets are held by 34 subsidiaries as of December 31, 2017.

For its portfolio, alstria pursues a long-term investment strategy, which is essentially based on the following assumptions:

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

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

- The focus is on the tenant. Only those who know the needs of their tenants will have successful letting activities in the long run.
- Continuous investments secure the quality of the assets. Increased value can only be realised through constant modernisation measures and reduced vacancy.
- The potential of value enhancements is realised through comprehensive repositioning and asset development.
- Providing the best value for the money secures the lettability of the assets. Many tenants are price sensitive, and only lessors who offer better value for money than the competition will be successful.

The aim of this strategy is the steady development of revenues and Funds From Operations (FFO).

Due to its active Asset Management approach and its high level of discipline regarding prices, alstria believes it has been able to achieve above-average returns in past years. The precondition that this will remain true for the future is supported by the following facts:

- alstria’s portfolio has a weighted average of unexpired lease terms – WAULT – of around 5.5 years. Approx. 60% of its rental income is derived from a limited number of high-quality tenants. Around 30% of its rental income is generated from public authorities or institutions, which are not immediately affected by economic developments.
- alstria pursues a nontrading strategy and focuses on long-term value creation by conducting work on and within each building (i.e., Asset and Property Management). At alstria, these activities are handled internally, which differentiates the Company from its main public and private competitors.

- A key element of alstria’s strategy is supporting tenants in optimising their real estate operating costs. From the tenants’ point of view, real estate operating expenses are crucial in the decision-making process for rental agreements. alstria believes that optimising costs using active Asset and Property Management will offer new potential for successful letting activities.

FINANCIAL ANALYSIS

EARNINGS POSITION

The following table shows the key operating figures of the audited income statements for the 2017 and 2016 financial years:

Profit and Loss Statement

EUR k	2017	% of oper. perf.	2016	% of oper. perf.	Change
Total operating performance	99,376	100.0	88,724	100.0	10,652
Other operating income	42,915	43.2	75,753	85.4	-32,838
Cost of purchased services	-19,608	-19.7	-16,238	-18.3	-3,370
Personnel expenses	-13,830	-13.9	-11,907	-13.4	-1,923
Depreciation	-37,277	-37.5	-27,102	-30.5	-10,175
Other operating expenses	-19,687	-19.8	-53,490	-60.3	33,803
Net financial result	-516	-0.5	-29,926	-33.7	29,410
Taxes on income	-768	-0.8	0,0	0.0	-768
Net profit/- loss	**50,605**	50.9	**25,814**	29.1	**24,791**

OPERATING PERFORMANCE 2017

The net profit for the 2017 financial year was EUR 50,605 k (2016 net profit of EUR 25,814 k). The taxes on income result from assessment years, before alstria converted to a tax exempted REIT-structure. Because the Company has been exempt from income taxes since the conversion, no expenses arose due to taxes in 2017.

The increase in net result by EUR 24,791 k compared to the prior year was significantly influenced by a decrease of other operating expenses by EUR 33,803 k, the improvement in the net financial result by EUR 29,410 k, as well as the increase in total operating performance by EUR 10,652 k.

These effects were partly compensated by a decrease of other operating income by EUR 32,838 k, an increase of depreciation by EUR 10,175 k, an increase of cost of purchased services by EUR 3,370, as well as an increase of personnel expenses by EUR 1,923 k.

Total operating performance

alstria’s total operating performance improved in the 2017 financial year, primarily due to an increase in let area. In the reporting period revenues amounted to EUR 94,622 k. Along with the changes in inventory by EUR 4,754 k, alstria’s total operating performance amounted to EUR 99,376 k (previous year EUR 88,724 k).

Other operating income

The decrease of other operating income was mainly based on fewer reversals of a write-down on an investment in an affiliate. Whereas write downs on the investment were reversed by EUR 4,607 k during the reporting period, the reversal of the prior year was EUR 34,387 k higher. Next to this the proceeds from property disposals (EUR 8,674 k) decreased by EUR 4,992 k, due to a smaller volume of disposals. Additionally the income from the reversal of accrued liabilities decreased by EUR 1,206 k compared to the prior year. The income of the previous period included a release of provisions for rental guarantees (EUR 931 k) that matured in the prior year. Finally the prior year´s income included proceeds from a step-up merger (EUR 1,985 k); in the reporting period no step-up mergers were put into effect.

On the other hand appreciations on real estate properties rose compared to the prior year by EUR 6,016 k. The appreciations were due to an increase of market value. Next to this, the other operating income includes compensation payments of a lender in the amount of EUR 5,000 k

Depreciation and amortisation

The depreciation decreased by EUR 10,175 k compared to EUR 37,277 k in the previous period. The effect was mainly due to an increase in non-scheduled depreciation by EUR 8,389 k as well as an increase of scheduled depreciations on new acquisitions.

Other operating expenses

Other operating expenses decreased by EUR 33,803 k compared to fiscal year 2016 to EUR 19,687 k in the reporting period. While the prior year´s expenses included the reversal of deferred acquisition costs of a derivative financial instrument that was terminated before its maturity in the amount of EUR 28,512 k, the expenses of the reporting period include expenses for premature terminations of only EUR 276 k. Next to this, expenses for donations decreased by EUR 2,510 k, mainly due to a prior year contribution of EUR 2,557 k that was paid for charitable purposes. In the reporting period, only EUR 47 k were dedicated for such purposes. Next to this the legal and consulting fees decreased by EUR 1.261 k compared to the previous period. In the prior year the expenses included expenses related to the acquisition of shares of former DO Deutsche Office AG in an amount of EUR 1,300 k. In the reporting period expenses concerning this purpose were reduced to EUR 500 k. Finally, costs of disposals decreased by EUR 612 k, due to the smaller volume of disposed assets.

Financial result

EUR k	2017	2016	Change (%)
Interest expenses, corporate bonds	-21,646	-18,959	14.2
Interest result “Schuldschein” (“senior unsecured debt“)	-3,097	-2,036	52.1
Interest expenses from convertible bond	-2,139	-2,178	-1.8
Interest expenses from bank loans	-1,166	-1,464	-20.4
Interest result from financial derivatives	-522	-8,520	-93.9
Interest expenses from syndicated loan	0	-6,106	-100.0
Interest-related expenses	-35,040	-8,056	334.9
Financial expenses	**-63,609**	**-47,319**	**34.4**
Income from participating interests	49,850	0	-
Income from loans to affiliates	12,788	16,870	-24.2
Other interests and similar income	814	523	55.6
Write-down on long-term financial assets	-359	0	-
Net financial result	**-516**	**-29,926**	**-98.3**

Compared to the previous period, **financial expenses** increased by EUR 16,290 k to EUR 63,609 k.

The growth was mainly due to expenses relating to the premature redemption of parts of the corporate bond loans. During the reporting period bond loans in an amount of EUR 348,200 k were redeemed before maturity. Due to the development of interest rates a surcharge of EUR 28,569 k had to be paid. Next to this interest expenses from “Schuldschein” (“senior unsecured debt”) as well as bond loans increased due to a longer interest bearing period for the whole year by an amount of EUR 3,748 k in total. On the other hand the interest result from financial derivatives decreased by EUR 7,998 k compared to the prior year. The effect was due to the termination expiration of two financial instruments in the previous period that was designated in a hedging position with the syndicated loan. Additionally the interest expenses from the syndicated loan decreased by EUR 6,106 k as a result of its repayment in the prior period.

The income from participating interests increased due to a distribution of profits from an investment in a joint venture by EUR 49,850 k. In contrast the income from loans to affiliates decreased due to redemptions in the reporting period. The write down affects three affiliates of the company.

FINANCIAL AND ASSET POSITION

On the balance sheet date, alstria owned 66 real estate properties (in 2016: 56). The following table illustrates alstria's changes in investment property in 2017:

Change in Land and Buildings	EUR m
Land and Buildings on December 31, 2016	**1,040.62**
Investments	193.76
Adjustments	17.26
Disposals	-17.33
Appreciation	21.05
Non-scheduled depreciation	-8.39
Ordinary depreciation	-28.57
Land and Buildings as of December 31, 2017	**1,218.40**

The line item **Land and Buildings** increased by EUR 177.78 million. During the reporting period, 13 properties were purchased at a purchase price of EUR 176.90 million in total, and EUR 16.86 million were invested in the existing portfolio. Adjustments of EUR 17.26 million affected constructions in progress that were completed during the period. The disposals concerned the sale of three properties. Disposal prices of EUR 26.00 million in total related to carrying amounts of EUR 17.33 million resulted in an accounting profit of EUR 8.67 million.

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

Asset	City	Sales price (EUR k)[1)]	Signing SPA	Transfer of benefits and burdens
Disposals				
Zellescher Weg 21-25a	Dresden	10,500	15.12.2016	01.02.2017
Max-Eyth-Straße 2	Dortmund	4,200	14.10.2016	28.02.2017
Doktorweg 2-4	Detmold	11,300	01.09.2017	31.12.2017
		26,000		
Acquisitions				
Friedrich-List-Straße 20	Essen	18,400	02.03.2017	22.04.2017
Am Borsigturm 13-17	Berlin	18,517	24.04.2017	01.07.2017
Am Borsigturm 44-46	Berlin	9,199	24.04.2017	01.07.2017
Rankestraße 17	Berlin	14,215	24.04.2017	01.07.2017
Willstätterstraße 11-15	Düsseldorf	29,383	24.04.2017	01.07.2017
Immermannstraße 59	Düsseldorf	13,290	24.04.2017	01.07.2017
Kanzlerstraße 8	Düsseldorf	13,670	24.04.2017	01.07.2017
Am Wehrhahn 28-30	Düsseldorf	4,804	24.04.2017	01.07.2017
D2-Park 5	Ratingen	9,675	24.04.2017	01.07.2017
Essener Bogen 6a-d	Hamburg	9,730	24.04.2017	01.07.2017
Essener Straße 97	Hamburg	1,829	24.04.2017	01.07.2017
Heidenkampsweg 44-46	Hamburg	5,319	24.04.2017	01.07.2017
Heidenkampsweg 99-101	Hamburg	28,869	24.04.2017	01.07.2017
		176,900		

[1)] Excluding transaction costs.

The reversal of write-downs on land and buildings of EUR 21,052 k resulted from increased market values on investment properties. The prepayments and constructions in progress decreased by EUR 11,411 k to EUR 28,983 k compared to the previous balance sheet date. The increase was mainly due to development projects in the amount of EUR 28,674 k unfinished at December 31, 2017. Next to this, EUR 17,263 k was reclassified to the line item land, property rights, and buildings due to the completion of several projects.

Compared to December 31, 2016, **financial assets** decreased by EUR 198,617 k to EUR 1,372,510 k as of December 31, 2017. The decrease mainly resulted from the redemption of loans to subsidiaries in the amount of EUR -231,649 k. On the other hand shares in affiliated companies rose by EUR 31,268 k. The increase was mainly due the acquisition of shares from alstria office Prime (EUR 27,010 k), as well as to the reversal of write-downs on the investment in alstria office Prime (EUR 4,608 k).

Inventories increased by EUR 4,754 k, as compared to the previous balance sheet date, to EUR 26,638 k. The increase was mainly the result of an increase in let area.

Receivables from affiliated companies decreased by EUR 2,537 k, as compared to the previous balance sheet date, to EUR 67,830 k.

The Company's **cash position** decreased by EUR 83,214 k to EUR 73,191 k. The decline was mainly a result of the outflow of funds due to the acquisition of real estate properties as well as the dividend payment, mitigated by a cash inflow due to the redemption of loans to affiliates as well as rent and interest payments.

Total **equity** amounted to EUR 1,283,926 k, reflecting an equity ratio of 46.0%. This represents a reduction of 0.5 percentage points compared to 46.5 % in the prior year. The decrease in equity by EUR 23.153 k was based on a dividend payment in an amount of EUR 79,680 k for the business year 2016. The effect was partly compensated by the net result of EUR 50.605 k as well as equity contributions in an amount of EUR 5,922 k.

Other provisions decreased by EUR 5,711 k compared to the previous balance sheet date to EUR 18,238 k as of December 31, 2017. They mainly include accruals due to outstanding balances (EUR 11,490 k), share-based remuneration (EUR 2,887 k), bonuses (EUR 2,039 k), auditing fees (EUR 568 k), risks of litigation (EUR 300 k), Supervisory Board compensation (EUR 353 k), and miscellaneous provisions (EUR 601 k).

Additionally, **liabilities** decreased by EUR 973 k as compared to the prior year. While bond loans decreased by EUR 8,964 k mainly due to the conversion of shares from the convertible bond, the payments received rose by EUR 6,907 k as a result of the acquisition of real estate properties in the reporting period.

FINANCIAL MANAGEMENT

alstria's financial management is carried out at the corporate level. Individual loans and corporate bonds are taken out at both the property and the portfolio levels and the Company respectively. alstria's main financial goal is to establish a sustainable long-term financial structure. Therefore, alstria diversifies its financing sources and strives for a balanced maturity profile to enable coordinated and constant refinancing.

CORPORATE MANAGEMENT

alstria proactively focuses on the following key financial performance indicators: revenues and FFO.

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

Revenues mainly comprise rental income derived from the Company's leasing activities. FFO is the Funds From Operations and is derived from real estate management. It excludes valuation effects and other adjustments, such as non-cash expenses/income and non-recurring effects.

alstria's original revenue and FFO forecasts for 2017 increased in the most part due to the transfer of benefits and burdens of the portfolio as of July 1, 2017. As a result, the revenue forecast increased by EUR 8 million from EUR 185 million to EUR 193 million for financial year 2017. As a consequence, the FFO forecast increased by EUR 5 million from EUR 108 million to EUR 113 million. Due to the Company's good letting performance in financial year 2017, its revenues were approx. EUR 194 million and were in line with the forecast. In financial year 2017, FFO totalled EUR 114 million, which is also in line with the forecast of EUR 113 million.

The Company also monitors the progress of its Net LTV, its G-REIT equity ratio, and its liquidity, whereby these are not classified as for the internal control of the Company most relevant performance indicators. alstria's Net LTV was 40.0% as of December 31, 2017, compared to 40.9% at the end of financial year 2016. The G-REIT equity ratio was 57.1%, compared to 56.7% in the previous year and the minimum statutory rate of 45%.

RISK AND OPPORTUNITY REPORT

RISK REPORT

Risk management

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

For alstria, risk management involves the targeted securing of existing and future potential for success and improvements in the quality of the Company's planning processes. alstria's risk-management system is an integral part of its management and control system. The risk-management system is integrated into its regular reporting to the Management Board and Supervisory Board, which ensures that risks are dealt with proactively and efficiently. The risk-management system thereby focuses on full coverage of the risks. The identification and assessment of opportunities is not part of alstria's risk-management system.

Structure of the risk-management system

Risk management is coordinated independently from individual business divisions. The risk manager prepares a risk report on a quarterly basis and provides it to the Management Board. This report is based on the reports from the risk owners – those who are responsible for particular areas of risk.

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

> Strategic risks
> Operational risks
> Compliance risks
> Financial risks

Each risk category is assigned to a so-called risk owner. Inherent to the risk owner's position in the Company is that he or she represents the area in which the identified risks could materialise; the risk owner is also responsible for the assigned risk category:

alstria's areas of risk and risk categories

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

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

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

Risk valuation

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

Classification according to likelihood

Probability/likelihood of occurrence	Description
1 to 15%	very unlikely
16 to 35%	unlikely
36 to 55%	possible
56 to 75%	likely
76 to 99%	highly likely

According to this framework, a "very unlikely" risk is defined as one that will occur only in exceptional circumstances, and a "highly likely" risk as one that can be expected to occur within a specified period of time.

Classification according to degree of impact

Expected impact in EUR m	Degree of impact
Between 0.0 and 0.6	minor
Between 0.6 and 1.5	low
Between 1.5 and 6.0	moderate
Between 6.0 and 15.0	high
Greater than 15.0	critical

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

Risk classification					
Probability					
highly likely	L	M	H	H	H
likely	L	M	M	H	H
possible	L	L	M	M	H
unlikely	L	L	L	M	M
very unlikely	L	L	L	L	M
Degree of impact	minor	low	moderate	high	critical

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

In 2017, the Company's risk-management system was not exposed to any significant changes from the previous year.

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

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

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

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

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

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

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

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

Description and assessment of risks

In accordance with alstria's risk-management system, all material risks inherent to the future development of the Group's position and performance are described in this chapter. The individual risks that are described relate to the planning period from 2018 to 2020.

Corporate risks

	Likelihood	Risk impact	Risk level	Change since prior year
Strategic risks				
Market environment	unlikely	moderate	L	unchanged
Risks in relation to changes to the legal environment	unlikely	moderate	L	unchanged
Risk due to inefficient organisational structures	unlikely	moderate	L	unchanged
Operational risks				
Maintenance risks	possible	high	M	unchanged
Refurbishment projects	possible	high	M	unchanged
Vacancy risk	unlikely	high	M	unchanged
Risks relating to property transactions	unlikely	moderate	L	unchanged
HR risks	possible	low	L	unchanged
IT risks	possible	low	L	unchanged
Shortfalls of rental payments	very unlikely	high	L	unchanged
Environmental risks	unlikely	low	L	unchanged
Compliance risks				
Risks resulting from not complying with G-REIT legislation	unlikely	moderate	L	unchanged
Risks arising from fraud or non-compliance	unlikely	moderate	L	unchanged
Litigation risks	unlikely	moderate	L	unchanged
Financial risks				
Valuation risks	unlikely	high	M	unchanged
Breaches of covenants	unlikely	high	M	unchanged
Tax risks	unlikely	high	M	unchanged
Interest rate risks	unlikely	high	M	increased
Liquidity risks	unlikely	moderate	L	unchanged
Refinancing on unfavourable terms risks	very unlikely	high	L	unchanged
Counterparty risks	very unlikely	high	L	unchanged

Strategic risks

Strategic risk management addresses the factors that influence the Company's market environment, regulatory environment, and strategic corporate organisation.

Market environment risks

For the Group, market environment risks are derived from macroeconomic developments and their impact on respective real estate markets. An economic downturn in the German market could result in a decreasing number of employees and in lower demand for rental areas in office properties. For alstria, this would lead to a higher risk of vacant space or to lower rental income. The slowing of growth in developing and emerging countries, the increasing political instability of certain countries in crisis, the continuing low interest rates of the European Central Bank, and the discussion about certain states' high debt were all identified as factors causing uncertainty in the previous years. While the developments described are no longer the focus of public debate, the planned exit of Great Britain from the EU and the change of government in the USA have been added as uncertainties. These developments might basically also affect the German markets through a decrease in demand for goods and services from these markets. After the German market was already characterised as robust in the previous year, there were signs of a strong economic upturn[1] in the current reporting period. There are currently no indications of an end to this trend. For this reason, the market environment risks remain at a low (L) level of risk.

Risks in relation to changes in the legal environment

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

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

Risk due to inefficient organisational structures

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

[1] Please refer to: Deutsche Bundesbank, monthly report - January 2018, 70. year number 1, page 5, Frankfurt am Main.

Operational risks

alstria's operational risk management deals with property-specific risks and with general business risks. This includes vacancy risk, tenants' creditworthiness, and the risk of falling market rents. Personnel-related risks, such as loss of know-how and competencies due to staff fluctuations, are also monitored in this risk area. alstria applies various early-warning indicators to monitor these risks. Ongoing insurance checks, such as rent projections, vacancy analyses, and the control of lease terms and termination clauses, are designed to help identify potential dangers and risks.

Vacancy risk

In the case of lease terminations, leases that are not extended, and existing vacancies, there is a risk that the rental area will not be re-let as planned, resulting in lower-than-anticipated revenues.

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

Shortfall of rental payments risks

An operational risk is a potential shortfall of rental payments from one or more major tenants; it could be realised as a result of an economic downturn or a particular case. Because many of alstria's main tenants are public or highly rated institutions, the risk of a shortfall in payments is currently, as in the previous year, limited (L).

Maintenance risks

To plan for the requirements of maintenance measures, the Company makes assumptions about a property's condition and the intended standard. Undetected defects, repair requirements resulting from external damage, new legal requirements regarding the condition of the building, and an incorrect assessment of the maintenance requirements could all result in higher-than-planned maintenance costs. Due to alstria's still-high maintenance budgets, the maintenance risk is categorised as medium (M), as it was in the previous year.

Refurbishment projects risks

alstria realises a significant number of refurbishment projects. All risks related to these projects are managed through extensive project control and through a related budget-management process. Potential risks include those of delayed completion, budget overrun, and deficiencies in construction. The strong economy, especially in the construction industry, led to increasing demands on the procurement and execution of contracts. The risk resulting from refurbishment projects nevertheless is still categorised as moderate (M).

HR risks (Employees)

The skills and motivations of alstria's employees are decisive factors in the Company's success. The risk of losing knowledge results from the fluctuation of staff and from the inability to recruit sufficiently qualified experts to fill vacancies in good time. Both cases could result in a shortfall of suitable experts and key personnel, which could endanger alstria's competitive advantages in its markets as well as its further growth opportunities. alstria mitigates these risks through the following measures: selective, needs-oriented skill development for existing staff members; strengthening of its image as an attractive employer; university marketing; promotion of employee motivation through strong leadership and corporate culture; and profit-oriented variable remuneration schemes. Overall, alstria estimates the described risks to be at a low level (L), which corresponds to the situation at the end of the previous year.

IT risks

The majority of alstria's business processes are supported by efficient IT systems. Any fault affecting the reliability or security of the IT system could lead to delays or interruptions in operating activities. alstria protects itself against IT risks through constant examination and enhancement of the information technology that it deploys. In addition, it has installed modern hardware and software solutions and safeguards against attacks. In view of the accumulation of attempted hacker attacks, measures to combat such cyberattacks have intensified. Structural security measures are in place to protect the computer centre. All data are backed up daily in an internal data depository and once per week in a separate data depository. Workstations have access restrictions so that employees are only able to access the systems that they need for their work. Therefore, overall IT risks are assessed to be unlikely to materialise; as in the prior year, their possible consequences are considered to be low (L).

Risks relating to property transactions

alstria is exposed to risks related to the acquisition and disposal of real estate properties. Related risks include the partial or complete failure to detect the risks and liabilities associated with properties during the due diligence process. In case of the disposal of real estate assets, alstria usually gives certain warranties to the potential purchaser regarding factual and legal matters for the property in question. The possibility that alstria's management is not aware of risks that are covered by certain elements and warranties given in a sales agreement cannot be fully ruled out. As a result, there is generally a risk that a prospective purchaser may charge alstria (as the seller) with breach of warranty. From a purchasing perspective, alstria is exposed to the risks that hidden deficiencies on land and/or property are not observed or that unfavourable contractual agreements are transferred to the Company, resulting in additional future costs.

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

Environmental risks

Considering the long-term nature of our business and the immovable nature of our assets, it is of key importance to take into account the effect of climate change on our prospects. alstria is exposed to the risk of increasingly numerous and changing regulations with regard to environmental or energy efficiency restrictions that might limit the possibility of letting or operating certain buildings or impose more stringent obligations upon them. alstria responds to these risks by evaluating and monitoring legislative changes when acquiring, refurbishing or managing a property. In addition, individual buildings located close to coastal areas and rivers, are exposed to possible structural damages resulting from extreme weather events. As a precautionary measure, the Company uses risk assessments of insurance companies to determine which buildings need to be upgraded. In some cases, buildings or building sites may contain undetected hazardous contaminants. The Company hedges these risks by conducting due diligence reviews and by obtaining guarantees from sellers as part of acquisition processes. alstria also has insurance covering its buildings from loss of rent during reconstruction, fire, storm, or water damage.

All environmental risks described above are considered to be at a low (L) level, the same as in the previous year.

For a detailed description of the Company's environmental risks, please refer to the "Climate effect on our business" section in the 2016 sustainability report.

Compliance risks

Risks resulting from not complying with G-REIT legislation

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

Certain requirements have to be met by the Company in order to qualify for and retain its designation as a G-REIT. Following are the most significant requirements. The G-REIT must be a stock corporation listed on an organised market and its registered office and management must be in Germany. Its registered share capital must amount to at least EUR 15 million. All shares must be voting shares of the same class. Free float must be at least 15%, and no investor may directly hold 10% or more of the shares, or shares that represent 10% or more of the voting rights. Furthermore, at least 75% of assets must consist of real estate and at least 75% of gross income must be generated from real estate. At least 90% of annual profits as resulting under German GAAP-accounting must be distributed to shareholders, and the G-REIT's equity may not fall below 45% of the fair value of its real estate assets as recorded under IFRS.

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

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

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

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

The G-REIT equity ratio is 57.1% on the balance sheet date. Accordingly, alstria complies with the minimum G-REIT equity ratio requirement according to Section 15 of the G-REIT-Act (REITG). Nonetheless, the risk that alstria may fail to meet the minimum G-REIT equity ratio of 45% in the following three consecutive years remains. As stated above, it would then face the prospect of losing its status as a G-REIT and its tax exemption. Therefore, alstria cannot lose its G-REIT status as a result of failing to meet the 45% threshold within the three-year forecast period through December 31, 2020.

Risks resulting from fraud or non-compliance

alstria depends on all employees and management respecting the compliance standards in place. alstria's business expects employees and the members of management to comply with laws, policies, and procedures as prescribed by the documented policies, procedures, and laws. If alstria's senior management fails to document and reinforce the Company's policies and procedures or employees commit criminal, unlawful, or unethical acts (including corruption), this could have an adverse material effect on alstria's business, financial condition, and results of operations. It would also harm alstria's reputation in the real estate market, thereby negatively affecting future business opportunities. alstria has implemented a compliance organisation, which deals with adequate and documented compliance rules and regulations and provides training to all employees concerning compliance-related topics. The materialisation of compliance risks is assessed to be unlikely (L), which is unchanged from the previous year.

Litigation risks

alstria office REIT-AG or any of its subsidiaries could be involved in pending or foreseeable court or arbitration proceedings that might have a significant impact on the Group's business position at any time. Other risks might arise from legal actions taken to address warranty claims, repayment claims, or any other claims brought forward in connection with divested properties or implemented development projects over the last few years.

Risks associated with the change of legal form of DO Deutsche Office AG into the limited partnership alstria office Prime Portfolio GmbH & Co. KG in 2016

Some shareholders of former DO Deutsche Office AG have taken the view that the amount of the cash compensation that was offered to those former DO Deutsche Office AG shareholders who declared an objection during the annual General Meeting of DO Deutsche Office AG on July 12, 2016, and declared to exit the limited partnership alstria office Prime Portfolio GmbH & Co. KG, was set too low. For this reason, these shareholders used the opportunity to have the fairness of the cash compensation reviewed in a judicial arbitration proceeding and filed the necessary application for the initiation of such a proceeding. In the event that the court rules in a final decision that the cash compensation has to be improved by the Company, such a decision will, in accordance with Section 13 of the German Arbitration Proceedings Act, be effective for and against all the shareholders of former DO Deutsche

Office AG who are entitled to cash compensation, e.g., all shareholders who declared an objection during the annual General Meeting of DO Deutsche Office AG on July 12, 2016. This means that the additional cash compensation fixed by the court will also be paid to shareholders who have not filed an application in the arbitration proceeding and/or have already declared their exit from the limited partnership. As of the date of the transformation notice published with the commercial register of the local court in Hamburg, the additional cash compensation will have to be made with an annual interest of five percentage points above the base lending rate effective at that time. This right to an additional cash compensation of an unlimited amount with interest might result in a financial burden and hence have an adverse impact on the net assets, financial position, and results from operations of the Group. Prior to the transformation, the Company obtained an expert opinion with the aim of establishing the enterprise value and adequate cash compensation. Subsequently, the adequate cash compensation was subject to a mandatory audit by an independent expert, as prescribed by law. In addition to measures implemented before the litigation to reduce the risk of an additional cash compensation, the Company receives legal support from external advisors in the current proceeding.

Risks associated with the merger of Deutsche Office and Prime Office REIT-AG (PO REIT) in the year 2014

In addition, some shareholders of PO REIT, which was dissolved due to the merger, have taken the view that the exchange ratio set for former PO REIT shares to shares of the Company was too low, at their expense. For this reason, they used the opportunity to have the fairness of the exchange ratio reviewed in judicial arbitration proceedings and filed the necessary applications to the Munich District Court for the initiation of such proceedings. At first instance, the Munich District Court rejected the applications for an additional cash payment in favour of the former PO REIT shareholders in a ruling on August 21, 2015. Four applicants and their common legal representative have appealed against this ruling, and the proceedings will now be continued at second instance before the Munich Higher Regional Court. In the event that the court rules in a final decision that the exchange ratio has to be improved by means of a cash payment to be made by the Company, such a decision will be effective for and against all the shareholders of PO REIT in accordance with Section 13 of the German Arbitration Proceedings Act. This means that the additional cash payment fixed by the court will also be paid to shareholders who have not filed an application in the arbitration proceedings. As of the date of the merger notice published by the acquiring entity in the Commercial Register, the additional cash payment will have to be made with an annual interest of five percentage points above the base lending rate effective at that time. This right to an additional payment of an unlimited amount with interest, which in itself may be substantial due to the length of the proceedings and the level of the statutory interest rate, might result in a financial burden and hence have an adverse impact on the net assets, financial position, and results from operations of the alstria Group. Mutual due diligence was performed prior to the merger, and the Company obtained an expert opinion with a view to establish the enterprise values and the exchange ratio. Subsequently, the calculated exchange ratio was subject to a mandatory merger audit by an independent expert, as prescribed by law. In addition to measures implemented before the litigation to reduce the risk of an additional cash payment, the Company receives legal support from external advisors in the current proceedings.

The effects of the described lawsuits on the risk of litigation as well as the general risk situation are considered low due to the expected low likelihood of occurrence. Provisions were not made.

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

Financial risks

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

Refinancing risks

The main financial instruments used by the Group are fixed-interest bonds. In addition, there are mortgage-backed bank loans and derivative financial instruments. The main purpose of the bonds and the bank loans is to finance alstria's business activities. Derivative financial instruments include interest caps. The purpose of these derivative financial instruments is to hedge against interest risks arising from the Company's business activities and its sources of finance. The main risks arising from the Group's financial instruments are cash flow risks, interest rate risks, and liquidity risks. alstria Group's current Net LTV is 40.0%. This is a reasonable ratio compared to the average leverage of German real estate companies. The Group's bank loan LTVs on the balance sheet date are well below the LTVs permitted under the respective loan agreements. The risk of a covenant breach was thus encountered effectively. The creditworthiness of alstria was classified by the rating agency Standard & Poor's as unchanged at BBB ("Investment Grade") at the end of the reporting period.

The refinancing of the majority of alstria's bonds and bank loans is not required before the 2021 financial year, when one out of three bonds matures. The two other bonds mature until the business year 2023 and 2027, respectively, so that a diversified maturity profile exists and the refinancing of the entire loans in one amount can be avoided. As a result, the risk of refinancing on unfavourable terms was classified as low (L).

Breaches of Covenants

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

Interest rate risks

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

alstria's hedging policy allows the use of a combination of plain vanilla caps and swaps if applicable in order to limit the Company's exposure to interest rate fluctuations. It still provides enough flexibility to allow for the disposal of real estate assets, avoiding any costs associated with an over-hedged situation. The interest base for the financial liability (loan) is the three-month EURIBOR, which is adjusted every three months. The maturity of the derivative financial instruments is linked to the term of maturity of the loans. Derivative financial instruments relate to interest caps in order to cap the interest at a set maximum. As of the balance sheet date, the main part of funding consists of long-term fixed-interest loans and bonds and is therefore not subject to interest rate risk up to its maturity. The floating interest rate loans are mainly hedged by interest rate caps. For the possible use of a new variable-rate credit line of up to EUR 100,000 k, which is not fully hedged by derivative financial instruments, slightly increases the interest rate risk compared to the previous year currently considered to be a medium risk (M).

Liquidity risk

One of alstria's core processes is cash management. The Company manages its future cash position and monitors its progress on a daily basis. A cash-forecasting tool is used to prevent liquidity risks. As a basis for analysis this liquidity-planning tool makes use of the expected cash flows from business activities and the maturity of the financial investments.

Due to the refinancing implemented in recent years, including the placement of a convertible bond and three corporate bonds with diversified maturity profiles, the substantial liquidity risk arising from the repayment of all or most of alstria's credit commitments has been successful managed. Since the main part of the loans and bonds will not be due until the year 2021, the liquidity risk resulting from repayment obligations is currently, as in the previous year, low (L).

Valuation risks

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

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

Counterparty risks

alstria hedges a portion of its risk by applying third-party instruments (interest rate derivatives, property insurance, and others). alstria's counterparties in these contracts are internationally recognised institutions that are rated by the leading rating agencies. alstria reviews the ratings of its counterparties on a regular basis in order to mitigate any risk of default. The financial crisis of 2007 has raised doubts regarding the reliability of rating agencies' assessments. In response to this concern, alstria makes use of other sources of information to verify the rating agencies' assessments.

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

Tax risks

REITs are completely exempt from corporate income tax and trade tax. As a result, tax risks can only arise in the case of loss of REIT status or at a subsidiary level. Additionally the Group as a whole faces risks from value-added tax, real transfer tax and property tax. Furthermore, it is possible that changes in tax laws or their interpretations can result in a higher tax liability for prior tax periods that have not yet been finally approved. As consequence of the takeover of the alstria office Prime Group, companies are included in the consolidated financial statements that are not subject to the regulations of the REIT legislation. The restructuring, which has been implemented during the business year, and in particular the conversion of the legal form of these companies into limited partnerships, resulted in the taxation of hidden reserves and hidden liabilities existing within the acquired companies. Afterwards the companies are tax transparent.

Due to the income tax exemption as a REIT and consistent monitoring of tax relevant issues by internal and external tax experts, the probability of a tax loss is considered to be limited. Since certain tax-related issues, such as real estate transactions or valuations of assets and liabilities as well as a re-entry into a tax liability status could result in high tax obligations over the three-year risk period, the risk impact is considered to be significant. This results in an overall tax risk level that is moderate (M), which is unchanged from the previous year's average tax risk.

Overall risk assessment by the Management Board

alstria office REIT-AG consolidates and aggregates all risks reported by the different business units and functions adhering to its risk-management policy. Compared to the previous year, the overall risk situation of alstria remained stable. In the financial year 2017, only minor or immaterial changes were noted in alstria's risk level matrix for risks categorised as high (H) or medium (M). At the end of the year, risks categorised as "high" accounted for 1.0% (December 31, 2016: 1.0%) of all identified risks while risks categorised as "medium" accounted for 39.6% (December 31, 2016: 42.6%) of all identified risks. On the one hand, this is due to the economic environment in alstria's investment market, which proves to be economically strong despite the market risks described above. On the other hand, the Company's stable funding position, conservative level of debt, and solid REIT equity ratio support this assessment. The long-term refinancing position mitigates the risk of higher borrowing costs in the event of rising interest rates, the low LTV reduces the risk that could arise if the property valuations should come under pressure, e.g. as a result of interest rate hikes.

The integration of alstria office Prime, which was taken over in the business year 2015, went according to plan and has meanwhile been completed.

Sufficient precautionary measures have been undertaken to counteract identifiable risks.

In addition to assessing the potential impact of the realisation of risks on the value of the Group's net assets, the potential liquidity requirements for selected key risks are identified to cover a period of three years. The assessed amount of liquidity amounted to EUR 29.8 million as of the balance sheet date.

In our view, the risks described in our aggregated risk report do not threaten our ability to continue as a going concern either individually or cumulatively, given their likelihood of occurrence and potential level of impact. This applies both to the individual Group companies and the Group.

REPORT ON OPPORTUNITIES

Management of opportunities

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

Growth and earnings opportunities result both from alstria's existing real estate portfolio and from its acquisition of properties. Depending on the property's position in the life cycle, opportunities may be found in repositioning and development, in strengthening tenant relationships, or in selling the property.

The Company's financing activities safeguard the necessary funding to implement these activities. Here, opportunities are based on ensuring sustainable financing, including equity funding, on favourable terms.

The evaluation of opportunities is carried out in the context of annual budget planning and on an ongoing, occasional basis during the year. The process starts with a careful analysis of the market environment and of the market opportunities related to the properties held in the portfolio. These include the assessment of criteria such as tenant needs, property categories, and regulatory changes. Regular reporting supports the monitoring of growth initiatives within the budget and planning-approval processes.

The alstria Management Board is regularly (usually via a monthly report) updated on the status and progress of the initiatives being implemented. In addition, the real estate operations department receives monthly reports in which the planned costs and revenues are compared to the actual budget consumption and revenues. An indicator-based report coordinated by the central controlling department is provided to the Management Board; in this report, the planned performance indicators are compared to the actual figures. In addition, financial and liquidity planning and forecasts are updated, and changes to the project scope are clarified.

Opportunities related to real estate acquisitions

The location of a property is essential for its attractiveness. Opportunities arise when a regional market is characterised by favourable demographics and real estate dynamics. Together with optimal property management, this results in opportunities for long-term capital appreciation. alstria's acquisition strategy is aimed at identifying properties with the described opportunity structure. Its investment strategy therefore focuses on acquiring properties and portfolios with higher vacancy rates that are thus open to additional growth opportunities through the stabilisation of these properties' leases. Acquisitions will only be performed if the investment volume offers the prospect of achieving a sustainable increase in value. In particular, the low LTV debt ratio offers opportunities in the form of greater flexibility for acquiring real estate.

Opportunities related to tenant relationships

Structured and active Property and Asset Management both ensures the quality of our leasing service and is the basis for sustainable tenant relationships. Opportunities arise through a flexible response to existing or potential tenants' needs. The Company has the knowledge and resources to provide solutions and to implement tenants' requirements. This gives rise to opportunities to generate sustainable, long-term leases.

Opportunities arising from real estate development

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

Opportunities arising from financing

alstria's financing strategy is focused on the optimal provision of funds to invest in new properties and development projects. Opportunities arise from the optimisation of these financing terms. This requires implementing long-term and flexible funding at favourable conditions and safeguarding financial covenants at all times. A significant opportunity also arises out of a low debt ratio (the net LTV of bank loans is currently 40.0%), representing a comfortable base for future funding and growth. Funding options include mortgage loans, corporate bonds, and equity funding. Opportunities arise from the diversification of funding sources and with regard to the rating obtained.

Overall summary of the Opportunities Report

alstria's current financial situation involves a stable financial position at favourable interest rates until about mid–2021. The rating received from S&P allows for greater flexibility in terms of new funding sources. Concerning revenues, alstria benefits from long-term rental agreements with an average lease length of approximately 4.7 years and potential increases in rents due to decreasing vacancy rates. In addition, the Company possesses a range of properties that offer attractive and value-adding refurbishment opportunities. alstria's portfolio is well-balanced and contains many first-class anchor buildings with high-quality tenants. The low LTV debt ratio offers the chance of greater flexibility for acquiring real estate in the event that spontaneous opportunities arise.

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

alstria's core competence is Asset Management. The asset repositioning and refurbishment that alstria is continuously undertaking will strengthen the basis for increased organic value across the portfolio.

SUSTAINABILITY REPORT

In November 2017, alstria published its eighth sustainability report. The report is organised and presented based on the new GRI Standards and has received third-party assurance for all disclosed environmental indicators. It provides information about alstria's next steps toward a carbon-neutral economy and familiarises the reader with the Company's corporate responsibility strategy.

alstria's vision with regard to sustainability goes beyond the reporting exercise itself. Its sustainability approach is embedded in every decision across all levels of the organisation. To alstria, pursuing a path of continuous improvement and innovation is what sustainability is all about.

2016 has been a successful year for alstria, cause the Company was able to meet the RE100 commitments and managed through the procurement of renewable energy and climate-neutral natural gas to reduce our carbon footprint by 31 % compared to 2013. With a focus on improving the energy management system, alstria started applying smart metering systems across the portfolio and was awarded the "immobilienmanager Award 2017" in the sustainability category for our "Mieterstrompool" project. Finally, the Company achieved leadership level (A-) in the CDP rating for the second time in a row.

For further information on the Company's sustainability engagement, please refer to alstria's annual sustainability report 2016 at

www.alstria.com.

DISCLOSURES REQUIRED BY TAKEOVER LAW

Disclosures and the explanatory report pursuant to Sections 289a para. 1 of the German Commercial Code *(Handelsgesetzbuch*, *HGB*).

Composition of subscribed capital

On the balance sheet date as of December 31, 2017, the share capital of alstria amounted to EUR 153,961,654.00, divided into 153,961,654 no-par-value bearer shares. All shares have equal rights and obligations. Each share entitles the bearer to one vote at the General Shareholders' Meetings and is decisive for the shareholder's share in the profits of the Company. The individual rights and duties of the shareholders result from the provisions of the German Stock Corporation Act (*Aktiengesetz*, AktG), in particular Sections 12, 53a *et seq.*, 118 *et seq.* and 186.

Restrictions on voting rights or the transfer of shares

The exercise of voting rights and the transfer of shares are based on the general statutory requirements and alstria's Articles of Association, which do not restrict either of these activities. According to Sections 71b and 136 AktG, for example, the voting rights of the affected shares are excluded by law. Other restrictions as to voting rights or the transfer of shares do not exist, or, as far as they arise from agreements between shareholders, are not known to the Management Board.

Shareholdings exceeding 10% of the voting rights

On the balance sheet date as of December 31, 2017, alstria was not aware of any shareholders directly holding more than 10% of the voting rights. The Government of Singapore notified us in April 2016 that via controlled undertakings, it held approximately 12.6% of alstria's shares. In addition, please refer to the disclosures in the Notes under no. 5.3 Voting Right Notifications.

Shares with special rights

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

System of Control for any Employee Share Scheme in which employees do not directly exercise the Control Rights

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

Appointment and dismissal of Management Board and amendments to the articles of association

alstria's Management Board consists of one or more members who may be appointed or dismissed in accordance with Sections 84 and 85 AktG. The Articles of Association do not contain any special provisions in this respect. Pursuant to Section 84 AktG, members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. Reappointment or extension of the term of office is permitted, for a maximum of five years in each case.

Amendments to the Articles of Association are made pursuant to Sections 179 and 133 AktG. Pursuant to Section 12 para. 2 of the Articles of Association, the Supervisory Board is furthermore authorised to make changes and amendments to, the Articles of Association that merely affect the wording without passing a shareholder resolution in the General Meeting. In addition, the Supervisory Board has been authorised to adapt the wording of the Articles of Association to the utilisation of Conditional Capital 2013, Authorised Capital 2017 and Conditional Capital III 2017 and, after expiration of the applicable authorisation periods, by resolution of the Annual General Meetings on May 29, 2013, and May 16, 2017.

Pursuant to Section 15 para. 5 of the Articles of Association in conjunction with Sections 179 para. 2 and 133 of the AktG, shareholders may make resolutions regarding such amendments at a general meeting with a simple majority of the votes cast and a simple majority of the share capital represented. Insofar as a larger majority is prescribed by law, such majority shall be decisive.

The Articles of Association were last amended in the reporting year by a resolution passed by the Supervisory Board on December 7, 2017: Section 5 para. 1, 2 and 5 of the Articles of Association were formally adapted to a capital increase executed from the Company's Conditional Capital 2013.

Authority of Management Board regarding the issue and buyback of shares

1. Authorised Capital

The Articles of Association authorise the Management Board, with the approval of the Supervisory Board, to increase the share capital through May 15, 2022, by issuing new no-par-value bearer shares against contributions in cash and/or kind once or repeatedly up to a total amount of EUR 30,646,243.00. Further details are governed by Section 5 para. 3, 4 and 4a of the Articles of Association.

2. Conditional Capital

alstria holds three conditional capitals (pursuant to Sections 192 et seq of the AktG), which are regulated in Sections 5 para. 5, 6 and 7 of the Company's Articles of Association.

a) Conditional Capital 2013

The share capital is conditionally increased by an amount of up to EUR 37,360,181.00 by issuing up to 37,360,181 no-par-value bearer shares. The Management Board is authorised to determine the profit entitlement for the new shares issued on the basis of the exercise of options or conversion rights or the fulfilment of a conversion obligation at variance from Section 60 para. 2 of the AktG. The conditional capital increase is only carried out to the extent that the holders of option rights or conversion rights; holders with conversion obligations from bonds with warrants or convertible bonds profit participation rights; or holders participating bonds that were issued through November 28, 2014, based on the authorisation resolved by the shareholders in the General Meeting on May 29, 2013, utilise their option rights or conversion rights, or insofar as such holders have conversion obligations, that such holders fulfil their conversion obligations, unless a cash settlement is granted or treasury shares are used to fulfil the option rights or conversion rights.

b) Conditional Capital III 2015

The share capital is conditionally increased by an amount of up to EUR 500,000.00 by issuing up to 500,000 no-par-value bearer shares. The conditional capital increase shall be used exclusively to grant shares to the holders of convertible profit participation certificates issued by the Company through May 5, 2020, in accordance with the authorisation of the General Meeting held on May 6, 2015. The conditional capital increase is only carried out to the extent that issued convertible profit participation certificates are converted into shares of the Company and no treasury shares are used to satisfy the certificates. The new shares shall participate in the Company's profits from the beginning of the financial year in which they come into existence as a result of the conversion of certificates.

c) Conditional Capital III 2017

Furthermore, the share capital is conditionally increased by an amount of up to EUR 1,000,000.00 by issuing up to 1,000,000 no-par-value bearer shares. The conditional capital increase shall be used exclusively to grant shares to the holders of convertible profit participation certificates issued by the Company through May 15, 2022, in accordance with the authorisation of the General Meeting held on May 16, 2017. The conditional capital increase is only carried out to the extent that issued convertible profit participation certificates are converted into shares of the Company and no treasury shares are used to satisfy the certificates. The new shares shall participate in the Company's profits from the beginning of the financial year in which they come into existence as a result of the conversion of certificates.

3. Purchase of treasury shares

In the General Meeting held on May 16, 2017, the shareholders authorised the Management Board to acquire shares of up to a total of 10% of the Company's share capital in place at the time of the authorisation's issuance until May 15, 2022. The acquired shares and other treasury shares in the possession of, or to be attributed to, alstria pursuant to Sections 71a *et seq*. of the AktG may at no point in time amount to more than 10% of the share capital. Shares may be purchased through a stock exchange, by means of a public offer to all shareholders, or by making use of financial derivatives (put or call options, or a combination of both).

Significant agreements of alstria office REIT-AG that take effect upon a change of control following a takeover bid

Some of alstria office REIT-AG's financing agreements contain the clauses common to such contracts regarding a change of control. In particular, the agreements entitle the lenders to request repayment of the loans or an obligation by alstria to repay the loans in the event that any person, company, or a group of persons should acquire, directly or indirectly, 50% of the voting rights or a controlling influence in alstria. However, for some financing agreements, the repayment obligation is subject to a downgrade of the Company's rating, occurring within 120 days of the change of control.

The terms and conditions of the convertible bond issued by the Company in financial year 2013 also provided termination rights or an adaption of the conversion price in case of a change of control. Such a change of control will occur, in particular, if a person or persons acting in concert acquire, directly or indirectly, more than 50% of the voting rights in the Company.

The terms and conditions of the fixed-interest bonds the Company issued in financial years 2015, 2016 and 2017 entitle each bond holder to request the Company to redeem or purchase his bond for 101%

of the principal amount of such bond plus unpaid interest accrued, if any person, company, or group of persons should acquire, directly or indirectly, more than 50% of the voting rights in alstria and within 120 days after such change of control the rating for the Company or the bond is downgraded.

The total volume of obligations under those agreements with corresponding change of control clauses amounted to approximately EUR 1,283 million on the balance sheet date.

Compensation agreements with Management Board members and employees in case of a takeover bid

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

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

ADDITIONAL DISCLOSURE

EMPLOYEES

As at December 31, 2017, alstria had 117 employees (December 31, 2016: 106). The annual average number of employees was 114 (previous year: 95). These figures exclude Management Board members.

REMUNERATION REPORT

Management Board members' compensation comprises fixed and a variable component that are linked to the Company's operating performance. In addition to the bonus, members of the Management Board receive share-based remuneration as a long-term incentive.

Members of the Supervisory Board receive fixed remuneration.

The remuneration report (see pages 33 to 43), which contains details of the principles for the remuneration of the Management Board and Supervisory Board, forms an integral part of the audited Management Report.

CORPORATE GOVERNANCE DECLARATION PURSUANT TO SECTION 289F HGB ("HANDELSGESETZBUCH": GERMAN COMMERCIAL CODE)

The complete corporate governance declaration is published on alstria office REIT-AG's website (www.alstria.com). Thus, it is made permanently accessible to the public.

REPORT ON EXPECTED DEVELOPMENTS

The following report is based on Group accounts. The report on expected developments contains statements related to anticipated future developments. The Company's development depends on various factors, some of which are beyond alstria's control. Statements about expected developments are based on current assessments and are hence, by their very nature, exposed to risks and uncertainty.

The actual development of the alstria Group may differ positively or negatively from the predicted development presented in the statements of this report.

Expected economic development

The German economy is in very good condition. GDP growth was at 2.2% compared to the previous year, which was the country's strongest economic growth since 2011. The employment rate also developed positively. The German government expects a GDP growth of 2.4% and a positive development in the German labour market to the record mark of approximately 44.8 million for 2018. German economic associations also estimate a positive economic development for 2018, they expect as similar growth level as in 2017. The construction industry and related industries, in particular, have a confidently outlook for the future.*

Development of the real estate market: Outlook for 2018

In connection with low interest rates, the importance of real estate as an investment class will still be high. Continuing high demand for real estate in core areas is estimated in 2018. Due to the limited investment offerings, the tendency to invest in value-added assets will continue.

Outlook for the alstria Group

Based on the expected stability of the German economy and of the real estate market, the Company does not expect significant changes in alstria's direct environment. However, unexpected changes in terms of interest rates, further property acquisitions, property disposals, or other changes in the assumptions for financial year 2018 could have an impact on the projections.

Mainly due to expiring leases alstria is expecting revenues to decrease in 2018 by approximately EUR 7 million to EUR 187 million, as compared to revenues in 2017.

For fiscal year 2018, the Company is expecting an FFO of around EUR 110 million. The year-on-year decrease in FFO compared the 2017 achieved FFO of EUR 114 million is mainly due to lower revenues. This effect will be partially offset by a further reduction of financing costs.

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

Hamburg, February 20, 2018

* Please refer to Annual Economic Report 2018 (Bundesministerium für Wirtschaft und Energie) as well as IfW, IMK, RWI und IWH.

APPENDIX TO THE MANAGEMENT REPORT

REMUNERATION REPORT*

REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

The remuneration system for the members of the Management Board is determined by the Supervisory Board and is reviewed regularly. Recently, the Supervisory Board adopted the remuneration system that became effective January 1, 2018.

Below is a description of the remuneration system and a breakdown of the amounts of remuneration for the members of the Management Board for financial year 2017, as well as a description of the adjustments to the remuneration system which came into force on January 1, 2018.

1. REMUNERATION SYSTEM IN FINANCIAL YEAR 2017

The remuneration system for the members of the Management Board, as applicable in financial year 2017, was developed by the Supervisory Board with the assistance of an external, independent remuneration expert. The shareholders approved it in the general meeting for the 2009 financial year. The Supervisory Board is of the opinion that adequate remuneration for the members of the Management Board has been provided in financial year 2017, which is based on customary market terms and conditions and also takes the long-term success of the Company into account. Furthermore, the remuneration structure complies with the German Stock Corporation Act (AktG) and - except for the deviations declared in the Compliance Statement according to Sec. 161 of the AktG - with the recommendations of the German Corporate Governance Code.

The criteria for determining the appropriateness of the remuneration of the Management Board include, among other factors, the duties of each individual Management Board member, his or her personal performance, the financial situation of the Company, the success and future prospects of the Company, customary practice regarding remuneration relative to peer companies, and the remuneration structure of the Company.

The Supervisory Board determines the target remuneration for each board member. The target remuneration for each Management Board member is comprised of a fixed basic salary, short-term and long-term variable components, and ancillary benefits (benefits in kind). The majority of the target remuneration is made up of variable components that are dependent on achieving annual or multi-year targets with forward-looking characteristics, as described below. The system also establishes caps for the different variable elements of the remuneration.

Fixed Remuneration

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

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

Variable Remuneration

The variable element of the remuneration amounts to approximately 60% of the total target remuneration, excluding any ancillary benefits for the financial year, and is composed of two parts: a short-term incentive and a long-term incentive.

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

	short-term incentive (STI)	long-term incentive (LTI)	
Proportion of total target remuneration	20%	20%	20%
Targets to assess performance	Like-for-like budgeted Funds From Operations (FFO)	Total shareholder return (relative to EPRA NA-REIT Europe Ex-UK)	Absolute total shareholder return
Min. / max. target achievements	50% / 150%	50% / 150%	50% / 150%
Discretionary factor	0.8 / 1.2	0.8 / 1.2	0.8 / 1.2
Deferred component	25%	100%	100%
Form of the deferred component	Virtual shares	Virtual shares	Virtual shares
Deferral period	2 years	4 years	4 years
Reference share price	Average share price for the previous 20 days	Average share price for the previous 60 days	Average share price for the previous 60 days
Payout cap for the deferred components	250% of deferred amount	Virtual shares multiplied by 250% of the reference share price on grant date	Virtual shares multiplied by 250% of the reference share price on grant date

Performance target FFO for STI

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

Min./Max. target achievements

This category reflects the minimum performance that needs to be achieved in order for any payout to occur (threshold), as well as the maximum performance that is considered in the payout calculation (cap).

Discretionary factor

This category reflects the factor that the Supervisory Board can apply to reflect the individual performance of each board member.

Deferred component

This category reflects the part of the variable remuneration that is subject to a multi-year lockup.

Payout amount

- For the STI, the payout amount at the end of the deferral period is equal to the number of virtual shares multiplied by the reference share price, thereby adding back any dividend per alstria share paid by the Company during the deferral period.
- For the LTI, the number of virtual shares is adjusted at the end of the deferral period, reflecting the degree of performance target achievement. The payout amount is equal to the number of achieved virtual shares multiplied by the reference share price, added to the

dividend per alstria share paid during the deferral period, and then multiplied by the discretionary factor.

Reference share price

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

Virtual shares

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

The table below summarizes the number of virtual shares granted under the existing STI and LTI programs in the reporting period and outstanding as of December 31, 2017.

				Olivier Elamine	Alexander Dexne
	Start of deferral period	**Reference share price in EUR**	**End of deferral period**	**Number of virtual shares**	**Number of virtual shares**
STI 2015	2016	11.63	2018	5,949	4,868
STI 2016	2017	11.68	2019	5,142	4,207
LTI 2014	2014	9.44	2018	46,610	38,136
LTI 2015	2015	10.97	2019	40,109	32,817
LTI 2016	2016	11.71	2020	37,575	30,743
LTI 2017	2017	11.52	2021	38,194	31,250

Ancillary Benefits

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

Termination of Membership in Management Board

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

Benefits by Third Parties

No individual member of the Management Board was granted or rendered any benefits by third parties with regard to the Management Board's work in the 2017 financial year.

2. AMOUNT OF REMUNERATION IN THE 2017 FINANCIAL YEAR

In the last financial year, the total target remuneration for the members of the Management Board amounted to EUR 2,190 k. The total amount paid to the Management Board in that financial year amounted to EUR 2,792 k (including payouts on multi-year remuneration elements). The correctness of the calculated payout amounts for the multi-year variable remuneration elements was confirmed by an independent remuneration expert. The remuneration of individual Management Board members is presented based on model tables pursuant to the German Corporate Governance Code, as amended on February 7, 2017.

The "Benefits granted" table shows the fixed remuneration and the target values of the variable remuneration elements granted in the respective business year as well as hypothetical minimum and maximum amounts for a future payout of the variable remuneration elements. We explicitly make reference to the fact that the hypothetical maximum amounts could only be attained in the extraordinary situation where all the conditions named in the "Conditions to attain maximum amounts for variable remuneration elements granted in 2017" table occurred at the same time.

The "Allocation/benefits paid out" table shows the fixed remuneration and the amounts paid out in the respective business year as variable remuneration elements.

Benefits granted

in EUR k	Olivier Elamine				Alexander Dexne			
	CEO				CFO			
Benefits granted	**2016**	**2017**	**2017 (Min)**	**2017 (Max)[10]**	**2016**	**2017**	**2017 (Min)**	**2017 (Max)[10]**
Total amount of fixed compensation and ancillary benefits	**448**	**447**	**447**	**447**	**378**	**381**	**381**	**381**
Fixed compensation[1]	440	440	440	440	360	360	360	360
Ancillary benefits[2]	8	7	7	7	18	21	21	21
Total amount of one-year variable compensation	**173**	**173**	**0**	**312**	**142**	**142**	**0**	**255**
One-year variable compensation (STI 2016)	173[3]	-	-	-	142[3]	-	-	-
One-year variable compensation (STI 2017)	-	173[3]	0	312[4]	-	142[3]	0	255[4]
Total amount of multi-year variable compensation	**498**	**498**	**0**	**2,240**	**407**	**407**	**0**	**1,833**
STI 2016 (3 years)	58[5]	-	-	-	47[5]	-	-	-
STI 2017 (3 years)	-	58[5]	0	260[6]	-	47[5]	0	213[6]
LTI 2016 (4 years)	440[7]	-	-	-	360[7]	-	-	-
LTI 2017 (4 years)	-	440[7]	0	1,980[8]	-	360[7]	0	1,620[8]
Total amount of fixed and variable compensation	**1,119**	**1,118**	**447**	**2,999**	**927**	**930**	**381**	**2,469**
Service costs[9]	84	84	84	84	58	58	58	58
Total	**1,203**	**1,202**	**531**	**3,083**	**985**	**988**	**439**	**2,527**

1) Annual base salary according to service contracts.
2) Benefits related to company car.
3) 75% of the STI target value for the respective financial year.
4) Maximum attainable payout amount for 75% of the STI after 1 year: (target value STI x 0.75 x 1.5 x 1.2).
5) 25% of the STI target value for the respective financial year.
6) Maximum attainable payout amount for 25% of the STI after 3 years: ((target value STI x 0.25 x 1.5 x 1.2) x 2.5).
7) LTI target value for the respective financial year.
8) Maximum attainable payout amount for the LTI after the holding period of 4 years: (1.5 x granted virtual shares x (2.5 x share price on grant date) x 1.2).
9) Benefits for insurance and pension plans.
10) Hypothetical maximum attainable payout amount under the condition that all assumptions described in the “Conditions to attain maximum amounts” table are fulfilled.

Conditions to attain maximum amounts for variable remuneration elements granted in 2017	
One-year variable compensation	**1.** altria FFO 2017 = EUR 170.7 m (budgeted FFO of approx. EUR 113.8 m is achieved by 150%)
and	**2.** Supervisory Board passes resolution on discretionary factor of 1.2
Multi-year variable compensation	
LTI (4 years)	**1.** Absolute total shareholder return ≥ 9% (i.e. total shareholder return for alstria investors over 4 years of 9% p.a. or more)
and	**2.** Relative total shareholder return (TSR vs. EPRA) ≥ 25% (i.e. alstria overperforming EPRA/NA-REIT Europe Index Ex UK by 25%)
and	**3.** Company share price increases by 250% (share price of EUR 11.52 on granting date --> share price of EUR 28.80 on payment date after 4 years)
and	**4.** Supervisory Board passes resolution on discretionary factor of 1.2
STI (3 years)	Price of Company shares increases by 250% (e.g. share price of EUR 11.68 on deferral date --> share price of EUR 29.20 on payment date after 2 years)

Benefits paid out

in EUR k

Allocation/benefits paid out	**Olivier Elamine**		**Alexander Dexne**	
	CEO		CFO	
	2016	**2017**	**2016**	**2017**
Total amount of fixed compensation and ancillary benefits	**448**	**447**	**378**	**381**
Fixed compensation[1)]	440	440	360	360
Ancillary benefits[2)]	8	7	18	21
Total amount of one-year variable compensation	**208**	**180**	**170**	**147**
One-year variable compensation (STI 2015)[3)]	208	-	170	-
One-year variable compensation (STI 2016)[3)]	-	180	-	147
Total amount of multi-year variable compensation	**870**	**822**	**712**	**673**
STI 2013 (3 years)[4)]	75	-	61	-
STI 2014 (3 years)[4)]	-	68	-	56
LTI 2012 (4 years)[5)]	795	-	651	-
LTI 2013 (4 years)[5)]	-	754	-	617
Total amount of fixed and variable compensation	**1,526**	**1,449**	**1,260**	**1,201**
Service cost[6)]	84	84	58	58
Total	**1,610**	**1,533**	**1,318**	**1,259**

1) Annual base salary according to service contracts.
2) Benefits related to company car.
3) Payout amount for 75% of the STI after 1 year.
4) Payout amount for 25% of the STI after 3 years.
5) Payout amount for LTI after holding period of 4 years.
6) Benefits for insurance and pension plans.

3. REMUNERATION SYSTEM SINCE THE 2018 FINANCIAL YEAR

In January 2017, the Supervisory Board resolved upon amendments to the system for the remuneration of the members of the Management Board of alstria office REIT AG, which took effect on January 1, 2018, and was approved by the shareholders in the annual general meeting in May 2017. The amendments resolved by the Supervisory Board aim at better aligning the interests of the Management Board and the shareholders of the Company, focusing on sustainable long-term value creation and reducing complexity. The structure of the remuneration system is kept substantially unchanged and only simplifications and amendments are made. The amounts of the fixed annual remuneration and the target values for the variable remuneration remain unchanged. When reviewing and adapting the remuneration system for the members of the Management Board, the Supervisory Board was advised by an external, independent remuneration expert.

Just as before, the criteria for appropriateness of the Management Board remuneration are the duties of the individual Management Board member and his or her personal performance; the financial situation, success, prospects, and sustainable development of the Company; the appropriateness of the remuneration with consideration of the scope of comparison; and the Company's applicable remuneration structure.

The remuneration structure still consists of a fixed basic remuneration, a short-term and long-term variable remuneration component, and ancillary benefits (payments in kind) for each member of the Management Board. As required by the German Stock Corporation Act and the German Corporate Governance Code, the majority of the remuneration consists of variable remuneration components that are mainly based on multi-year assessments with forward-looking characteristics. Furthermore, Share Ownership Guidelines have been introduced under which the members of the Management Board are obliged to invest part of their remuneration in shares of the Company.

Overview of the essential amendments

	2017	2018
STI **(Short-term incentive)**	• FFO as target value • Threshold for the performance target: 50% • Discretionary factor to reflect individual performance: 0.8–1.2 • 75% cash payout / 25% payout in virtual shares	• FFO per share as target value • Threshold for the performance target: 70% • Discretionary factor to reflect individual performance: 0.7–1.3 • 100% cash payout
LTI **(Long-term incentive)**	• Virtual shares with term of 4 years, then payout in cash • Performance subject to absolute TSR (50%) and relative TSR (EPRA/NAREIT Europe Ex-UK Index) (50%) • Discretionary factor to reflect individual performance: 0.8–1.2	• Stock awards with term of min. 4 years, payout in Company shares • Performance subject to absolute TSR (25%) and relative TSR (FTSE EPRA/ NAREIT Developed Europe Index) (75%) • Discretionary factor to reflect individual performance: 0.7–1.3
Share Ownership Guidelines	• N/A	• Obligation of the members of the Management Board to acquire shares of the Company amounting to three times their fixed annual remuneration and to hold the same until they leave their office

Variable Remuneration Elements

Short-Term Incentive Plan 2018

Just as before, the members of the Management Board receive a short-term variable remuneration component (STI) with a target value in Euro in each financial year. Since January 1, 2018, the STI is based on the budgeted funds from operations per share (FFO per share) as the performance target (previously: funds from operations). The amount of the STI depends on the degree to which the performance target is achieved, i.e. the relation between the FFO per share achieved in the corresponding financial year and the budgeted FFO per share. The previous remuneration system provided for a threshold of at least 50% of the performance target that must be met for payments to be made. This threshold has been increased to at least 70% of the performance target to be met for a payout, i.e. if the achieved FFO per share is not at least 70% of the budgeted FFO per share, remuneration from the STI will not be granted. A maximum of 150% of the performance target can be achieved (cap).

The achieved payout value is adjusted at the discretion of the Supervisory Board, i.e. multiplied with a discretionary factor of 0.7 to 1.3 (previously: 0.8 to 1.2). This enables the Supervisory Board to consider the individual performance of each Management Board member in addition to the performance target achievement. Criteria for this may be, in particular, the individual performance of each Management Board member in the relevant financial year as well as his or her tasks and responsibilities within alstria and the alstria Group. In total the STI is limited to a maximum of 150% of the target value (cap).

According to the remuneration system as applicable until the end of financial year 2017, only 75% of the STI were paid out in cash to the Management Board members, and 25% of the STI were converted into virtual shares which were subject to a minimum holding period of two years. Now, the STI no longer provides for a long-term component with a conversion into virtual shares and will be paid out completely in cash without deferral. This change aims to simplify the remuneration system and was made in light of the Company's introduction of Share Ownership Guidelines under which the members of the Management Board are obliged to acquire and hold Company shares (for details see below under Share Ownership Guidelines).

Long-Term Incentive Plan 2018

The members of the Management Board may still also be granted a long-term variable remuneration component (LTI) in each financial year with a target value in Euro to be determined by the Supervisory Board. The LTI is still being weighted more strongly than the STI. As of January 1, 2018, the Long-Term Incentive Plan 2018 no longer provides for virtual shares but for stock awards which will be converted into shares of the Company after a holding period of at least four years (previously: cash payout). The absolute total shareholder return and the relative total shareholder return remain as performance targets. However, the relative total shareholder return has been given a greater weighting of 75% (previously: 50%). In order to better align with real estate industry standards, the reference index for the relative total shareholder return is now the FTSE EPRA/NAREIT Developed Europe Index (previously: EPRA/NAREIT Europe Ex-UK Index). The individual performance of the Management Board member is taken into account with a discretionary factor of 0.7 to 1.3 (previously: 0.8 to 1.2).

In detail:

The number of stock awards to be granted results from a target value defined by the Supervisory Board in Euro and divided by the arithmetic mean of the share price of one alstria share (commercially rounded to two decimal places) during the last 60 trading days prior to being granted. The Management Board member must hold the stock awards for a holding period of at least four years beginning with the granting date. The number of the stock awards will be adjusted at the end of each respective holding period depending on the performance of the alstria share during the holding period. Twenty-five percent of the performance target determined by the Supervisory Board is made up of the absolute total shareholder return derived from the "weighted average cost of capital" (WACC) and compared to the XETRA-based Total Return Index. Seventy-five percent will be calculated on the basis of the relative total shareholder return compared to the reference index FTSE EPRA/NAREIT Developed Europe.

Furthermore, as with the STI, the individual performance of each Management Board member during the holding period is taken into consideration with a discretionary factor which is determined by the Supervisory Board within a corridor of 0.7 to 1.3. Criteria for this may be, in particular, the individual performance of each Management Board member during the relevant holding period as well as his or her tasks and responsibilities within alstria and the alstria Group. This allows these factors to be taken into account in addition to the performance target achievement. After the expiration of the holding period, the number of stock awards adjusted with regard to the performance target achievement will be multiplied with the discretionary factor and thus determine the alstria shares to be delivered for payout. Additionally, the dividends accumulated during the holding period for the payout shares are taken into account. This is the accumulated gross dividend divided by the arithmetic mean of the alstria stock market price (rounded to two decimal places) of the last 60 trading days prior to the relevant maturity date. The resulting stock awards will be converted into alstria shares at a ratio of 1:1 and granted to the Management Board member. In addition, the amount paid out in the Long-Term Incentive Plan 2018 is limited by a cap (to a maximum of 250% of the target value in Euro).

If the Company is not in a position to provide the alstria shares, the payout will be made in cash (determined by the number of shares to be delivered multiplied with the arithmetic mean (commercially rounded to two decimal places) of the alstria stock market price of the last 60 trading days prior to the relevant maturity date.

Ancillary Benefits

The Management Board members continue to receive payments in kind, which essentially consist of insurance premiums and the private use of a company car. As a component of the remuneration, taxes on these ancillary benefits are to be paid by each individual Management Board member. Each Management Board member is in principle equally entitled to these ancillary benefits, but the amount varies depending on the personal situation of each member. Moreover, as in the past, the Company still grants the members of the Management Board a monthly cash amount for the purpose of a private pension plan. These benefits now amount to 20% of each Management Board member's annual fixed salary. Pension entitlements do not exist.

Share Ownership Guidelines

Share Ownership Guidelines have been introduced for the first time. According to such guidelines, the members of the Management Board are obliged since the beginning of financial year 2018 to set up a portfolio of shares equivalent to three times the fixed annual remuneration over a period of five years and to hold the same until they leave their office. The Share Ownership Guidelines aim in particular at reconciling the interests of the members of the Management Board with those of the shareholders and thus promoting sustainable entrepreneurial approaches.

REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

The remuneration system for the members of the Supervisory Board is being resolved upon by the annual general meeting of the Company. The remuneration system which had been applicable until the end of financial year 2017 was adjusted by the annual general meeting of the Company in May 2017, effective January 1, 2018. Please find below a description of the remuneration system for the members of the Supervisory Board which was in effect in financial year 2017 as well as a description of the amendments made.

1. SUPERVISORY BOARD REMUNERATION IN THE 2017 FINANCIAL YEAR

For financial year 2017, the members of the Supervisory Board each received an annual fixed remuneration of EUR 42 k. The Chairman of the Supervisory Board received an additional annual amount of EUR 21 k; the Vice-Chairman received an additional amount of EUR 10.5 k.

Membership in the audit committee entitled a member to an additional remuneration of EUR 10 k, while the chair of the audit committee received EUR 15 k per year. Membership in the nomination and remuneration committee as well as the finance and investment committee entitled a member to an additional annual remuneration of EUR 5 k. The chairpersons of these committees are compensated with another EUR 2.5 k per year. Membership in other committees did not entitle a member to additional remuneration. Members who sit on the Supervisory Board for only part of a year receive a pro rata temporis remuneration.

The total remuneration for the Supervisory Board members in 2017 amounted to EUR 353 k. The remuneration for the individual Supervisory Board members for the 2016 and 2017 financial years is as follows.

in EUR k

Supervisory Board member	Function on the Supervisory Board	Function on the Committees[1] in 2017	Remuneration for 2016	Remuneration for 2017
Dr. Johannes Conradi	Chairman	NRC (ch)	65.66	70.50
Richard Mully	Vice-Chairman	AC[2], NRC, FIC (ch)	61.81	65.49
Dr. Bernhard Düttmann[2] since January 3, 2017	Member	AC[2]	-	51.30
Stefanie Frensch since May 12, 2016	Member	NRC, FIC	29.99	52.00
Benoît Hérault	Member	AC, FIC	57.00	57.00
Marianne Voigt	Member	AC (ch)	57.00	57.00
Alexander Stuhlmann until May 12, 2016			25.62	-
Hermann Dambach until October 31, 2016			50.28	-
Total			**347.36**	**353.29**

1) AC=audit committee, FIC=finance and investment committee, NRC=nomination and remuneration committee, ch=chair.
2) Temporarily.

2. REMUNERATION OF THE SUPERVISORY BOARD SINCE THE 2018 FINANCIAL YEAR

The annual general meeting on May 16, 2017, resolved to adjust the remuneration system for the Supervisory Board members effective January 1, 2018. In order to make the remuneration attractive compared with other enterprises as well as to take into account the Supervisory Board members' increasing workload and responsibility, a corresponding amendment of the remuneration was proposed. Especially the comprehensive and time-consuming duties of the Chairman and deputy have been taken into account more strongly by providing differentiation in remuneration levels of 1:1.5:3 for ordinary members of the Supervisory Board, Vice-Chairman, and Chairman. Furthermore, the increased responsibility and workload of the chairpersons of the committees have been taken into account by providing differentiation in remuneration levels of 1:2 for ordinary committee members and chair.

In this context, the members of the Supervisory Board have agreed upon and entered into a binding commitment to acquire shares of alstria office REIT-AG for an amount corresponding to one time the adjusted fixed annual compensation for their activity as member, Chairman, or Vice-Chairman of the Supervisory Board (without committees and before taxes) and declared that they will hold them for the duration of their membership in the Company's Supervisory Board (Self-Commitment). The Self-Commitment has to be fulfilled within four years beginning January 1, 2018. By means of this Self-Commitment the members of the Supervisory Board intend to adhere to the guiding principles of the Share Ownership Guidelines introduced for the members of the Management Board and to declare their sustained commitment to the Company.

Since the financial year 2018, the Chairman of the Supervisory Board receives a fixed remuneration of EUR 150 k p.a., his or her deputy a remuneration of EUR 75 k p.a., and each ordinary member of the Supervisory Board receives 50 k p.a.

In addition to this, each member of the audit committee receives a remuneration of EUR 10 k p.a.; the chair of the audit committee receives an annual remuneration EUR 20 k p.a. Furthermore, each member of the nomination and remuneration committee and of the finance and investment committee of the Supervisory Board receives a fixed remuneration in the amount of EUR 7.5 k p.a.; the chair of the nomination and remuneration committee and the chair of the finance and investment committee each receive a remuneration in the amount of EUR 15 k p.a. Membership in other committees does not entitle a member to any additional remuneration. Supervisory Board members who have served the Supervisory Board on one of its above-mentioned committees for only part of a financial year receive remuneration pro rata temporis.

alstria office REIT-AG, Hamburg

Income Statement
January 1 to December 31, 2017
District Court Hamburg HRB 99204

	2017	2016
	EUR	EUR
1. Revenues	94.621.944,67	87.771.039,45
2. Decrease or increase in work in progress	4.754.290,27	952.695,24
3. Total operating performance	99.376.234,94	88.723.734,69
4. Other operating income	42.914.990,90	75.752.615,31
5. Cost of materials		
Cost of purchased services	-19.607.674,07	-16.237.624,07
6. Personnel expenses		
a) Wages and salaries	-12.359.684,78	-10.716.828,47
b) Social security pension and other benefits	-1.470.280,34	-1.189.963,98
(of which relating to pensions EUR 232,725.85; previous year EUR 211 k)		
	-13.829.965,12	-11.906.792,45
7. Amortization and depreciation of fixed intangible and tangible assets	-37.277.474,74	-27.101.620,01
8. Other operating expenses	-19.686.837,59	-53.490.399,73
9. Income from participating interests	49.849.540,39	0,00
10. Income from loans	12.787.674,71	16.870.133,25
(of which from affiliated companies EUR 12,787,674.71; previous year EUR 16,870 k)		
11. Other interest and similar income	814.491,12	522.627,37
12. Write-down of financial assets	-359.320,70	0,00
13. Interest and similar expenses	-63.608.281,55	-47.318.966,95
(of which from discounting of provisions EUR 0,00; previous year EUR 93 k)		
14. Taxes on income	-767.882,15	0,00
15. Result after taxes	**50.605.496,14**	**25.813.707,41**
16. Net loss/profit for the year	**50.605.496,14**	**25.813.707,41**
17. Profit carried forward from previous year	13.319.767,16	11.435.766,50
18. Transfer from capital surplus	29.074.736,70	55.750.526,09
19. Balance sheet profit	**93.000.000,00**	**93.000.000,00**

alstria office REIT AG, Hamburg

Balance sheet as at December 31, 2017

District Cout Hamburg HRB 99204

Assets					Equity and liabilities
	31.12.2017	**31.12.2016**		**31.12.2017**	**31.12.2016**
	EUR	**EUR**		**EUR**	**EUR**
A. Non-current assets			**A. Shareholders' equity**		
I. Intangible assets			I. Share capital	153.961.654,00	153.231.217,00
Licenses and similar rights acquired for consideration	**216.863,31**	**104.210,05**	(conditional capital EUR 38,860,181.00;		
II. Property, plant and equipment			previous year EUR 38,695 k)		
1. Land, property rights and buildings	1.218.399.087,39	1.040.616.362,53	II. Capital reserves	1.036.964.103,79	1.060.847.277,49
2. Technical plant	354.245,16	466.921,38	IV. Balance sheet profit		
3. Other plant, operating and office equipment	1.123.298,92	631.799,76	(of which unappropriated profits brought forward		
4. Prepayments and construction in progress	28.982.519,34	17.571.970,42	EUR 13,319,767.16; previous year EUR 11,435 k)	93.000.000,00	93.000.000,00
	1.248.859.150,81	**1.059.287.054,09**		**1.283.925.757,79**	**1.307.078.494,49**
III. Financial assets			**B. Provisions**		
1. Shares in affiliates	890.608.929,29	859.340.929,12	1. Tax Provisions	767.882,15	0,00
2. Loans to affiliates	443.306.747,98	674.955.812,24	2. Other provisions	18.237.829,01	12.526.748,07
3. Participating interests	2.027.095,24	2.027.094,24		**19.005.711,16**	**12.526.748,07**
4. Other loans	36.566.799,03	34.802.505,36	**C. Accounts payable**		
	1.372.509.571,54	1.571.126.340,96			
	2.621.585.585,66	**2.630.517.605,10**	1. Equity participation	323.425,00	255.750,00
B. Current assets			2. Bonds (of wich convertible 73,500,000)	1.086.740.144,72	1.095.704.120,30
I. Inventories			3. Bank loans and overdrafts	108.694.972,60	108.971.583,95
Work in progress	26.638.371,08	21.884.080,81	4. Payments received	30.682.288,35	23.775.620,70
II. Receivables and other assets			5. Trade payables	1.903.590,57	1.842.664,10
1. Trade receivables	1.780.174,28	1.318.905,41	6. Payables to affiliated companies	102.681.788,08	102.682.104,62
2. Receivables from affiliated companies	67.830.082,50	70.367.240,49	7. Other liabilities	157.658.840,58	156.426.608,90
3. Receivables from companies in which the company has a			(of which for taxes EUR 616,639.07;		
participating interest	0,00	0,00	previous year EUR 1,289 k)		
4. Other assets	1.383.463,05	1.621.387,56		**1.488.685.049,90**	**1.489.658.452,57**
	70.993.719,83	73.307.533,46	**D. Deferred income**	**2.045.307,58**	**1.596.818,94**
IV. Cash in hand and at banks	73.190.664,79	83.214.182,01			
	170.822.755,70	**178.405.796,28**			
C. Prepaid and deferred expenses	**1.253.485,07**	**1.937.112,69**			
	2.793.661.826,43	**2.810.860.514,07**		**2.793.661.826,43**	**2.810.860.514,07**

alstria office REIT-AG, Hamburg

1.4 NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM

JANUARY 1 TO DECEMBER 31, 2017

CONTENTS

1 GENERAL

1.1 BASIC INFORMATION AND APPLIED REGULATIONS

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

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

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

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

In fiscal year 2015, alstria office REIT-AG acquired the majority of the shares of former DO Deutsche Office AG, Cologne, Germany (hereinafter referred to as "Deutsche Office AG"). The capital increase of alstria generating the new alstria shares required as compensation for the acquisition was entered into the commercial register at the Local-Regional Court of Hamburg on October 27, 2015. With the registration of the new alstria shares in the commercial register, the Company gained control over Deutsche Office AG, resulting in the first-time consolidation of Deutsche Office AG on October 27, 2015. With an effective date of December 9, 2016, Deutsche Office AG was legally converted into the legal form of a Kommanditgesellschat (limited partnership). At the same time, the company name of Deutsche Office AG was changed to 'alstria office Prime Portfolio GmbH & Co. KG' (hereinafter 'alstria office Prime').

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

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

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

The income statement has been prepared according to the total cost accounting method. A line item for ‘total operating performance’ has been added to the income statement in order to present a subtotal. Land tax expenses are stated within the operating cost of purchased services. Land tax that is not attributable to tenants is shown under other operating charges.

These financial statements were prepared for the period from January 1 to December 31, 2017.

1.2 ACCOUNTING AND VALUATION POLICIES

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

1.2.1 Intangible assets

Purchased intangible assets are capitalized at acquisition cost and, if they have a limited useful life, are systematically amortized by respective amounts. The useful life is 3 to 10 years.

1.2.2 Land, property rights and buildings

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

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

1.2.3 Property, plant and equipment

Other items of property, plant and equipment are capitalized at acquisition or production cost and, if they have a limited useful life (3 to 22 years), are reduced pro rata temporis by systematic depreciation rates accordingly. From January 1, 2010, onwards, low-value assets up to a purchase price of EUR 410 are fully depreciated in the year in which they are purchased.

1.2.4 Financial assets

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

1.2.5 Work in progress

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

1.2.6 Receivables, other assets and cash and bank balances

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

Cash and bank balances are stated at face value.

1.2.7 Prepaid expenses

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

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

1.2.8 Provisions

Provisions are composed of undetermined liabilities due to uncertain liabilities and default risks connected to pending transactions. They are recorded at the estimated amounts repayable, which take price advances into account. Provisions exceeding a maturity of one year are reduced by discounts, calculated on the basis of the remaining period and the average market interests over the last seven years, as published by the Deutsche Bundesbank and according to Section 253 para. 2 HGB.

1.2.9 Liabilities and similar obligations

Liabilities and bonds and convertible bonds are recorded at the amount repayable.

1.2.10 Deferred income

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

2 NOTES TO THE BALANCE SHEET

2.1 PROPERTY, PLANT AND EQUIPMENT

The development of the individual items of fixed assets, including depreciation and amortization for the fiscal year, is shown in the schedule of fixed assets (see attachment to the Notes).

Three real estate properties were sold during the reporting period. The book value of the disposed assets amounted to EUR 17,326 k. The assets were disposed for a total sales price of EUR 26,000 k. The transactions resulted in an accounting profit of EUR 8,674 k, which is recognized as a part of other operating income. During the reporting period, 13 properties were acquired. The properties were recorded by their purchase price of EUR 187,723 k, including costs of purchase.

2.2 FINANCIAL ASSETS

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

	Interest	Equity Dec. 31, 2017	Net result 2017
	%	EUR k	EUR k
Direct investments			
alstria Bamlerstraße GP GmbH, Hamburg	100	11	-9
alstria Englische Planke GP GmbH, Hamburg	100	14	-6
alstria Gänsemarkt Drehbahn GP GmbH, Hamburg	100	25	-4
alstria Halberstädter Straße GP GmbH, Hamburg	100	16	-5
alstria Hamburger Straße 43 GP GmbH, Hamburg	100	-430	-450
alstria Ludwig-Erhard-Straße GP GmbH, Hamburg	100	13	-6
alstria Mannheim/Wiesbaden GP GmbH, Hamburg	100	15	-5
alstria Portfolio 1 GP GmbH, Hamburg	100	18	-4
alstria Prime Portfolio GP GmbH, Hamburg	100	24	12
alstria Prime Portfolio GP 2 GmbH, Hamburg	100	67	42
alstria solutions GmbH, Hamburg	100	1,492	50
alstria Steinstraße 5 GP GmbH, Hamburg	100	16	-5
alstria office Bamlerstraße GmbH & Co. KG, Hamburg	100	43,166	3,120
alstria office Englische Planke GmbH & Co. KG, Hamburg	100	3,413	586
alstria office Gänsemarkt Drehbahn GmbH & Co. KG, Hamburg	100	84,855	3,043
alstria office Halberstädter Straße GmbH & Co. KG, Hamburg	100	6,870	-18
alstria office Hamburger Straße 43 GmbH & Co. KG, Hamburg	100	34,266	-59
alstria office Insterburger Straße GmbH & Co. KG, Hamburg	100	-1,005	264
alstria office Mannheim/Wiesbaden GmbH & Co. KG, Hamburg	100	30,930	-5,612
alstria office Prime Portfolio GmbH & Co. KG, Hamburg	94	791,402	11,486
alstria office Steinstraße 5 GmbH & Co. KG, Hamburg	100	21,912	248
beehive GmbH & Co. KG, Hamburg	100	-212	-401
Alte Post General Partner GmbH, Oststeinbek	49	130	-29
Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG, Hamburg	49	15,546	100,010

Indirect investments (via alstria solutions GmbH, Hamburg)			
Fluxus Innovations S.C.Sp, Luxemburg, Luxemburg	100	946	-54

	Interest	Equity Dec. 31, 2017	Net result 2017
	%	EUR k	EUR k
Indirect investments (via alstria office Prime Portfolio GmbH & Co. KG)			
alstria office PP Holding I GmbH & Co. KG, Hamburg (former German Acorn Portfolio Co I GmbH)	94	212,308	-36,713
alstria office Kampstraße GmbH & Co. KG, Hamburg (former GA Objekt 2001 Beteiligungs GmbH)	94	2,251	0
alstria office Berliner Straße GmbH & Co. KG, Hamburg (former GA Objekt 2003 Beteiligungs GmbH)	94	11,406	0
alstria office Hanns-Klemm-Straße GmbH & Co. KG, Hamburg (former GA Objekt 2005 Beteiligungs GmbH)	94	5,428	0
alstria office Maarweg GmbH & Co. KG, Hamburg (former GA Objekt 2007 Beteiligungs GmbH)	94	9,615	0
alstria office Heerdter Lohweg GmbH & Co. KG, Hamburg (former GA Objekt 2008 Beteiligungs GmbH)	94	23,980	0
alstria office Solmsstraße GmbH & Co. KG, Hamburg (former GA Objekt 2011 Beteiligungs GmbH)	94	24,070	0
alstria office PP Holding II GmbH & Co. KG, Hamburg (former German Acorn Portfolio Co II GmbH)	94	243,864	-1,827
alstria office Vichystraße GmbH & Co. KG, Hamburg (former GA 5. Objekt 1004 Beteiligungs GmbH)	94	5,830	0
alstria office Wilhelminenstraße GmbH & Co. KG, Hamburg (former GA 6. Objekt 1007 Beteiligungs GmbH)	94	8,406	0
alstria office Hauptstraße GmbH & Co. KG, Hamburg (former GA 7. Objekt 1008 Beteiligungs GmbH)	94	8,209	0
alstria office Frankfurter Straße GmbH & Co. KG, Hamburg (former GA 11. Objekt 1015 Beteiligungs GmbH)	94	6,933	0
alstria office Mergenthaler Allee GmbH & Co. KG, Hamburg (former GA 12. Objekt 1016 Beteiligungs GmbH)	94	3,286	0
alstria office Am Hauptbahnhof GmbH & Co. KG, Hamburg (former GA 13. Objekt 1019 Beteiligungs GmbH)	94	8,027	0
alstria office Berner Straße GmbH & Co. KG, Hamburg (former GA 14. Objekt 1020 Beteiligungs GmbH)	94	7,638	0
alstria office Eschersheimer Landstraße GmbH & Co. KG, Hamburg (former GA 15. Objekt 1021 Beteiligungs GmbH)	94	13,286	0
alstria office Kastor GmbH & Co. KG, Hamburg (former GA 17. Objekt 1024 Beteiligungs GmbH)	94	57,688	0
alstria office Heidenkampsweg GmbH & Co. KG, Hamburg (former GA 18. Objekt 1027 Beteiligungs GmbH)	94	8,322	0
alstria office Stiftsplatz GmbH & Co. KG, Hamburg (former GA 19. Objekt 1028 Beteiligungs GmbH)	94	4,814	0
alstria office An den Dominikanern GmbH & Co. KG, Hamburg (former GA 20. Objekt 1030 Beteiligungs GmbH)	94	10,924	0
alstria office Carl-Benz-Straße GmbH & Co. KG, Hamburg (former GA 21. Objekt 1034 Beteiligungs GmbH)	94	7,385	0
alstria office Carl-Schurz-Straße GmbH & Co. KG, Hamburg (former GA 23. Objekt 1036 Beteiligungs GmbH)	94	7,760	0
alstria office Pempelfurtstraße GmbH & Co. KG, Hamburg (former GA 25. Objekt 1038 Beteiligungs GmbH)	94	15,731	0
alstria office Josef-Wulff-Straße GmbH & Co. KG, Hamburg (former GA 26. Objekt 1039 Beteiligungs GmbH)	94	10,356	0
alstria office Ingersheimer Straße GmbH & Co. KG, Hamburg (former GA 27. Objekt 1040 Beteiligungs GmbH)	94	8,322	0
alstria office Frauenstraße GmbH & Co. KG, Hamburg (former GA 28. Objekt 1042 Beteiligungs GmbH)	94	7,977	0
alstria office Olof-Palme-Straße GmbH & Co. KG, Hamburg (former GA 32. Objekt 1046 Beteiligungs GmbH)	94	6,841	0
alstria office Region Nord GmbH & Co. KG, Hamburg (former GA Region Nord GmbH)	94	7,807	0
alstria office Region Süd GmbH & Co. KG, Hamburg (former GA Region Süd GmbH)	94	7,900	0

	Interest	Equity Dec. 31, 2017	Net result 2017
	%	EUR k	EUR k
alstria office Region Mitte GmbH & Co. KG, Hamburg (former GA Region Mitte GmbH)	94	11,072	0
alstria office PP Holding III GmbH & Co. KG, Hamburg (former DO Portfolio Co III GmbH)	94	-51	1
alstria office Vaihinger Straße GmbH & Co. KG, Hamburg (former DO Objekt 3001 Stuttgart GmbH)	94	4,098	2,001

In the reporting period, 2,128,048 shares of alstria office Prime were acquired at EUR 9,959 k. In the same period a further 3,593,463 limited partner shares were redeemed against cash compensation by alstria office Prime. As a result as of December 31, 2017, alstria holds 94.0% of the alstria office Prime fixed capital. In the course of redemption, alstria contributed EUR 17,051 k to the capital reserves of alstria office Prime.

Due to an impairment, the investment was ascribed as per balance sheet date to its fair value of EUR 706,887 k. The appreciation of EUR 4,608 k resulted in revenues recognized in the other operating income.

During the reporting period the GA 10. Objekt 1014 Beteiligungs GmbH, the GA 24. Objekt 1037 Beteiligungs GmbH, the GA 29. Objekt 1043 Beteiligungs GmbH, the GA 34. Objekt 1048 Beteiligungs GmbH and the GA 35. Objekt 1049 Beteiligungs GmbH were merged on their shareholder alstria office PP Holding II GmbH & Co. KG (former German Acorn Portfolio Co II GmbH).

The loans to affiliates include a loan to alstria office Prime, loans to the affiliates of alstria office Prime as well as loans to alstria office Insterburger Straße GmbH & Co. KG.

A loan to alstria office Prime had an outstanding amount of EUR 495,765 k as of the previous year's balance sheet date. In the reporting period, an amount of EUR 102,649 k was repaid, leaving an amount of EUR 393,116 k as of the balance sheet date. In the financial year, interest of EUR 10,535 k arose from the loan.

Another loan to alstria office Prime had an outstanding amount of EUR 40,000 k as of the previous year's balance sheet date. In the reporting period, the loan was redeemed completely. In financial year 2017, interest of EUR 366 k arose from the loan.

The loans to affiliates of alstria office Prime had an outstanding amount of EUR 129,146 k as of the previous year's balance sheet date. In the reporting period an amount of EUR 89,000 k was repaid, leaving an amount of EUR 40,146 k as of December 31, 2017. In financial year 2017, interest of EUR 1,337 k arose from the loan.

Finally, a loan to alstria office Insterburger Straße GmbH & Co. KG had an outstanding amount of EUR 10,045 k unchanged from the prior year. In financial year 2017, interest of EUR 550 k arose from the loan.

2.3 INVENTORIES

Inventories contain recoverable service charges that were paid in 2016 (EUR 11,000 k) and recoverable service charges that were paid in the reporting period (EUR 15,639 k). The settlement of recoverable charges for 2016 has not yet been entirely concluded. Therefore, recoverable service charges resulting from 2016 are still stated as per the balance sheet date.

2.4 RECEIVABLES

Receivables from affiliated companies decreased by EUR 2,537 k to the amount of EUR 67,830 k, as compared to the previous balance sheet date. The amount includes trade receivables of EUR 11,689 k (in 2016: EUR 940 k). The remaining amount of EUR 56,141 k (in 2016: EUR 69,427 k) results from the intra-group cash pooling agreement. Receivables from companies in which the Company has a participating interest are not existent as of the balance sheet date (2016: EUR 0 k).

Other assets amounted to EUR 1,383 k as of December 31, 2017 (December 31, 2016: EUR 1,621 k). They include an amount of EUR 241 k related to funds pledged as security and vendors with debit balances amounting to EUR 226 k.

The receivables mature before December 31, 2018.

2.5 PREPAID AND DEFERRED EXPENSES

Prepaid expenses (EUR 1,253 k; in 2016: EUR 1,937 k) mainly include acquisition costs for financial derivatives (EUR 740 k) that have to be amortized over their remaining period. In 2017, an amount of EUR 483 k was amortized and recorded as interest expenses (in 2016: EUR 8,419 k); depreciations of EUR 276 k were recognized in other operating expenses. The company received an amount of EUR 60 k for the premature termination of a financial derivative. The prepaid expenses were released by the same amount.

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

Product	Notional amount EUR k	Strike price per year	Maturity date	Fair value EUR k	Carrying amount EUR k
Cap	50,250	3.0000	30.09.2019	(EUR 334.00)	(EUR 333.96)
Cap	56,000	3.0000	17.12.2018	(EUR 5.00)	297
Cap[1]	10,900	3.0000	terminated	-	-
Cap	46,380	3.0000	30.04.2021	14	443
Cap	340,000	0.2500	31.12.2017	-	-
Total				**14**	**740**

[1] Terminated on June 2, 2017

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

The cap with a notional amount of EUR 50,250 k is not effective in a hedging relationship. As of December 31, 2017, its carrying amount was depreciated by EUR 10 k to its fair value.

The cap with a notional amount of EUR 56,000 k is designated to hedge the interest of a loan agreement. The cap covers 100% of the underlying transactions. Deferred expenses were amortized, resulting in expenses of EUR 313 k. The carrying amount was simultaneously reduced by the same amount to EUR 297 k.

The cap with a notional amount of EUR 10,900 k was terminated on June 2, 2017. The cap covered 100% of the underlying transaction. Its acquisition costs were amortized by EUR 25 k, increasing interest expenses. Additionally, the carrying amount was reduced by an amount of EUR 60 k, which was received for the early termination of the cap. The remaining amount of EUR 276 k was written down and recorded in other operating expenses.

The cap with a notional amount of EUR 46,380 k has a term to maturity until April 30, 2021. The cap covers 100% of the underlying transaction. Its acquisition costs were released by an amount of EUR 131 k to a value of EUR 443 k as of December 31, 2017.

Moreover, a cap agreement of a notional amount of EUR 340,000 k that has a term to maturity until December 31, 2017, is not designated to a hedging relationship. The remaining acquisition costs of EUR 4 k were depreciated completely.

Finally, the prepaid expenses include miscellaneous expenses of EUR 513 k. A part of EUR 309 k refers to the differed insurance premiums concerning the following period.

2.6 EQUITY

2.6.1 Share capital (subscribed capital)

In the balance sheet of the previous period, alstria office REIT-AG's share capital amounted to EUR 153,231 k. The conversion of profit participation rights in the second quarter of 2017 resulted in the issue of 111,000 new shares by utilizing the conditionally increased capital provided for such purposes.

The conversion of shares of the convertible bond with a nominal amount of EUR 5,700 k in total in the fourth quarter of 2017, led to the issuance of another 619,437 shares, using the respective conditional capital (conditional capital 2013). As of December 31, 2017, the new shares were not yet entered in the commercial register.

Due to the aforementioned transactions, the Company's share capital has increased by EUR 731 k to an amount of EUR 153,962 k as of the balance sheet date.

The share capital is divided into 153,961,654 bearer shares in the form of no-par shares, each of which represents an interest in the capital stock of EUR 1.00.

2.6.2 Authorized capital

By approval at the Annual General Meeting on May 16, 2017, the remaining authorized capital 2016 was replaced by the authorized capital 2017, which amounted to EUR 30,646 k. The authorization expires on May 15, 2022. Due to a capital increase in the first quarter of 2018 using a part of the authorized capital, authorized capital in the amount of EUR 15,323 k remains as of the date of publication of these financial statements.

2.6.3 Conditional capital

The share capital is conditionally increased to ensure granting of warrant and conversion rights and the redemption of option and conversion obligations. As of December 31, 2016, alstria's conditional capital amounted to EUR 38,695 k. It was divided into conditional capital 2013 (EUR 37,980 k), conditional capital III 2015 (EUR 500 k) and conditional capital III 2012 (215 k). In the reporting period, an amount of EUR 619 k was utilized. Additionally, the conditional capital (III) 2017 with an amount of EUR 1,000 k was established by approval of the Annual General Meeting 2017. Finally, the conditional capital III 2012 expired after utilizing EUR 111 k for the conversion of profit participation rights. As a result, the Company's conditional capital amounted to a total of EUR 38,860 k as of balance sheet date. In January 2018 the conditional capital 2013 was utilized again by EUR 467 k, leaving a conditional capital of EUR 38,393 k in total at the date of authorization for issuance.

2.6.4 Capital surplus

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

In the reporting period, the Company's free capital surplus that meets the requirements of Section 272 paragraph 2 No.4. HGB ("Handelsgesetzbuch": German Commercial Code) decreased by EUR 29,075 k due to a transfer to balance sheet profits.

In the reporting period an amount of EUR 111 k increased the capital surplus pursuant to Section 272 paragraph 2 No. 1. HGB ("Handelsgesetzbuch": German Commercial Code). The increase resulted from the conversion of profit participation rights. A further amount of EUR 5,081 k resulted from the conversion of 57 shares of the convertible bond.

The capital surplus changed as follows during the fiscal year:

EUR k	December 31, 2017	December 31, 2016
As of January 1	1,060,847	1,105,648
Result of convertible bonds	5,081	0
Conversion of profit participation rights	111	103
Result of capital increase	0	10,847
Transfers to balance sheet profits	-29,075	-55,751
As of December 31	**1,036,964**	**1,060,847**

2.7 PROVISIONS

Other provisions (EUR 19,006 k; in 2016: EUR 12,527 k) were recognized mainly for accruals due to outstanding balances (EUR 11,490 k), share-based remuneration (EUR 2,887 k), bonuses (EUR 2,039 k), tax (EUR 768 k), audit fees (EUR 568 k), Supervisory Board compensation (EUR 353 k), risks of litigation (EUR 300 k) and miscellaneous provisions (EUR 601 k).

2.8 LIABILITIES

Schedule of liabilities in EUR k:

	December 31, 2017				
			Due in		Total
	up to 1 year	more than 1 year	between 1 and 5 years	more than 5 years	
1. Equity participation	143	180	180	0	323
2. Bond loan	84,940	1,001,800	326,800	675,000	1,086,740
3. Bank loans and overdrafts	425	108,270	21,547	86,723	108,695
4. Payments received on account	30,682	0	0	0	30,682
5. Trade payables	1,904	0	0	0	1,904
6. Liabilities to affiliated companies	102,682	0	0	0	102,682
7. Other liabilities	5,495	152,164	57,664	94,500	157,659
- (thereof for taxes)	617	0	0	0	617
Total	**226,271**	**1,262,414**	**406,191**	**856,223**	**1,488,685**

	December 31, 2016				
			Due in		Total
	up to 1 year	more than 1 year	between 1 and 5 years	more than 5 years	
1. Equity participation	111	145	145	0	256
2. Bond loan	16,504	1,079,200	579,200	500,000	1,095,704
3. Bank loans and overdrafts	353	108,618	21,895	86,723	108,971
4. Payments received on account	23,776	0	0	0	23,776
5. Trade payables	1,843	0	0	0	1,843
6. Liabilities to affiliated companies	102,682	0	0	0	102,682
7. Other liabilities	5,157	151,269	56,769	94,500	156,426
- (thereof for taxes)	1,289	0	0	0	1,289
Total	**150,426**	**1,339,232**	**658,009**	**681,223**	**1,489,658**

2.8.1 Bond loan

In the last quarter of the reporting period, a bond loan in a total amount of EUR 350 million and a coupon of 1.5% p.a. was issued. The bond has a maturity until November 15, 2026.

At the prior year´s balance sheet date, a bond loan had an amount of EUR 500 million. In the fourth quarter of the reporting period the loan was redeemed by an amount of EUR 173,200 k. As of the balance sheet date the loan was recognized with a remaining amount of EUR 326,800 k. The loan was issued with a coupon of 2.25% p.a. and a maturity until March 24, 2021.

The other bond loan was valued at EUR 500,000 k as of the prior year's balance sheet date. In the fourth quarter of the reporting period the loan was redeemed by an amount of EUR 175,000 k. As of the balance sheet date the loan was recognized with a remaining amount of EUR 325,000 k. The loan was issued with a coupon of 2.125% p.a. and a maturity until April 12, 2023.

As of December 31, 2017, interest liabilities in the amount of EUR 11,344 k were accrued. The loan resulted in interest expenses of EUR 21,646 k.

As of December 31, 2016, the convertible bond was divided in 792 bearer shares of EUR 100,000 each and has a term to maturity until June 14, 2018. It will be redeemed at 100% of its principal amount. The coupon is set at 2.75% p.a., payable quarterly in arrears. In accordance with the terms of the underlying agreement, the conversion price was adjusted to the amount of EUR 9.2019 in the reporting period. In the last quarter of the reporting period 57 shares with a nominal value of EUR 5,700 k were converted into alstria shares. In the course of the conversion 619,437 new alstria shares were emitted. At balance sheet day the convertible bond was recognized with its remaining amount of EUR 73,500 k. As of December 31, 2017, interest liabilities in the amount of EUR 97 k were accrued. The convertible loan resulted in interest expenses of EUR 2,139 k.

2.8.2 Bank loans and overdrafts

In the second quarter of the reporting period alstria took out a revolving credit facility with a credit line of EUR 100,000 k. The credit line was utilized with an amount of EUR 30,000 k but repaid in the last quarter of the reporting period. The revolving credit facility resulted in interest expenses of EUR 145 k, thereof accrued interests in the amount of EUR 69 k.

On the balance sheet date, another loan was disclosed at the previous year's amount of EUR 47,223 k. Interest expenses during the reporting period amounted to EUR 389 k, of which EUR 3 k in accrued interest expenses were reported in interest liabilities.

A third loan was recognized at the balance sheet date by an amount of EUR 39,500 k. The loan resulted in interest expenses of EUR 340 k, of which EUR 3 k were accrued as interest liabilities.

Finally, a loan was recognized with a value of EUR 21,895 k as of the balance sheet date. The amount includes a current portion of EUR 348 k. alstria redeemed a portion of EUR 348 k in the reporting period. Interest expenses in the amount of EUR 291 k were incurred due to this loan, of which EUR 2 k in accrued interest expenses were reported in current interest liabilities.

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

2.8.3 Prepayments received

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

2.8.4 Liabilities to affiliated companies

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

2.8.5 Other liabilities

In the business year 2016, a “Schuldschein” (senior unsecured debt) with a total value of EUR 150,000 k was issued. The loan is divided into five portions.

One portion with a value of EUR 40,000 k and a term to maturity until May 6, 2026, has a coupon of 2.750% p.a.; one portion with a value of EUR 37,000 k and a term to maturity until May 8, 2023, has a coupon of 2.770% p.a. and finally, a portion of EUR 38,000 k and a term to maturity until May 6, 2020, has a coupon of 1.547% p.a.

Two further portions with a value of EUR 17,500 k and terms to maturity until May 8, 2023, and May 6, 2020, have variable interest rates.

The “Schuldschein” resulted in interest expenses of EUR 3,097 k, of which EUR 1,323 k in accrued interest expenses were reported in current interest liabilities.

Next to this, the other liabilities mainly include security deductions amounting to EUR 2,164 k, rent deposits in the amount of EUR 2,032 k, customers with credit balances in the amount of EUR 909 k as well as liabilities concerning value-added tax of EUR 617 k.

2.9 OTHER FINANCIAL COMMITMENTS

Other financial obligations from ongoing maintenance and refurbishment projects amounted to EUR 13,950 k (2016: EUR 23,544 k).

As of December 31, 2017, leasing contracts resulted in future financial obligations of EUR 442 k. These commitments included EUR 184 k in agreements with a remaining maturity of less than one year and EUR 259 k in leases with a remaining maturity of one to five years.

In connection with the acquisition of four real estate properties, the subsidiaries alstria office Gänsemarkt Drehbahn GmbH & Co. KG and alstria office Halberstädter Strasse GmbH & Co. KG took out a bank loan. alstria has issued a guarantee in the amount of the loan. On the balance sheet date, this loan was valued at EUR 8,800 k.

alstria gave a further security to guarantee a liability of alstria office Insterburger Straße GmbH & Co. KG amounting to EUR 148 k.

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

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

3 NOTES TO THE INCOME STATEMENT

3.1 REVENUES

Total operating performance amounted to EUR 99,376 k in the reporting period and consists of revenues from rental income and operating costs resulting from charging tenants, as well as inventory changes in relation to work in process.

3.2 OTHER OPERATING INCOME

The other operating income is made up as follows:

EUR k	2017	2016
Proceeds from appreciation of land and buildings	21,052	15,036
Proceeds from property disposals	8,674	13,665
Proceeds from compensation payments and other charges	5,437	632
Proceeds from the reversal of write-downs on financial assets	4,607	38,994
Proceeds from payments in kind	1,109	970
Reimbursement for service charges	445	1,388
Insurance proceeds	275	337
Income from the reversal of accrued liabilities	132	1,339
Proceeds from personnel leasing	104	129
Proceeds from passed-on maintenance expenses	0	280
Proceeds from a step-up merger	0	1,985
Other	1,080	998
Total	**42,915**	**75,753**

Proceeds from appreciation of land and buildings resulted from increased market values of investment properties.

Proceeds from property disposals arose from the disposal of three objects (see Note 2.1).

Proceeds from compensation payments and other charges result from early termination of leases and refurbishment activities conducted by alstria. The latter refers to refurbishments the tenants had originally committed themselves to upon entering into the leasing contracts.

Proceeds from the reversal of write-downs on financial assets arose from the increase of a subsidiaries market value (see Note 2.2).

Proceeds from payments in kind were mainly related to charges out of payroll tax deductions as to participation certificates, which are recognized in the personnel expenses. The charges were passed on to the employees and stated in the other operating income with the same amount.

Reimbursements for service charges refers to property expenses that were prepaid by alstria and then passed on to the respective group companies.

3.3 COST OF MATERIALS

The cost of materials is made up as follows:

EUR k	2017	2016
Operating expenses	11,174	8,905
Land tax	3,628	3,565
Maintenance costs	3,121	1,980
Passed-on charges	841	1,014
Insurance costs	686	591
Repairs	135	110
Other	22	73
Total	**19,608**	16,238

The cost of materials comprises costs of services for all surcharge expenses related to operating lease activities, including expenses for heating, cleaning and land taxes, as well as for maintenance and refurbishment. Inasmuch as the costs of materials are costs of services allocable to the tenant, they are capitalized as work in progress. Expenses for land tax, as disclosed in the cost of materials, together with those included in other expenses, totalled EUR 3,637 k in the reporting year (previous year: EUR 3,691 k).

3.4 PERSONNEL EXPENSES

The salaries and wages of the reporting period amounted to EUR 13,830 k. The increase as compared to the previous year is mainly based on an increased number of employees on average.

3.5 OTHER OPERATING EXPENSES

Other operating expenses are made up as follows:

EUR k	2017	2016
Real estate operating expenses	11,826	11,569
Legal and consulting fees	2,118	3,379
General administration expenses	684	596
Audit fee and other audit-related expenses	677	785
Travel expenses	492	435
Expenses for conferences and marketing	360	364
Supervisory Board compensation	353	412
IT costs	317	358
Expenses from the reversal of deferred acquisition costs on financial instrument	276	28,753
Telecommunication and postal charges	263	246
Leasing and leasing-related expenses	261	220
Carpool expenses	243	196
Cost of disposals	237	849
Insurance costs	203	130
Donations	47	2,557
Losses from disposal of financial assets	3	794
Other	1,327	1,847
Total	**19,687**	**53,490**

Real estate operating expenses remained almost constant compared to the previous year. They include costs which cannot be passed on to tenants.

The legal and consulting fees include EUR 1,867 k in consulting and legal fees and EUR 251 k in tax consulting fees.

The general administration expenses mainly include costs related to recruiting (EUR 304 k), bank charges (EUR 168 k) and sustainability reporting (EUR 43 k) as well as office expenses (EUR 168 k).

3.6 INCOME FROM LOANS FROM FINANCIAL ASSETS

The income from loans from financial assets in the amount of EUR 12,788 k (previous year: EUR 16,870 k) resulted from interest income on loans granted to subsidiaries.

3.7 OTHER INTEREST AND SIMILAR INCOME

Interest income (EUR 814 k) results from interest income on bank deposits.

3.8 INTEREST AND SIMILAR EXPENSES

Interest expenses in the reporting period amounted to EUR 63,608 k. The expenses comprise EUR 28,569 k in costs related to premature termination in the course of refinancing of bond loans; EUR 21,646 k of interest expenses due to bonds; EUR 5,033 k of transaction costs; EUR 3,097 k of interest due to a “Schuldscheindarlehen” (senior unsecured debt); EUR 2,139 k of interest expenses due to a convertible bond; EUR 1,166 k of interest expenses due to other bank loans; EUR 483 k of interests due to the allocation of acquisition costs concerning financial derivatives (see Note 1.2.7) as well as EUR 1,476 k of other interest and similar expenses.

3.9 INCOME TAXES

The taxes on income in the amount of EUR 768 k result from assessment years, before alstria converted to a tax-exempted REIT structure. Because the Company has been exempt from income taxes since the conversion, no expenses arose due to taxes in 2017.

4 OTHER NOTES

4.1 SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

In October 2017, alstria signed a purchase contract for the disposal of an asset in Eschborn. The transfer of benefits and burden is expected to take place in June 2018, after the reporting period. Additionally, alstria signed a purchase contract for the disposal of an asset in Frankfurt/M. in December 2017. The transfer of benefits and burden took place in February 2018. Additionally, in February 2018 alstria signed a purchase contract for the disposal of a property in Bremen. The transfer of benefits and burden is not expected until the end of August 2018.

As of January 4, 2018, 29 shares with a notional amount of EUR 2,900 k of the convertible bond were converted. The conversion resulted in an issue of 315,152 shares. As of January 31, 2018, a further 14 shares with a notional amount of EUR 1,400 k of the convertible bond were converted. The conversion resulted in an issue of 152,142 new shares. The conversions into new shares were made by making use of the conditionally increased capital provided for such purposes (Conditional Capital 2013).

A total of 15,323,121 new shares were issued for cash considerations. They increased alstria office REIT-AG’s share capital by EUR 15,323 k. The capital increase was entered into the commercial register on January 31, 2018. As a result of the conversions and the capital increase, alstria office

REIT-AG’s share capital increased by EUR 15,790,415.00 to EUR 169,752,069.00 value bearer shares from December 31, 2016 to December 31, 2017.

4.2 COMPENSATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

4.2.1 Management Board

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

EUR k	2017	2016
Short-term benefits	1,161	1,159
Postemployment benefits	125	124
Share-based remuneration	905	905
Total	**2,191**	**2,188**

As of the reporting date, liabilities for the compensation of the members of the Management Board amounted to EUR 339 k (2016: EUR 378 k).

4.2.2 Supervisory Board

Pursuant to the Articles of Association, the Supervisory Board members’ fixed annual remuneration amounted to EUR 353 k (2016: EUR 347 k).

With respect to the required disclosures according to Section 285 no. 9a HGB (“Handelsgesetzbuch”: German Commercial Code), we refer to the Remuneration Report in the attachment to the Management Report.

4.3 AUDITOR’S FEES

By resolution of the Annual General Meeting held on May 16, 2017, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Dammtorstraße 12, Hamburg, was appointed to perform the audit of the separate and consolidated financial statements for financial year 2017. The fee for audit services in 2017 was EUR 677 k in total, including fees for auditing financial statements with an amount of EUR 555 k and other audit-related services with an amount of EUR 122 k. Other related services concern reviews, interim reports, the half year financial report and sustainability reports as well as the issuance of an audit comfort letter.

4.4 SHARES

The share capital is divided into 153,961,654 non-par-value bearer shares.

4.5 DIVIDEND

At the Annual Shareholders' Meeting, the Managing Board intends, in agreement with the Supervisory Board, to submit the following proposal to allocate the unappropriated net income of alstria office REIT-AG for the business year 2017:

To distribute a dividend of EUR 0.52 on each share of no par value entitled to the dividend for business year 2017 existing at the date of the Annual Shareholders' Meeting, with the remaining amount to be carried forward. Payment of the proposed dividend is contingent upon approval by alstria shareholders at the Annual Shareholders' Meeting on April 26, 2018. The proposed dividend of EUR 0.52 per share for the business year 2017 represents a total payment of EUR 80.1 million based on the number of shares entitled to dividend at the balance sheet date.

Considering the new shares created by the capital increases between the end of the reporting period and the preparation of the consolidated financial statement the total payment amounts to EUR 88.3 million.

4.6 SUPERVISORY BOARD

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

During the 2017 financial year, the members of the Supervisory Board and their membership in supervisory boards of German companies or comparable German or foreign controlling committees of commercial enterprises were as follows:

Dr. Johannes Conradi Chairman	**Hamburg, Germany**	**Lawyer and Partner, Freshfields Bruckhaus Deringer LLP**
	Freshfields Bruckhaus Deringer LLP	Global Head of Real Estate
until March 31, 2017	Elbphilharmonie Hamburg Bau GmbH & Co. KG	Member of the Supervisory Board
since November 21, 2017	Elbphilharmonie & Laeiszhalle Betriebsgesellschaft mbH	Member of the Advisory Board
since November 21, 2017	Hamburg Musik gGmbH	Member of the Supervisory Board

Richard Mully Vice-Chairman	**Cobham (Surrey), United Kingdom**	**Director, Starr Street Limited**
	Actis LLP	Senior Advisor
	Great Portland Estates plc	Non-Executive Director
	Standard Life Aberdeen PLC (former Aberdeen Asset Management PLC)	Director
	St. Modwen Properties PLC	Director
since July 1, 2017	TPG Europe LLC	Senior Advisor

Dr. Bernhard Düttmann office started January 3, 2017	**Meerbusch, Germany**	**Executive Consultant**
since July 12, 2017	CECONOMY AG	Member of the Supervisory Board
Stefanie Frensch	**Berlin, Germany**	**Managing Director, HOWOGE Wohnungsbaugesellschaft mbH**
	BBU Verband Berlin-Brandenburgischer Wohnungsunternehmen e.V.	Chairman of the audit committee
Benoît Hérault	**Uzès, France**	**Managing Director, Chambres de l'Artémise S.à r.l.**
	Marie Birzard Wine & Spirits SA (former Belvédère SA)	Chairman of the Board
until August 31, 2017	EUROSIC	Board Member, Chairman of the remuneration committee
	Westbrock Partners	Senior Advisor for France
Marianne Voigt	**Berlin, Germany**	**Managing Director, bettermarks GmbH**
	BDO AG Wirtschaftsprüfungsgesellschaft	Member of the Supervisory Board

The local court in Hamburg appointed Dr. Bernhard Düttmann as a member of the Supervisory Board effective on January 3, 2017 and limited to the end of the next general meeting of the shareholders. At the Company's annual general meeting on May 16, 2017, Dr. Bernhard Düttmann was appointed as member of the Supervisory Board of alstria office REIT-AG.

4.7 MANAGEMENT BOARD

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

Olivier Elamine	**Hamburg, Germany**	**CEO of the Company**
since April 26, 2017	COIMA RES S.p.A. SIIQ	Non-Executive Director
Alexander Dexne	**Hamburg, Germany**	**CFO of the Company**
since October 16, 2017	Brack Capital Properties N.V.	Chairman of the board

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

4.8 EMPLOYEES

During the period from January 1 to December 31, 2017, the Company employed 114 employees on average (2016: 95 employees on average). The average was calculated based on the number of employed people at the end of each quarter. On December 31, 2017, alstria office REIT-AG employed 117 employees (December 31, 2016: 106 employees), excluding the Management Board.

		Employees
	Average 2017	December 31, 2017
Real estate management and development	67	71
Finance and legal	33	33
Other occupations	14	13
Total	**114**	**117**

4.9 CONVERTIBLE PROFIT PARTICIPATION RIGHTS PROGRAM

On September 5, 2007, the Supervisory Board of the Company resolved the issuance of convertible profit participation certificates ('certificates') to employees of the Company and of companies in which alstria office REIT-AG directly or indirectly holds a majority interest. Members of alstria office REIT-AG's Management Board are not considered employees of the Company in terms of this convertible profit participation rights program. The Supervisory Board passed a resolution to fix the details of the convertible profit participation rights program in accordance with an authorization granted by the General Meeting of shareholders on March 15, 2007. The convertible profit participation rights program was renewed by the Supervisory Board with minor modifications in 2012 in accordance with an authorization granted by the general meeting of shareholders on April 24, 2012.

The main terms of the program can be summarized as follows.

The nominal amount of each certificate is EUR 1.00, which is payable upon issuance. Under the program, a maximum of 500,000 certificates may be granted for using the conditional capital III 2015 created at the Annual General Meeting in 2015. By the end of the reporting period, certificates were granted corresponding to EUR 323,425 of conditional capital III 2015. In 2017, the Annual General Meeting approved the establishment of additional conditional capital III 2017 with an aggregate nominal value of up to EUR 1,000,000 for the conversion of 1,000,000 certificates. At the end of the reporting period, certificates in relation to this conditional capital III 2017 had not been granted.

The certificates are issued as non-transferable rights and are not sellable, pledgeable or otherwise chargeable.

The maximum term of each certificate is five years.

During its term, each certificate entitles the holder to a disbursement corresponding to the amount of the dividend per share that the Company paid for a full business year. For certificates held by a beneficiary for less than a full business year, the profit share is reduced pro rata temporis.

Each certificate shall be converted into one non-par-value bearer share in the Company on the second, third, fourth or fifth anniversary of the issue date if the Company's then-current stock exchange share price has exceeded the price on the issue date by 5% or more on at least seven non-subsequent trading days (market condition). For the 143,750 certificates issued on May 18, 2016, and the 179,675 certificates issued on May 19, 2017, this market condition was fulfilled until the end of the 2017 financial year.

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

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

4.10 GROUP RELATIONSHIP

alstria office REIT-AG prepares the consolidated financial statements. These statements are published in the Bundesanzeiger (web-based version of 'German Federal Gazette'). All of alstria's shares are in free float. No entity or person has a controlling influence over the Company. alstria office REIT-AG is the ultimate parent company of the Group.

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

5.1 AD-HOC ANNOUNCEMENTS

The following table summarizes the announcements pursuant to Section 15, para. 1 WpHG resp. Art. 17 MAR as published by the Company during the reporting period:

Date	Topic
Apr 24, 2017	Acquisition of a portfolio of twelve office buildings in Hamburg, Düsseldorf and Berlin
Nov 8, 2017	alstria issues a corporate bond with a nominal value of EUR 350,000,000 and invites holders of existing corporate bonds to offer their bonds to alstria
Nov 16, 2017	alstria announces the indicative results of the invitation to tender existing corporate bonds
Jan 29, 2018	Capital increase of up to 15,323,121 new shares as well as portfolio valuation gain 2017 expected to amount to c. EUR 180 m
Jan 29, 2018	alstria successfully executed capital increase

5.2 DIRECTORS' DEALINGS

The following transactions regarding the shares of the Company (ISIN DE000A0LD2U1) have been reported to the Company pursuant to Art. 19 MAR during the reporting period:

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	8,805.00
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.73	2,545.41
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.73	8,797.50
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.73	3,307.86
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	6,985.30
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	3,498.52
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	2,242.34
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	2,242.34
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	2,242.34
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	2,242.34
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	2,242.34
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	2,242.34

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	2,242.34
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	1,631.86
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	4,848.62
Alexander Dexne	CFO	Buy	XETRA	May 18, 2017; UTC + 2	11.74	2,571.06
Aggregated information for the transactions by Mr. Dexne on May 18, 2017: average weighted share price: EUR 11.74; aggregated volume: EUR 58,687.51						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	May 19, 2017; UTC + 2	11.82	7,564.80
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	May 19, 2017; UTC + 2	11.82	69,265.20
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	May 19, 2017; UTC + 2	11.82	12,978.36
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	May 19, 2017; UTC + 2	11.82	63,851.64
Aggregated information for the transactions by Dr. Conradi on May 19, 2017: average weighted share price: EUR 11.82; aggregated volume: EUR 153,660.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume
Olivier Elamine	CEO	Buy	Outside a trading venue	May 19, 2017; UTC + 2	11.76	11,760.00
Olivier Elamine	CEO	Buy	Outside a trading venue	May 19, 2017; UTC + 2	11.76	11,760.00
Olivier Elamine	CEO	Buy	Outside a trading venue	May 19, 2017; UTC + 2	11.76	15,288.00
Olivier Elamine	CEO	Buy	Outside a trading venue	May 19, 2017; UTC + 2	11.76	15,288.00
Olivier Elamine	CEO	Buy	Outside a trading venue	May 19, 2017; UTC + 2	11.76	4,704.00
Aggregated information for the transactions by Mr. Elamine on May 19, 2017: average weighted share price: EUR 11.76; aggregated volume: EUR 58,800.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume
Dr. Bernhard Düttmann	Member of the Supervisory Board	Automatic conversion of a financial instrument into shares of the Company	Outside a trading venue	June 22, 2017; UTC + 2	10.80	25,380.00
Dr. Bernhard Düttmann	Member of the Supervisory Board	Automatic conversion of a financial instrument into shares of the Company	Outside a trading venue	June 22, 2017; UTC + 2	10.61	21,220.00
Aggregated information for the transactions by Dr. Düttmann on June 22, 2017: average weighted share price: EUR 10.71; aggregated volume: EUR 46,600.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume
Richard Mully	Member of the Supervisory Board	Buy	XETRA	Sep 15, 2017; UTC + 2	12.25	122,500.00

5.3 VOTING RIGHT NOTIFICATIONS

Information according to Section 160, para. 1, No. 8 German Stock Corporation Act (AktG): The following table shows shareholdings in the Company that were in place on the balance sheet date of 2017, communicated to us pursuant to Section 33, para. 1 WpHG (Section 21, para. 1 WpHG old version) and published pursuant to Section 40, para. 1 WpHG (Section 26, para. 1 WpHG old version). Moreover, shareholdings were considered that were in place until the date of the preparation of the financial statements, communicated to us pursuant to Section 33, para. 1 WpHG (Section 21, para. 1 WpHG old version) and published pursuant to Section 40, para. 1 WpHG (Section 26, para. 1 WpHG old version). The Company did not receive any notifications pursuant to Section 20, para. 1 and 4 AktG or pursuant to Section 33, para. 2 WpHG (Section 21, para. 1a WpHG old version) during the reporting period.

No.	Shareholders, registered office	Voting rights (new) (in %)	Date of change	Attribution of voting rights	Contains 3% or more of voting rights from
1	Prédica, Paris, France	3.0265	Apr 5, 2016	No	-
2	SAS Rue la Boétie, Paris, France	5.7691	Apr 12, 2016	Yes	Prédica
3	Government of Singapore, acting by and through the Ministry of Finance, Singapour, Singapour	12.61	Apr 22, 2016	Yes	GIC Private Limited (4.71%) Euro Periwinkle Private Limited (7.90%)
4	GIC Private Limited, Singapour, Singapour	12.61	Apr 22, 2016	Yes	Euro Periwinkle Private Limited
5	GIC (Realty) Private Limited, Singapour, Singapour	7.90	Apr 22, 2016	Yes	Euro Periwinkle Private Limited
6	Europe Realty Holdings Pte Ltd, Singapour, Singapour	7.90	Apr 22, 2016	Yes	Euro Periwinkle Private Limited
7	Euro Periwinkle Private Limited, Singapour, Singapour	7.90	Apr 22, 2016	No	-
8	Cohen & Steers, Inc., New York, USA	2.99	Oct 19, 2017	Yes	n/a
9	Brookfield Investment Management Inc., New York, USA	2.99	Jan 17, 2018	Yes	n/a
10	Julius Baer Group Ltd., Zurich, Switzerland	4.31[1]	Jan 30, 2018	Yes	Kairos International SICAV
11	Kairos International SICAV, Luxembourg, Luxembourg	3.63[1]	Jan 30, 2018	No	-
12	BNP PARIBAS ASSET MANAGEMENT France S.A.S., Paris, France	2.88	Jan 31, 2018	Yes	n/a
13	BlackRock, Inc., Wilmington, DE, USA	3.82[1]	Feb 1, 2018	Yes	-

1) Contains financial instruments pursuant to Sec. 38 para. 1 No. 1 and/or No. 2 WpHG (Sec. 25 para. 1 No. 1 and No. 2 WpHG old version).

6 DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 AKTG (AKTIENGESETZ-GERMAN STOCK CORPORATION ACT)

The Management Board and the Supervisory Board have submitted the declaration of compliance as required by Section 161 AktG regarding the recommendations of the German Corporate Governance Code developed by the government commission. It is permanently available to the public on alstria office REIT-AG's website (www.alstria.com) and is included in the declaration of corporate management according to HGB Section 289f HGB.

Hamburg, February 20, 2018

Olivier Elamine (CEO)

Alexander Dexne (CFO)

Movements on non-current assets 2017

	Acquisition and manufacturing costs					Accumulated amortization and depreciation					Book values	
	1.1.2017	Additions	Disposals	Transfers	31.12.2017	1.1.2017	Additions	Disposals	Appreciations	31.12.2017	31.12.2017	31.12.2016
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets												
Concessions, commercial intellectual property rights and similar rights and assets as wall as licences	**2.043.013**	**165.065**	**0**	**0**	**2.208.078**	**1.938.803**	**52.412**	**0**	**0**	**1.991.214**	**216.863**	**104.210**
II. Property, plant and equipment												
1. Land, property rights and buildings	1.299.720.476	193.760.345	21.943.084	17.263.499	1.488.801.235	259.104.113	36.960.470	4.610.181	21.052.254	270.402.148	1.218.399.087	1.040.616.363
2. Technical plant and machinery	2.139.789	0	0	0	2.139.789	1.672.868	112.676	0	0	1.785.544	354.245	466.921
3. Other plant, operating ond office equipment	1.348.707	647.778	7.527	0	1.988.958	716.907	151.917	3.165	0	865.659	1.123.299	631.800
4. Prepayments and construction in progress	17.571.970	28.674.048	0	-17.263.499	28.982.519	0	0	0	0	0	28.982.519	17.571.970
	1.320.780.942	**223.082.171**	**21.950.612**	**0**	**1.521.912.501**	**261.493.888**	**37.225.063**	**4.613.347**	**21.052.254**	**273.053.351**	**1.248.859.151**	**1.059.287.054**
III Financial assets												
1. Shares in affiliated companies	980.528.529	27.010.158	0	0	1.007.538.687	121.187.600	350.000	0	4.607.843	116.929.757	890.608.929	859.340.929
2. Loans to affiliated companies	674.955.812	0	231.649.064	0	443.306.748	0	0	0	0	0	443.306.748	674.955.812
3. Participating interests	2.027.094	9.321,70	0	0	2.036.416	0	9.322	0	0	9.322	2.027.094	2.027.094
4. Other loans	34.802.505	1.764.294	0	0	36.566.799	0	0	0	0	0	36.566.799	34.802.505
	1.692.313.941	**28.783.773**	**231.649.064**	**0**	**1.489.448.650**	**121.187.600**	**359.322**	**0**	**4.607.843**	**116.939.079**	**1.372.509.571**	**1.571.126.341**
	3.015.137.896	**252.031.009**	**253.599.676**	**0**	**3.013.569.229**	**384.620.291**	**37.636.796**	**4.613.347**	**25.660.096**	**391.983.644**	**2.621.585.585**	**2.630.517.605**

2. INDEPENDENT AUDITOR'S REPORT

To alstria office REIT-AG, Hamburg

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of alstria office REIT-AG which comprise the balance sheet as of December 31, 2017, and the income statement for the business year from January 1 to December 31, 2017 and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of alstria office REIT-AG, Hamburg, for the business year from January 1 to December 31, 2017. In accordance with the German legal requirements, we have not audited the content of the management report specified in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2017, and of its financial performance for the business year from January 1 to December 31, 2017 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the management report specified in the "Other information" section of our auditor's report.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under these requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) Point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the business year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Valuation of land, property rights and buildings
2. Compliance with covenants and computation of associated key ratios
3. Revenue recognition

Our presentation of these key audit matters has been structured as follows:

a) Description (including reference to corresponding information in the annual financial statements)
b) Auditor’s response

1. Valuation of land, property rights and buildings

a) Properties with a total value of EUR 1,218.4 million are disclosed in the annual financial statements of alstria office REIT-AG under the reporting line “Land, property rights and buildings”. Reversals of previous impairment losses recognized against properties, amounting to EUR 21.1 million, were recorded in the income statement. Additional impairment losses in the amount of EUR 8.4 million were recognized.

The properties are valued at acquisition or construction cost and - to the extent that they are depreciable - are depreciated on a scheduled straight-line basis in accordance with their normal operational useful lives. Impairment losses are recognized to the extent that the fair value of an asset is significantly lower than its respective book value, provided that the hypothetical book value derived from further future charges for depreciation over a period of five years are also lower. If the reasons for impairment cease to exist, then any impairment loss recognized is reversed to restate the book value of the asset at its depreciated cost. The fair value of the properties is determined by two independent expert appraisers, using a capitalized earnings valuation model - the so-called “hardcore and top slice” technique. The input parameters used for the purposes of the valuation are based on numerous assumptions, so that the calculation of the fair value is discretionary in nature, and is thus subject to considerable uncertainty. The most important associated input parameters are the assumed rental income, the vacancy rate and the yield. Against this backdrop, and due to the great complexity of the valuation model, this subject was of particular importance within the context of our audit.

The disclosures of the executive directors with respect to the valuation of land, property rights and buildings are included in sections 1.2.2 and 3.2 of the notes to the financial statements.

b) When conducting our audit, we examined the internal control system that was in place to assess the fair values determined by the external appraisers and tested the controls that had been implemented. We made a critical assessment of the competence, capabilities and objectivity of the external appraisers. Together with our own internal real estate valuation experts, we examined the reasonableness of the valuation technique applied and made sample on-site visits, held critical discussions with the external experts and checked the calculation logic supporting the values that had been determined. We checked the input parameters used in the measurement process by reference to underlying contractual data, or respectively - to the extent that they were based on assumptions and estimates - assessed their reasonableness by reference to available market data.

2. Compliance with covenants and computation of associated key ratios

a) In each of the business years 2015, 2016 und 2017, a corporate bond was placed and a bonded loan (Schuldschein) was placed in 2016. The corporate bonds in 2015 and 2016 each had a respective nominal value of EUR 500 million with terms to maturity up to March 24, 2021 and April 12, 2023 respectively. They bear respective interest rates of 2.250 % and 2.125 % p.a. Due to the partial redemption of the corporate bonds, their remaining carrying amounts as of December 31, 2017 were EUR 327 million and EUR 325 million respectively. The bonded loan had a nominal value of EUR 150 million, an average coupon rate of 2.07 % and an average term to maturity of 7.1 years. The corporate bond placed in 2017 has a nominal value of EUR 350 million and a term to maturity up to November 15, 2027. It bears interest at 1.500 % p.a. The conditions associated with the corporate bonds and the bonded loan obligate alstria office REIT-AG to comply with certain covenants. From our perspective, compliance with the covenants and the computation of the associated key ratios were of particular importance in the context of our audit, due to the materiality of the financial liabilities, as well as their significant impact on the annual financial statements with respect to the financial position of the Company and also the presentation and note disclosure obligations in the event of non-compliance with them.

The disclosures relating to financial liabilities are included in section 2.8 of the notes to the financial statements and those relating to the covenants are included in the management report in the section “RISK REPORT”.

b) In order to audit compliance with the covenants and the computation of the associated key ratios, we examined the contractual bases of the covenants and checked the calculation logic supporting the computation of the key ratios, we reconciled the input parameters used in the calculation to information contained in the annual financial statements and other available information, as well as checking the calculations of the related key ratios. We subsequently checked compliance with the specified covenants by reference to the conditions specified for the corporate bonds and the bonded loan.

3. Revenue recognition

a) The revenues recognized in the income statement include rental income of EUR 78.4 million. The rental income is based on the terms of rental agreements, which in part contain special conditions covering such things as rent-free periods or variable rents. The revenue recognition area was of particular importance for the purposes of our audit, due to the significant risks associated with revenue recognition, as well as the large number of different contracts.

b) When conducting our audit, we examined the internal control system that was in place to record revenue and tested the controls that had been implemented. By reference to the underlying rental agreements, we conducted extensive analytical audit procedures and reconciled the revenues recognized in the income statement with the expected values that had been determined by us. The revenue that was recorded was tested on a sample basis to the underlying rental agreements. Fraud-related risks were confronted by making detailed tests of journal entries.

Other information

The executive directors are responsible for the other information. The other information comprises

- the explanations contained in the management report that are made in the section entitled "SUSTAINABILITY REPORT" relating to the subject of sustainability and concerning the sustainability report, which is referred to in the management report,
- the statement on corporate governance pursuant to Section 289f German Commercial Code (HGB), which is referred to in the management report, and
- the executive directors' confirmation relating to the annual financial statements and to the management report pursuant to Section 264 (2) Sentence 3 and Section 289 (1) Sentence 5 German Commercial Code (HGB) respectively.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be substantially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position, financial performance of the Company in compliance with German

Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and the management report.

Auditor's Responsibility for the Audit of the Annual Financial Statements and the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statements Audits promulgated by Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatements of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of the accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 EU Audit Regulation

We were elected as auditor by the annual general meeting on May 16, 2017. We were engaged by the supervisory board on May 16, 2017. We have been the auditor of alstria office REIT-AG, Hamburg, without interruption since the business year 2011.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Annika Deutsch.

Hamburg, February 20, 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Reiher)	(Deutsch)
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

3. Responsibility Statement

To the best of our knowledge we confirm that, in accordance with the applicable reporting principles, the financial statements 2017 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Hamburg, February 20, 2018

alstria office REIT-AG

The Management Board

Olivier Elamine
CEO

Alexander Dexne
CFO

BUILDING YOUR FUTURE

alstria office REIT-AG
www.alstria.com
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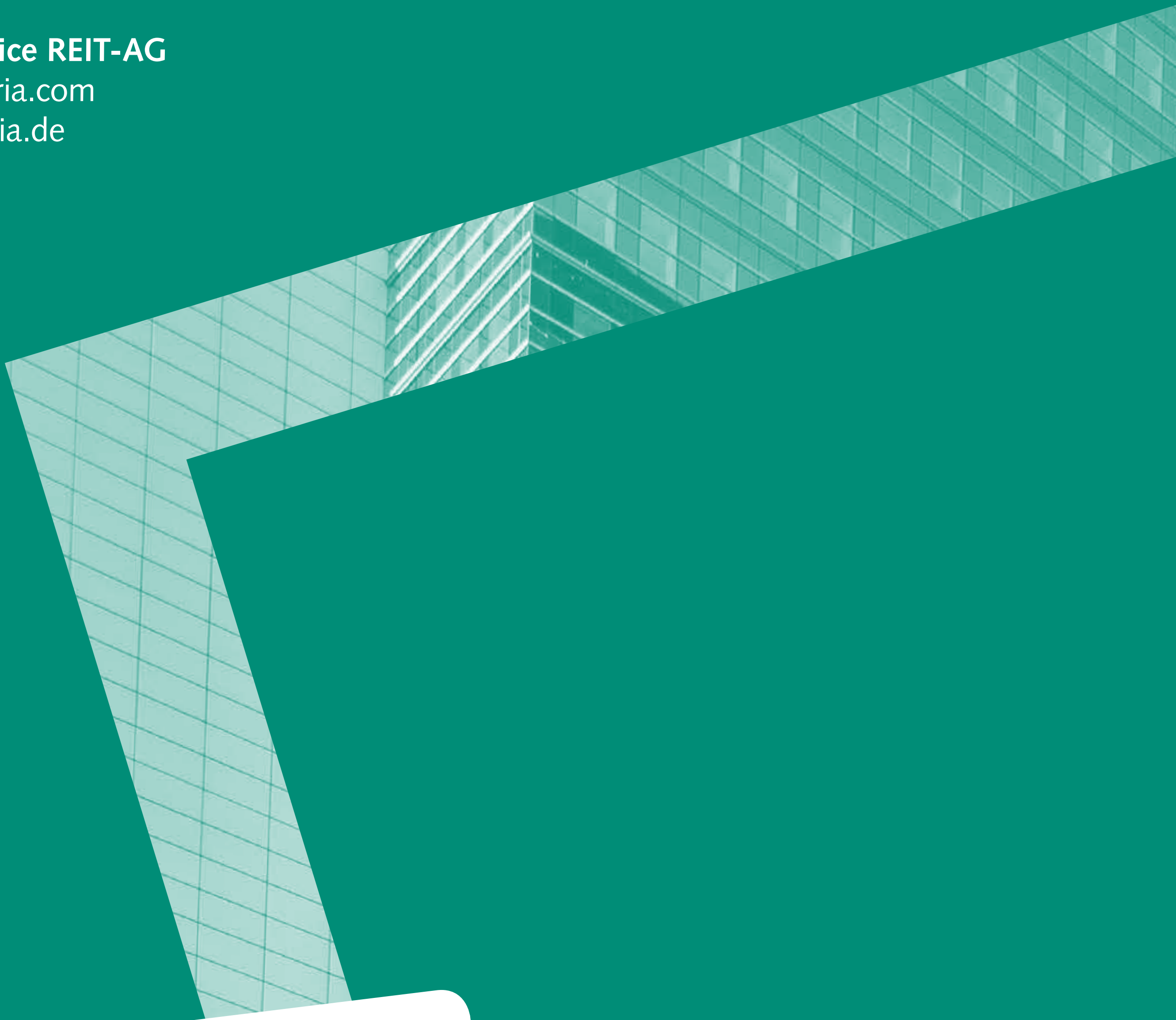

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